NORWICH
City Council

Cabinet

Date: Wednesday, 14 December 2022
Time: 17:30
Venue: Council chamber, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:

Waters (chair)
Harris (vice chair)
Giles
Hampton
Jones
Kendrick
Oliver
Stonard

For further information please contact:

Committee officer: Alex Hand
t: (01603) 989398
e: alexhand@norwich.gov.uk

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

Information for members of the public

Members of the public and the media have the right to attend meetings of full council, the cabinet and committees except where confidential information or exempt information is likely to be disclosed, and the meeting is therefore held in private.

For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website

IN TRAN
communication for all

If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Agenda

		Page nos
1	**Apologies** To receive apologies for absence.	
2	**Declarations of interest** (Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting).	
3	**Public questions/petitions** To receive questions / petitions from the public which have been submitted in accordance with the council's constitution.	
4	**Minutes** To agree the accuracy of the minutes of the meeting held on 16 November 2022.	7 - 14
5	**Nutrient Neutrality - Interim policy led approach towards allocation of potential mitigation headroom** **Purpose**: For Cabinet to consider how the range of options for which the mitigation secured through fitting more water efficient fittings into Council owned properties should be used and for Cabinet to consider an interim policy led approach for the apportionment of the mitigation.	15 - 36
6	**Article 4 Direction** **Purpose**: To seek delegated authority for the Head of planning and regulatory services to formally ask the Secretary of State for Levelling Up, Housing and Communities to modify the proposed non-immediate Article 4 Direction to remove permitted development rights for the conversion of offices to residential within Norwich City Centre so it applies to a more targeted area.	37 - 64
7	**The council’s provisional 2023-24 budget and medium-term financial strategy - (Section 6: Public Consultation - to follow)**	65 - 152

Purpose: To consider proposals for the council's 2023/24 budget (general fund, HRA and capital programme) and updated medium-term financial position, including the principles for consultation.
Final budget proposals, alongside the outcome of the budget consultation work, will be brought back to Cabinet in February 2023 with a recommendation to consider and approve those proposals before it goes to February Budget Council for agreement alongside the council tax setting decision.

8 Housing Revenue Account (HRA) Business Plan - (report to follow)

Purpose: To consider the the HRA business plan.

9 Treasury Management Mid Year Review Report 2022-23 153 - 166

Purpose: This report sets out the Council's Treasury Management performance for the first six months of the financial year to 30 September 2022.

10 Delegation to Award Contract for works to Public Realm in the City Centre 167 - 188

Purpose: To provide an update on the current position with the Towns Funded public realm schemes and agree a contract for scheme delivery allowing works to commence in early 2023.

11 To award a contract to decontaminate and stabilise the land at the Mile Cross development site 189 - 198

Purpose: To consider awarding a contract to decontaminate and stabilise the land at the Mile Cross development site.

12 Development Pipeline 199 - 204

Purpose: To provide an update on development pipeline work.

13 Compulsory purchase of 238A Dereham Rd (site of former Earl of Leicester Pub) and land adjoining Lime Kiln Mews 205 - 222

Purpose: To obtain delegated authority to acquire two sites via separate Compulsory Purchase Orders. The sites are:
1. Former site of Earl of Leicester pub, 238A Dereham Road, Norwich

2. Land adjoining Lime Kiln Mews, Drayton Road, Norwich.

14 Norwich Regeneration Ltd Business Plan 2023-2030 223 - 232

Purpose: To consider the Norwich Regeneration Limited Business Plan 2023-30 which the company is required to produce annually under its articles of association and to make a recommendation to Council that appropriate provision is made within the Council's budget for 2023/24 to deliver the plan in that year.

15 Exclusion of the public

Consideration of exclusion of the public.

EXEMPT ITEMS:

(During consideration of these items the meeting is not likely to be open to the press and the public.)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part 1 of Schedule 12 A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, members are asked to decide whether, in all circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

Page nos

***16 Development Pipeline – exempt appendix (para 3)**

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

***17 Compulsory purchase of 238A Dereham Rd (site of former Earl of Leicester Pub) and land adjoining Lime Kiln Mews – exempt appendix**

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

***18 Norwich Regeneration Ltd Business Plan 2023 -2033 - exempt appendix (para 3)**

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

Date of publication**: Tuesday, 06 December 2022**

NORWICH
City Council

Item 4

MINUTES

Cabinet

17:30 to 18:35 **16 November 2022**

Present:	Councillors Waters (chair), Harris (vice chair), Giles, Hampton, Jones, Kendrick and Stonard
Apologies:	Councillor Oliver
Also present:	Councillors Galvin, Green Group Leader, Wright, Liberal Democrat Group Leader

1. Declarations of interest

There were no declarations of interest.

2. Public questions/ petitions

There were no public questions or petitions.

3. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 19 October 2022.

4. Q2 22-23 Corporate Performance Assurance Report

Councillor Waters, leader of the council, explained he would present the policy and performance elements of the report and Councillor Kendrick, cabinet member for resources, the financial elements.

The report detailed areas of successful performance and areas for improvement within each council directorate. Councillor Waters, leader of the council noted that the council was operating in the shadow of Covid-19, the disruption to distribution from the Ukraine war and a tough economic climate. The report illustrated the council's resilience but it was difficult to prepare the Medium Term Financial Strategy in a context of uncertainty for local government finances.

Within the Community Services directorate he referred to the successful introduction of the Sustainable Warmth Strategy, the upgrade to the NEC housing IT system and the launch of the Norwich Health and Wellbeing partnership. In terms of challenges within the directorate there was a delay on void relet times. He noted that the biggest concern raised by the council's voluntary sector partners was the impact of the cost of living crisis on residents.

He highlighted a case study within the directorate, the Norwich 100 Day Challenge funded from the Government's Community Renewal Fund which had held a number of successful workshops aimed at building community resilience and sustainability. Feedback from the project was positive with new partnership relationships and networks being established.

He summarised successes within the corporate and commercial directorate. The council had operated within a tight financial envelope effectively allocating resources. In the elections team he highlighted the introduction of an auto enrolment system for University of East Anglia students. He noted that the launch of an online benefit tool to apply for housing benefit and council tax reduction was supporting people through a complex benefits landscