

Norwich City Council
SCRUTINY COMMITTEE
ITEM 7

REPORT for meeting to be held on 28 January 2016

Pre – scrutiny of the proposed budget for 2016/17

Summary:

The scrutiny committee meeting of 28 January will carry out pre-scrutiny of the council's proposed budget for 2016/17.

The purpose of the session is to comment on the proposed budget and make suggestions to cabinet regarding the proposed budget's ability to deliver the council's overarching policy framework (the corporate plan 2015-2020).

Council will be meeting to set the budget for the financial year 2015/16 at its meeting of 23 February 2016.

Conclusions:

The principles of budget scrutiny are provided in this report. Committee members are reminded of the link between the draft corporate plan 2015-2020 and the need to set a budget capable of delivering this.

Recommendation:

To determine any recommendations to Cabinet on the proposed budget for 2016/17.

Contact Officer

Justine Hartley, Chief Finance Officer

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1. The legal framework for financial scrutiny

- 1.1 Local Government Act 2000 – “it is the responsibility of the full council, on the recommendations of the executive (cabinet), to approve the budget and council tax demand. The role of scrutiny in the financial process is to hold the executive (cabinet) to account and to ensure that decisions are in the best interests of the community. Some scrutiny of budget setting and other financial planning processes is therefore essential”.
- 1.2 All members of the council need to have an understanding of how council spending matches against the priorities of the organisation set out in the corporate plan. As elected councillors, members need to ensure that budget will enable the council to deliver them effectively.

2. The role of budget pre-scrutiny

- 2.1 The scrutiny committee should seek to test, check, and evaluate the proposed budget through challenge. This may, if necessary, lead to advice and recommendations to the cabinet. The cabinet can use this as part of the testing of their proposed budget.

3. Key question

- 3.1 Will the budget as presented deliver the council's corporate plan 2015-2020? By the process of overview, the scrutiny committee will need to check that the budget plans are robust and realistic.
- 3.2 Over the course of the year scrutiny committee members monitor certain aspects of service delivery and performance against funding and at times review certain specific services. The main way in which this is achieved is through the scrutiny of the performance monitoring reports.

4. Effective pre budget scrutiny

- 4.1 Effective pre-budget scrutiny involves:
 - (a) checking that financial planning and the draft budget is sufficient to deliver the council's draft corporate plan;
 - (b) reviewing the draft budget to ensure that it is consistent with the council's commitments and spending plans;
 - (c) reviewing proposals within the draft budget relating to savings or growth in line with the financial plan.

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

Item
7(a)

Purpose

To propose for approval the budget and budgetary requirement, council tax requirement, and level of council tax for the financial year 2016-17 and non-housing capital programme for 2016/17 to 2020/21.

Recommendations

That cabinet recommends to council:

- a) that the council's budgetary requirement for the 2016/17 financial year be set to £16.442m ([para 6.1](#));
- b) that the proposed general fund budgets for 2016/17 be approved, taking into account the savings, income and other budget movements set out in the report. ([para 6.3](#));
- c) that the council's council tax requirement for 2016/17 be set at £8.469m and that council tax be set at £244.01 for Band D, which is an increase of 1.95% ([para 7.1](#)), the impact of the increase for all bands is shown in [table 7.2](#);
- d) that the precept on the council tax collection fund for 2016/17 be set at £8.375m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 ([para 7.1](#));
- e) that the prudent level of reserves for the council be set at £4.273m in accordance with the recommendation of the Chief finance officer ([para 8.11](#));
- f) that the proposed non-housing capital programme 2016/17 to 2020/21 ([para 10.3](#)) be approved; and
- g) that cabinet delegates to the Executive head of regeneration and development and the Chief finance officer, in consultation with the Portfolio holder for resources and income generation, the authority to agree the asset maintenance programme and the final scheme details, including any adjustment to the financial allocations of the section 106 works, provided that this investment is contained within the total budgetary provision shown in Table 10.3.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets out the proposed budget requirement for 2016/17 of £16.442m and the means by which this is to be financed, including through a proposed council tax of £244.01 per Band D property.

It also sets out the proposed capital programme for 2016/17 to 2020/21 illustrating how anticipated capital expenditure needs can be financed over the medium term.

Ward/s: All wards

Cabinet member: Councillor Stonard – Portfolio holder for resources and income generation

Contact officers

Justine Hartley, Chief finance officer	01603 212440
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Background documents

None

Report

1. Contents of report

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

2. [Budgetary context](#)
3. [Medium Term Financial Strategy \(MTFS\)](#)
4. [Preparation of the 2016/17 budget](#)
5. [Budgetary resources](#)
6. [Budgetary requirement – income and expenditure](#)
7. [Council tax precept](#)
8. [Report by the Chief finance officer on the robustness of estimates, reserves and balances](#)
9. [Capital resources 2016/17 to 2020/21](#)
10. [Capital programme 2016/17 to 2020/21](#)
11. [Progress in reducing the council's carbon footprint](#)

Appendix 1 [Budget consultation results](#)

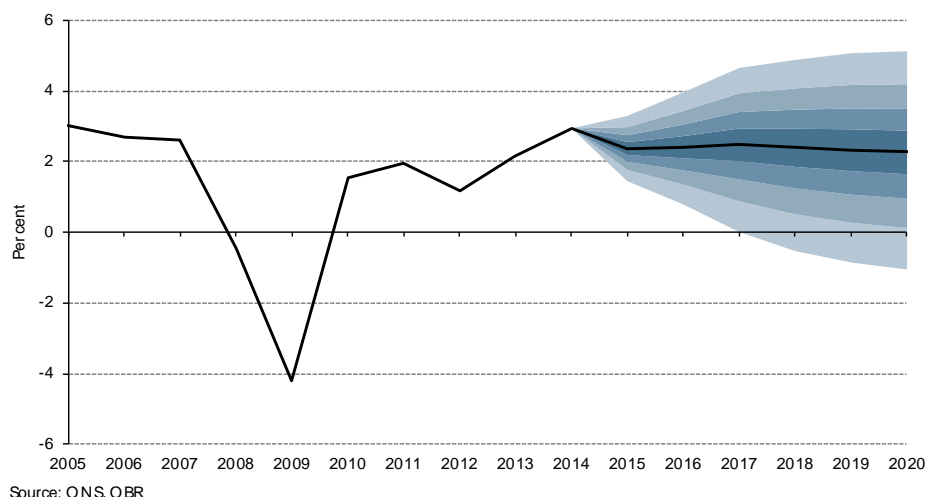
Appendix 2 [Movements in budgets 2016/17 by type](#)

Appendix 3 [Calculation of prudent minimum balance](#)

2. Budgetary context

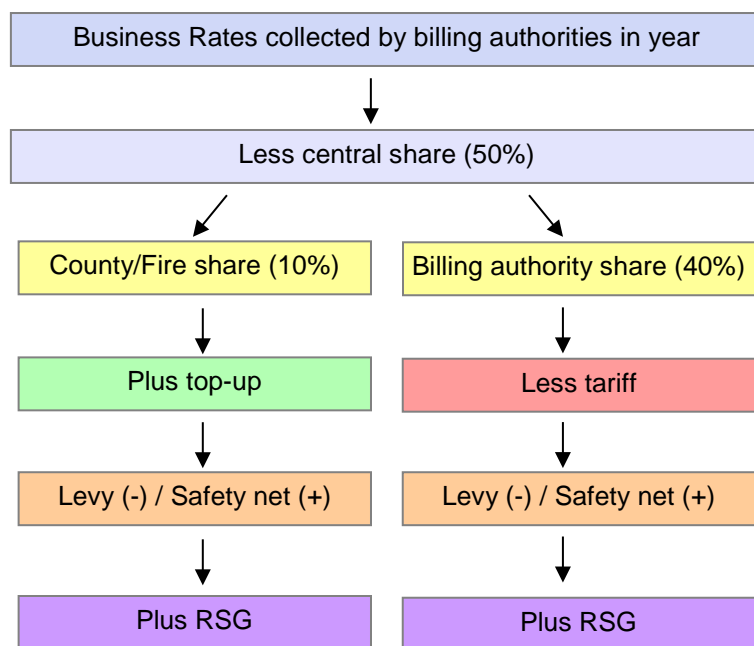
- 2.1 The OBR's GDP growth forecast remains unchanged in 2015 at 2.4 per cent. Growth in 2016 and 2017 has been revised up by 0.1 percentage points in each year. In 2016, that mainly reflects the Government's decision to ease the pace of fiscal tightening. OBR have also revised GDP growth down in 2020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

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



- 2.2 The OBR currently expects the Public Sector Net Borrowing (PSNB) deficit to continue falling, and the budget to move into surplus in 2019-20.
- 2.3 The **Business Rates Retention Scheme** replaced the Formula Grant system from 2013/14. The scheme takes the business rates collected in a geographical area during the year and applies various splits, additions and/or reductions to calculate an authority's final allocation. Part of the government's rationale in setting up the scheme was to allow local authorities to retain part of the future growth in their business rates.
- 2.4 The diagram below illustrates how the scheme calculates funding for local authorities. Central government has decided that billing authorities such as Norwich City Council will receive 40% of the business rates collected in their area.

Diagram 2.2: Business rates retention scheme



- 2.5 The business rates collected during the year by billing authorities are split 50:50 between central government and local government. Central government's share will be used to fund Revenue Support Grant (RSG) and other grants to local government.
- 2.6 Each authority then pays a tariff or receives a top-up to redistribute business rates more evenly across authorities. The tariffs and top-ups were set in 2013/14 based on the previous 'Four Block Model' distribution and were due to be uprated by September 2013 RPI. However, this increase has been capped to 2%.
- 2.7 A levy and 'safety net' system also operates to ensure that a 1% increase in business rates is limited to a 1% increase in retained income, with the surplus funding any authority whose income drops by more than 7.5% below their baseline funding.
- 2.8 In the years where the 50% local share is less than local government spending totals, the difference is returned to local government via RSG. This is allocated pro-rata to local authorities' funding baseline.

- 2.9 Therefore, there is a specific need for billing authorities to accurately forecast future business rates. The Council has committed resources to this task but is hampered by the number of appeals on properties on our ratings list.
- 2.10 The Government reimburses authorities for the impact of tax changes for small business and other additional business rate reliefs announced in the Autumn Statement each year by means of a Section 31 grant payment. The grant amount is based on actual costs as captured at year end via local authority returns. The grant is received in the year to which the business rates relate but is required to offset impacts on the general fund revenue account in the following two years.

3. Medium Term Financial Strategy (MTFS)

- 3.1 The council's budget is underpinned by the MTFS. The financial projections underlying the MTFS have been revised to reflect changes in assumptions, the provisional Local Government Finance Settlement and the changing risk environment in which the council operates. Other budget pressures including inflation and demographic requirements have also been factored in to produce a projection of the council's medium term financial position.
- 3.2 The presentation of savings in the MTFS shows the net savings required to deliver a balanced budget. Items such as growth and decreases in income are now incorporated within the transformation programme and net off against the savings to be delivered.
- 3.3 A net reduction for 2016/17 of £0.614m has now been included within the budget. The MTFS shows a need to make further net savings of £10.3m over the next 5 years, which following the "smoothed" approach equates to £2.3m each year to 2020/21 with saving reduced to £1.1m in 2021/22. This is consistent with the £2.3m of savings set out in the 2015/16 budget papers.
- 3.4 In assessing the longer term financial stability of the council, consideration has been given balancing external factors, such as global and macro-economic risks that may cause the government to increase and/or extend its austerity measures, with the need to maintain services to the residents of Norwich. To a certain degree, the strong culture of forward planning and prudent financial management that exists within the Council mitigates these external risks and allows minimum reserve levels to be set below current reserve levels.
- 3.5 Payroll-related inflation has been estimated at 3.2%, to include estimates for an annual pay settlement, payroll drift, the impact of the Living Wage and increases in pension contributions. Additional estimates have been included for expected increases to pension deficit contributions. Inflation has been allowed for on premises costs, supplies and services and transport at 2.0%, to reflect forecast changes in CPI.
- 3.6 Specific grant figures have been confirmed by the Department for Communities & Local Government for 2016/17. Grants for future years have been estimated at 2016/17 levels, except for New Homes Bonus and Housing Benefit / CTS Administration Grants. There is a significant level of uncertainty around the future of the New Homes Bonus grant which is subject to consultation at the current time. Whilst current allocations of the grant have been left in, they have been reduced to 4

years duration as proposed in the consultation and no new allocations of New Homes Bonus grant have been anticipated at this time until the outcome of the consultation is known. In addition, Housing Benefit and Local Council Tax Support Administration Grants, have been assumed to decrease by 5% per year. The MTFs assumes no increases in Council Tax beyond that recommended in this report for 2016/17.

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

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

	2016/17 Year 1 £000s	2017/18 Year 2 £000s	2018/19 Year 3 £000s	2019/20 Year 4 £000s	2020/21 Year 5 £000s	2021/22 Year 6 £000s
Employees	£17,832	£18,186	£19,487	£20,690	£21,243	£21,813
Premises	£9,573	£9,848	£10,131	£10,421	£10,721	£11,029
Transport	£273	£280	£287	£294	£302	£309
Supplies & Services	£15,824	£16,001	£16,169	£16,616	£17,076	£17,549
Capital Charges	£2,007	£2,034	£2,062	£2,090	£2,119	£2,147
Transfer Payments	£63,724	£63,724	£63,724	£63,724	£63,724	£63,724
Third Party Payments	£7,081	£7,086	£7,090	£7,095	£7,099	£7,104
Centrally Managed	£1,122	£1,152	£1,183	£1,215	£1,248	£1,282
Recharge Expenditure	£16,649	£16,751	£16,854	£16,958	£17,064	£17,170
Recharge Income	-£24,028	-£24,121	-£24,216	-£24,312	-£24,409	-£24,507
In-Year Savings	£0	£0	£0	£0	£0	£0
Receipts	-£24,384	-£24,964	-£25,559	-£26,167	-£26,791	-£27,429
<i>Government Grants:</i>	-£69,682	-£66,303	-£65,807	-£65,423	-£64,960	-£64,899
New Homes Bonus	-£2,756	-£1,142	-£717	-£400	£0	£0
PFI Grant	-£1,429	£0	£0	£0	£0	£0
Benefit Subsidy	-£63,755	-£63,755	-£63,755	-£63,755	-£63,755	-£63,755
Benefit/CTS Admin Grant	-£1,071	-£1,018	-£967	-£919	-£873	-£829
Other Government Grants	-£671	-£388	-£368	-£350	-£332	-£316
Subtotal budgets	£15,991	£19,674	£21,405	£23,200	£24,436	£25,291
Savings	0	-£2,321	-£4,642	-£6,963	-£9,284	-£10,334
Contribution to/(from) bals	£451	-£1,786	-£1,623	-£1,598	-£451	£26
Budget requirement	£16,442	£15,567	£15,140	£14,639	£14,701	£14,983
Share of NNDR (Baseline)	-£5,217	-£5,437	-£5,615	-£5,797	-£5,986	-£6,181
Council Tax Freeze Grants	£0	£0	£0	£0	£0	£0
Formula Funding	-£2,756	-£1,671	-£982	-£213	£0	£0
Council Tax Requirement	-£8,469	-£8,459	-£8,543	-£8,629	-£8,715	-£8,802
Total funding	-£16,442	-£15,567	-£15,140	-£14,639	-£14,701	-£14,983

New savings (smoothed)		£2,321	£2,321	£2,321	£2,321	£1,050
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Balance brought forward	-£10,133	-£10,584	-£8,798	-£7,175	-£5,577	-£5,126
Contributions (to)/from I&E	-£451	£1,786	£1,623	£1,598	£451	-£26
Balance carried forward	-£10,584	-£8,798	-£7,175	-£5,577	-£5,126	-£5,152
<i>Relative to controllable spend</i>	23%	19%	15%	11%	10%	10%

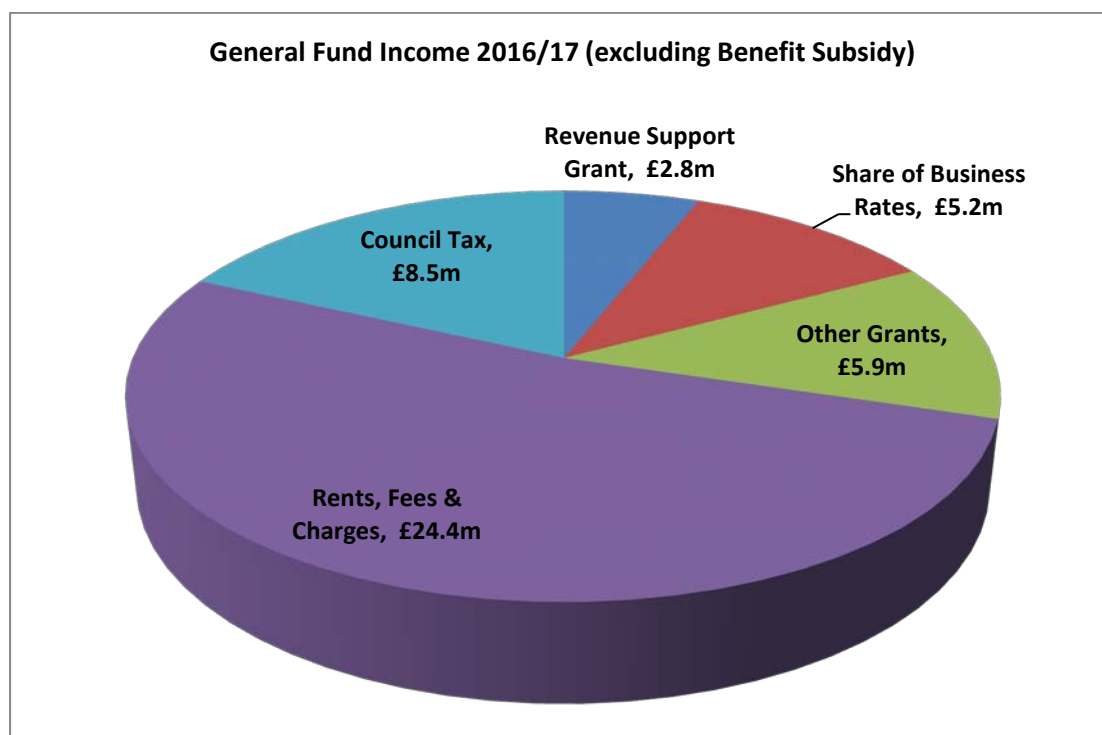
4. Preparation of the 2016/17 budget

- 4.1 Guided by the council's corporate plan and its 'changing pace blueprint' (operating model) a range of work has been carried out across the council through the transformation programme, to develop options for additional income and savings in order to meet the target within the MTFS and ensure a balanced budget. This work has been informed by a cross party working group.
- 4.2 In October cabinet considered an initial list of income and savings options and agreed for further work to be carried out to progress these.
- 4.3 In line with the approach used in previous years, cabinet agreed to consult the public on the proposed approach to meeting the savings target for 2016/17. It was also agreed to consult the public on the potential for a council tax rise.
- 4.4 The consultation closed on 8 January 2016. An analysis of the results of the consultation can be found at Appendix 1. The results showed that of the people who completed the consultation and answered the questions 68% supported a proposed council tax increase.
- 4.5 Comments and ideas were also received on other things the council could do differently to generate income or save money in the future. A large number of these relate to approaches the council is already progressing. However, as with previous years the comments will be used to inform the council's ongoing development of income and savings opportunities as part of the transformation programme.
- 4.6 A final list of the key income and savings projects that have been developed through the transformation programme and are now included in the proposed budget for 2016/17 as set out at Appendix 2. They amount to just over £3.5m.
- 4.7 The changes resulting from the savings would further reduce the council's overall capacity. However, they should not significantly impact the services that the public receive from the council for 2016/17. This further demonstrates the success of the council's ongoing approach to developing savings and income, particularly given that fact that the council has already delivered approximately £27m of recurring revenue savings over the last six years.
- 4.8 The overall package of proposed income and savings alongside all the other upward and downward budget movements and proposals within this report would result in a net reduction of £2.973m in 2016/17.

5. Budgetary resources

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

Diagram 5.1: Council income excluding benefit subsidy 2016/17



- 5.2 The total of £38.1m raised locally (through business rates, council tax and rents, fees and charges) amounts to 81% of this income, whilst the £8.7m of central government funding (RSG and other grants) amounts to 19%.

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

	2015/16 £000s	2016/17 £000s	% change
Revenue Support Grant (RSG)	4,096	2,756	-33%
Business Rates	4,645	5,218	12%
Formula funding	8,741	7,974	-9%
New Homes Bonus	2,356	2,756	17%
Local Council Tax Support / Housing Benefit Administration Grant	1,227	1,071	-13%
Private Finance Initiative (PFI) Grant	1,429	1,429	0%
Other grants	503	671	33%
Total grant funding	14,256	13,901	-3%

- 5.3 Section 31 Business Rate Relief grant is given to offset reliefs which reduce the business rates income to the Council so is not included as a separate grant.
- 5.4 In addition to the formula grant, the budgetary requirement is funded by council tax collected by the council. Any increase in the level of council tax is limited by referendum principles. For 2016/17 a 2% limit on increases was announced as part of the provisional settlement.

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

6. Budgetary requirement – income and expenditure

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

Table 6.1a: Budgetary resources 2016/17

	£000s
Formula funding 2015/16	(4,096)
Business rates 2015/16	(4,645)
Council tax 2015/16	(8,315)
Budgetary resources 2015/16	(17,056)
- Decrease in formula funding	1,340
+ Increase in business rates	(573)
+ Increase in council tax	(153)
+ Movement 2015/16 to 2016/17	613
= Formula funding 2016/17	(2,756)
= Business rates 2016/17	(5,218)
= Council tax 2016/17	(8,468)
= Budgetary resources 2016/17	(16,442)

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

	Base	Adj to Base	Inflation	Grants	Trans Savings /Income	Trans Growth	Transfers	Other	Total
Chief Executive	-	5	5	-	-	-	-	0	0
Chief Executive	-	5	5	-	-	-	-	0	0
Business Relationship Management	1,524	1,421	82	330	266	-	656	0	1,775
Finance	2,095	210	-	132	969	161	463	155	2,253
Procurement & Service Improvement	0	266	61	-	658	100	232	0	0
Democratic Services	292	14	16	-	22	103	-	0	375
Business Relationship Management	278	1,883	159	198	1,915	363	38	156	103
Communications & Culture	2,139	43	79	-	80	-	29	1	2,209
Customer Contact	93	22	70	-	93	-	77	0	61
Customers, Communication & Culture	2,046	21	149	-	173	-	106	1	2,148
Neighbourhood Housing	2,315	10	76	-	-	-	97	0	2,284
Neighbourhood Services	2,423	18	46	-	251	36	70	11	2,155
Citywide Services	10,056	74	228	-	346	63	128	9	9,790
Human Resources	1	12	8	-	15	20	-	0	0
Strategy & Programme Management	0	58	17	-	-	-	41	0	0
Strategy, People & Neighbourhoods	14,793	171	375	-	612	118	253	21	14,229
Regeneration & Development	-	8	8	-	-	-	-	0	0
City Development	1,214	254	260	-	791	617	38	3	1,417
Planning	1,448	11	113	-	195	45	36	37	1,327
Property Services	262	196	6	-	-	4	183	-	259
Environmental Strategy	-	20	5	-	25	-	-	0	0
Regeneration & Development	496	448	391	-	1,011	666	109	35	168
Total	17,056	1,280	1,079	198	3,711	1,148	0	212	16,442

6.2 Movements in budget for each type are detailed in [Appendix 2](#).

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

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

Subjective group	Budget 2015/16 £000s	Budget 2016/17 £000s	Change £000s
Employees	17,381	17,832	451
Premises	9,209	9,573	364
Transport	272	273	1
Supplies & services	15,313	15,824	511
Savings proposals	0	-	0
Third party payments (shared services)	7,531	7,081	(450)
Transfer payments	68,534	63,724	(4,810)
Capital financing	3,526	2,458	(1,068)
Recharge expenditure	18,178	17,771	(407)
Subtotal expenditure	139,944	134,536	(5,408)
Government grants	(73,277)	(69,682)	3,595
Receipts	(24,454)	(24,384)	70
Recharge income	(25,157)	(24,028)	1,129
Subtotal income	(122,888)	(118,094)	4,794
Total Budgetary Requirement	17,056	16,442	(614)

7. Council tax & precept

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

Table 7.1: Council Tax calculation 2016/17

	No.	£
Budgetary requirement		16,442,621
- Formula grant		-2,756,000
- NNDR Distribution		-5,218,000
= Council tax requirement		8,468,621
- Surplus on collection fund		-93,977
= Council tax precept		8,374,644
Band D Equivalent properties	34,322	
Council tax (Band D)		244.01

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

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

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

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

- 8.1 Section 25 of the Local Government Act 2003 requires that the Chief finance officer of the council reports to members on the robustness of the budget estimates and the adequacy of council's reserves. The Chief finance officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.
- 8.2 The main driver to achieve savings in the current budget round has been the council's transformation programme. This has been subject to rigorous review by both members and officers and is directly linked to the service planning process ensuring a strong link between the council's priorities and the financial resources available to deliver them. As with all future estimates there is a level of uncertainty and this has been taken into account when assessing the levels of reserves.

- 8.3 There are risks around the level of unavoidable expenditure and income loss. Historically this has been in excess of £1 million per annum. Both the identification and estimation of these amounts has been included within the council's ongoing transformation programme for the next three years. However, it should be noted that the level of uncertainty surrounding estimates increases as they relate to periods further into the future.
- 8.4 There are also risks around future grant and business rates incomes. In particular, there is significant uncertainty around the future of the New Homes Bonus grant which is currently the subject of a consultation on its future. There is also uncertainty over business rates income going forward with the move to 100% retention of business rates by Local Government by 2020. This will bring with it risks and uncertainties particularly those associated with changes in the economic climate and uncertainties from the appeals system for business rates.
- 8.5 Allowing for the above comments on uncertainty it is the opinion of the Chief finance officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget. Further comfort is taken from the record of the council in managing and delivering to budget in year.
- 8.6 A key mitigation for expenditure/income risks is the Chief finance officer's estimate of a prudent level of reserves. An amount has been built into the prudent level of reserves to cover estimated levels of risk, as set out in [Appendix 3](#).
- 8.7 The requirement for financial reserves is acknowledged in statute. Section 32 of the Local Government Finance Act 1992 requires billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 8.8 It is the responsibility of the Chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 8.9 The council holds two types of general fund reserves:
- The general fund is a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that can be used in year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or in the Council's control. The reserve also provides cover for grant and income risk.
 - The earmarked general fund is set aside for specific and designated purposes or to meet known or predicted liabilities e.g. insurance claims.
- 8.10 Earmarked reserves remain legally part of the general fund although they are accounted for separately.
- 8.11 A risk assessment has been undertaken to determine the level of non-earmarked general reserves required by the council. In making a recommendation for the level of reserves the Chief finance officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on

Local Authorities Reserves and Balances. The risk analysis shows that a prudent minimum level of reserves for 2015/16 will be of the order of £4.273m as shown in [Appendix 3](#).

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

Table 8.11: Estimated general fund balance through the MTFS period

Year ending	£000s
31 March 2016	£10,133
31 March 2017	£10,584
31 March 2018	£8,798
31 March 2019	£7,175
31 March 2020	£5,577
31 March 2021	£5,126
31 March 2022	£5,152

9. Capital resources 2016/17 – 2020/21

- 9.1 The council owns and maintains a range of assets. Major investment in these assets is funded from the capital programme. In turn the capital programme is resourced, in part, by the income received from the disposal of surplus assets.
- 9.2 In June 2011 the council adopted an asset management strategy that established a framework for the maintenance and improvement of assets that meet the needs of the organisation. Underperforming assets, particularly those retained for investment purposes, will be released to provide a receipt for future investment in the capital programme. The key requirements of the strategy are to optimise the existing portfolio (by establishing a rigorous process for review); to prioritise investment in the portfolio to support income generation and cost reduction; to rationalise office accommodation and to work in partnership with others to attract third party funding to bring forward development on council owned sites (e.g. the use of section 106 funding or the HCA development partnership).
- 9.3 The following table shows the total non-housing capital resources and their application anticipated over the duration of the capital programme:

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

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

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

- 9.5 Shortfalls against these targets will be managed by continuing the council's policy of not committing spend against forecast resources until the resources materialise, alongside consideration of further use of borrowing where the associated revenue costs are manageable.
- 9.6 Anticipated borrowing covers mainly costs associated with Threescore phase 2, construction of a homelessness hostel, Hurricane Way development and other asset for investment schemes expected to generate revenue income in excess of the borrowing costs. Individual business cases will be required for each of these schemes to demonstrate that income streams will cover capital and borrowing costs before the schemes go ahead.

10. Capital programme 2016/17 to 2020/21

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

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

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

- 10.2 All risks relating to the resourcing and delivery of the capital programme are identified and managed in accordance with the council's risk management strategy
- 10.3 The table below out the elements making up the proposed detailed capital programme 2016/17 to 2020/21, over and above existing programme items rolling forward.

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

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

* Indicates schemes anticipated to be funded by borrowing

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

11. Progress in reducing the council's carbon footprint

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

Integrated impact assessment



NORWICH
City Council

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

Report author to complete

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

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

Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed capital programme will provide for improvements to the council's assets and the surrounding environment
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The risks underlying the proposed budgets, council tax and capital programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of general fund reserves
Recommendations from impact assessment				
Positive				
None				
Negative				
None				
Neutral				
None				
Issues				
None				

Appendix 1

Consultation responses on the proposed budget for 2016/17

Across the whole consultation a total of 250 responses were received from groups or individuals who did not classify themselves as a member of staff. These data represent the results from those 250 responses. No data has been weighted

To what extent do you support the council raising its share of council tax by 1.95 per cent in 2016/17 and using that money to protect key services in the future?		
Answer Options	Response Percent	Response Count
Strongly agree	48.8%	117
Slightly agree	19.2%	46
Neither agree nor disagree	6.7%	16
Slightly disagree	1.7%	4
Strongly disagree	22.5%	54
Don't know	1.3%	3
<i>answered question</i>		240
<i>skipped question</i>		10

Responses were also sought on the proposed approaches to change ways of working and to save money or generate income.

The detailed ideas will be analysed further and used to inform the future development of income and savings options.

[TO BE UPDATED FOR CABINET WITH FURTHER INITIAL FINDINGS]

Appendix 2

Movements in budget 2016/17 by type

Table A2.1: Adjustments to base budgets

Adjusted Base / Transfers	£000s
Change to the GF contribution to/from reserves (per MTFS)	834
Revenue contribution to capital	210
Increase to contingency	250
Changes to non-central departmental recharge changes	-96
Changes to Central Departmental Support recharges	27
Removal of unrequired credit budget	55
Total Adjusted Base / Transfers	1,280

Table A2.2: Growth and Inflation

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

Table A2.3: Grant Changes

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

Table A2.4: Transformation Savings/Income

Transformation Savings/Income	£000s
Change to Minimum Revenue Provision policy	-769
Review of LGSS approach across all areas	-400
Review of neighbourhood model and approach	-251
Additional income from the replacement of Rose Lane car park with a new multi storey car park	-222
Reduction in ICT development budget	-200

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

Table A2.5: Transformation Growth

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

Table A2.6: Other Savings/Income

Other Savings/Income	£000s
Transfer of Fraud function to DWP (linked to reduction in Admin Grant)	-131
Additional Income (individually under £10k)	-73
Savings (individually under £10k)	-15
Growth (individually under £10k)	7
Total Other Savings/Income	-212

Calculation of prudent minimum balance

Estimate of prudent level of General Fund reserves 2016/17				Page 1/2
<u>Description</u>	<u>Level of risk</u>	<u>Amount at risk</u>	<u>Risk</u>	
Employee Costs	Medium	17,832,438	35,665	
Premises Costs	Medium	9,573,451	35,900	
Transport Costs	Medium	272,578	1,533	
Supplies & Services	Medium	15,823,698	237,355	
Third Party Payments	Medium	7,081,183	53,109	
Transfer Payments	Medium	63,724,021	191,172	
Centrally Managed Expenditure	Medium	1,121,913	33,657	
Receipts	Medium	-24,384,384	128,018	
Grants & Contributions	Low	-69,681,518	104,522	
Total One Year Operational Risk			820,933	
Allowing three years cover on operational risk			2,462,798	
Balance Sheet Risks				
Issues arising from Annual Governance Report	0	@ 100%	0	
General & Specific Risks				
Unforeseen events	2,000,000	@ 50%	1,000,000	
Legal action – counsels' fees	100,000	@ 100%	100,000	
Council Tax Reduction	700,000	@ 10%	70,000	
Business Rates retention	500,000	@ 100%	500,000	
Litigation / claims	700,000	@ 20%	140,000	
ESTIMATED REQUIRED LEVEL OF GENERAL FUND RESERVES				4,272,798

Operational cost risk profiles

Page
2/2

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

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

Item

7(b)

Purpose

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

Recommendation

- 1) To recommend to council, for the 2016/17 financial year, to:
 - a) implement the minimum 1% rent reduction in accordance with legislation that is anticipated to be approved as part of the Welfare Reform and Work Bill 2015/16. In the event that the legislation is not passed, to approve that rent levels remain unchanged until alternative options are presented cabinet and council ([para 6.8](#)).
 - b) approve the proposed Housing Revenue Account budgets ([para 3.1](#)).
 - c) approve the prudent minimum level of housing reserves ([para 7.6](#)).
 - d) approve the proposed housing capital programme 2016/17 to 2020/21 ([para 9.1](#)).
 - e) approve that garage rents remain unchanged ([para 6.13](#))
- 2) To note that service charges will be determined under delegated powers in compliance with the constitution ([para 6.14](#)).

Corporate and service priorities

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

Financial implications

These are set out in the body of the report

Ward/s: All wards

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

Contact officers: Justine Hartley, Chief finance officer 01603 212440
Shaun Flaxman, Group accountant 01603 212805

Background documents

None

Report

1. Contents of report

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

2. [Budgetary context](#)
3. [Summary HRA Budget 2015/16 into 2016/17](#)
4. [HRA Balances](#)
5. [Background to financial Planning for the HRA](#)
6. [Council Housing Rents](#)
7. [Report by the Chief Financial Officer on the robustness of estimates, reserves and balances](#)
8. [Housing Capital Resources 2016/17-2020/21](#)
9. [Recommended Housing Capital Programme 2016/17 to 2020/21](#)

Appendix 1 [Budget movements by type](#)

Appendix 2 [Calculation of Prudent Minimum Balance](#)

2. Budgetary context

- 2.1 The Housing Revenue Account (HRA) is a “ring fenced” account that the authority must maintain in relation to its council housing stock. The HRA must fund all expenditure associated with the management and maintenance of the housing stock. The HRA is a complex account, the format of which is prescribed by government.
- 2.2 The HRA moved from a position of being heavily influenced by central government, through the Housing Subsidy system, to a position under Self-Financing where the council had considerably greater discretion over the use of HRA resources. Rent and other income under Self-Financing, remain within the council’s HRA rather than being subsumed into a national pool. The level of government influence on the HRA has increased again recently with announcements in the summer budget 2015 about reductions in social rent levels, and with the introduction of measures included within the Housing and Planning Bill 2015.
- 2.3 The proposed budgets have been drawn up within the framework of the Corporate Plan, corporate Medium Term Financial Strategy (MTFS), the Neighbourhood & Strategic Housing Services’ Service Plans, the HRA Business Plan, the Housing Asset Management Plan, and the Housing Investment Strategy.

3. HRA Budget 2015/16 into 2016/17

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

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

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

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

Details of budget movements by type are shown in [Appendix 1](#).

4. HRA Balances

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

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

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

5. Background to financial Planning for the HRA

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

6. Council Housing Rents

Rent Policy Context

- 6.1 In December 2002 the Executive agreed to introduce the Government's Rent Restructuring from April 2003. Under this system a target rent for each property is calculated. Rents for individual properties are set to collect the general increase, and move rent levels towards the target rents. The Government initially intended that Council and Registered Social Landlord rents, for properties of similar sizes and locations, would converge by April 2011, then extended to April 2017. This meant that the amount of increase in rent could vary for properties depending on how near they were to the target rent as calculated by the Rent Restructuring Formula.
- 6.2 From 2012-13, the housing subsidy system was abolished and councils are now "self financing". The proceeds of rent increases now remain with the council instead of being negated by housing subsidy payments.
- 6.3 Under the previous subsidy system, the council was able to finance the Decent Homes Standard but was unable to maintain service and investment standards in the medium and long term. The introduction of self financing improved this position, enabling a higher level of investment, which has informed the subsequent capital programmes.
- 6.4 More significantly for council landlords, the self-financing regime relies on councils raising sufficient money through rents to fund their liabilities and investment needs, assessed through their HRA Business Plans.

- 6.5 For 2014-15, the combination of September 2013 inflation at 3.2% and the movement towards converging rents 2016/17 meant that following rent restructuring formula would have generated an average rent increase of 5.57% for Norwich tenants. However, having considered the financial implications, this council determined that an increase of 1.5% should be applied to all rents, with no additional movement towards convergence with target rents.
- 6.6 For 2015/16, the Government's rent policy changed to state that rent should be increased by CPI (Consumer Price Index) as of September the preceding year, plus 1% and that rent would no longer converge with target rents. This equated to a rent increase of 2.2% for Norwich tenants.
- 6.7 The level of rent tenants pay has historically been a decision for the council, but it was the expectation of ministers and assumption of the HRA business plan that authorities would follow the guidelines.

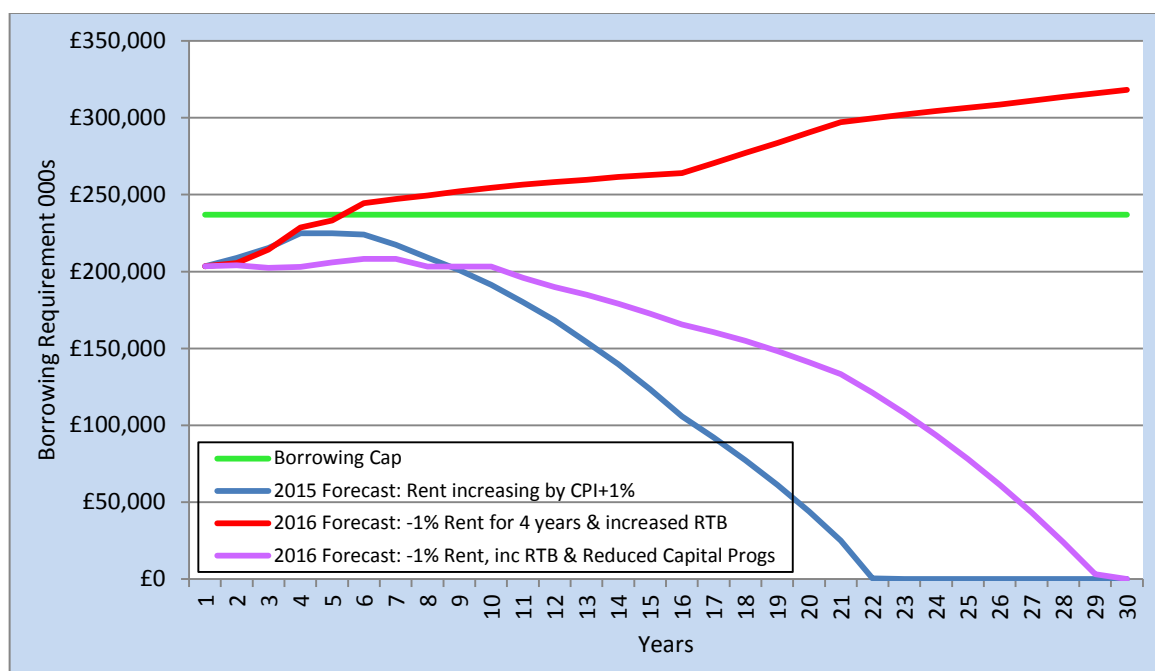
2016/17 Rent Adjustment

- 6.8 In July 2015 following the initial summer budget by the new government, it was announced that councils with retained housing stock and other social rented housing provided by registered providers (RPs) would be subjected to a mandatory minimum 1% reduction in rent. This is anticipated to last for four years from April 2016 to the end of March 2020. The reduction is set out in the Welfare Reform and Work Bill 2015/16 which is currently in passage through parliament. This budget has been built on the assumption that the bill will be passed and therefore a 1% rent reduction is recommended for approval. In the event that the legislation is not passed, it is proposed that the rent levels remain unchanged and further options will be brought to cabinet and council including input from consultation with tenants.
- 6.9 For Norwich tenants, a 1% reduction in rent generates an average weekly rent of £78.44 which equates to a reduction of £0.79.
- 6.10 The 1% rent reduction for four years has a negative impact on the HRA Business Plan and would require HRA borrowing to significantly exceed the borrowing cap. It would not be possible to repay the borrowing and the debt would increase to £318m by the end of the 30 year life of the plan.
- 6.11 In order to mitigate the negative impact of the anticipated statutory 1% rent reduction, it has been necessary to make changes to future proposed capital programmes to ensure that HRA borrowing continues to remain within allowable borrowing limits. As a consequence, the total planned capital spend over the 30 year life of the plan has been reduced by an average of £7.4m per annum.
- 6.12 This Council has invested significantly in improving its housing stock over recent years to its own "Norwich standard". That programme is now nearing completion which will result in reduced spend going forward. In order to meet the required spend reductions, whilst maintaining the Norwich Standard, scheduled work has also been realigned to the full extent of current expected lifecycles for kitchens, bathrooms, roofs etc., and the level of neighbourhood enhancements has been reduced. In addition, significant reductions in cost have been secured as a result of recent contract retendering.
- 6.13 It is proposed that garage rents again remain unchanged from current levels in order to maintain affordability and encourage new tenants thereby reducing the number of void garages.

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

Housing and Planning Bill 2015/16

- 6.15 During 2015 the Government introduced their Housing and Planning Bill which included the following two elements that could potentially have significant financial impact on the HRA Business Plan:
- Pay to Stay requirements which mean that social housing tenants (households) earning over £30,000 per annum will have to pay at or near market rents
 - Extension of Right to Buy legislation to Registered Providers, with financial losses resulting from discount to be recovered from the funds generated by the sale of high value void council dwellings.
- 6.16 It is anticipated that as a result of increased rents, the Pay to Stay requirements will generate an increased level of Right to Buy sales following its implementation in 2017. As any additional rental income raised will not be retained by the council but returned to the Government, and the loss of housing stock will reduce future rental income, this has a negative impact on the HRA Business Plan. A forecast increase in Right to Buy sales has therefore been included within the modelling shown below.
- 6.17 The chart below illustrates the impact of the 1% rent reduction and the anticipated higher Right to Buy sales on the updated HRA Business Plan and HRA borrowing requirement. This is shown against the previously anticipated position and an updated forecast incorporating revised future proposed capital programmes.



- 6.18 In addition, in order to compensate Registered Providers for financial losses incurred as a result of the extended Right to Buy legislation, the Housing and Planning Bill makes provision for a determination to be imposed on Housing Revenue Accounts based on the value of their stock, in lieu of being forced to sell high value void dwellings. Although the formula upon which the

determination will be based is as yet unknown, it has been indicated that the sum may represent an additional significant annual capital cost.

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

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

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

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

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

7. Report by the Chief Financial Officer on the robustness of estimates, reserves and balances

7.1 Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer of the authority reports to members on the robustness of the budget estimates and the adequacy of council's reserves.

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

Estimates

7.3 As with all future estimates there is a level of uncertainty and this has been taken into account when building the Business Plan and assessing the levels of reserves. In particular, the proposals in the Housing and Planning Bill 2015 are causing significant uncertainty for the setting of the 2016/17 budget. Until the level of the anticipated high value voids determination is known detailed actions to address it cannot be built into the HRA business plan. At this stage therefore, this plan accommodates the 1% rent reduction

announced in the summer budget and is also anticipated to accommodate the impact of increased Right to Buy sales from the proposed Pay to Stay policy. The prudent minimum balance for reserves has been increased by £2.75m for 2016/17 because of uncertainties around the anticipated high value voids determination, but no further allowance for the determination has been made because at this stage we have no indication of the level that the determination might be. The government's expectation is that the council will sell properties which become empty to fund the determination.

- 7.4 Further work will be done to accommodate the determination once the level is known.
- 7.5 Allowing for the above comment on uncertainty and the need to adapt the plan once the value of the high value determination is known, it is the opinion of the Chief Finance Officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget.

Reserves

- 7.6 A risk assessment has been undertaken to determine the level of general reserves required by the Council, which has been set at £5.968m as set out in [Appendix 2](#).
- 7.7 In making a recommendation for the level of reserves the Chief Finance Officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances.
- 7.8 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 7.9 Earmarked reserves remain legally part of the general fund although they are accounted for separately.
- 7.10 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:
 - a) the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992)
 - b) Chief Finance Officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement (England and Wales))
 - c) the requirements of the Prudential Code
 - d) auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.
- 7.11 Whilst it is primarily the responsibility of the local authority and its Chief Finance Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

Role of the Chief Finance Officer

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

8. Housing Capital Resources 2016/17-2020/21

- 8.1 The abolition of the HRA subsidy system from 1 April 2012 and the inception of “self financing” for council housing allowed the council, in consultation with its tenants, to develop plans for increased investment in maintaining and improving council housing in Norwich.
- 8.2 The additional resources made available by retaining rent income within the city, rather than passing surpluses to the government, enabled the council to adopt the Norwich Standard for maintenance and improvements of tenants’ homes rather than the basic Decent Homes Standard, and to adopt a Housing Investment Strategy (as considered by cabinet on 14 November 2012) to deliver new council housing, reconfiguration of sheltered housing, estate renewal, renewable energy solutions, and support to private sector housing in the city.
- 8.3 The anticipated 1% minimum rent reduction for social housing announced in the summer budget has led to significantly reduced resources for capital being anticipated over the life of the business plan. The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

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

- 8.4 The level of RTB receipts included in the proposed capital plan anticipates a further increase in RTB sales because of the government’s increased incentives and the impact of the Housing and Planning Bill’s “Pay to Stay” requirements. The additional “one for one” resources consequently forecast in the capital plan are anticipated to be applied to support the provision of new social housing.
- 8.5 Proposed housing capital expenditure includes continuing to maintain the structural integrity of tenants’ homes, delivering the Norwich Standard of

maintenance and improvement, and investment in accordance with the objectives set out in the Housing Investment Strategy.

- 8.6 All planned capital costs and resources are incorporated into the HRA Business Plan projections.
- 8.7 All risks relating to the resourcing and delivery of the capital plan are identified and managed in accordance with the council's Risk Management Strategy.

9. Recommended Housing Capital Programme 2016/17 – 2020/21

- 9.1 The following table details the proposed Housing Capital Programme for approval:

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

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

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

- 9.3 These outcomes reflect the end of the windows programme, and the continued focus on the replacement doors programme.
- 9.4 In addition, future capital programmes anticipate the building of 162 new council homes over the next 5 years.
- 9.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2015/16 capital programme.

Integrated impact assessment



NORWICH
City Council

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

Report author to complete

Committee:	Cabinet
Committee date:	3 February 2016
Head of service:	Justine Hartley, Chief Finance Officer
Report subject:	Housing Budgets and Rents 2016/17
Date assessed:	
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2016/17.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The recommendations of the report will secure continuing value for money in the provision of works and services to council tenants
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The risks underlying the budgets, rent increase, and capital plan and programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of HRA reserves
Recommendations from impact assessment				
Positive				
None				
Negative				
None				
Neutral				
None				
Issues				
None				

Draft Housing Revenue Account budgets 2015/16

Budget movements by type

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

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

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

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

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

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

APPENDIX 2

Housing Revenue Account – Prudent Minimum Balance

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

Operational cost risk profiles

Page
2/2

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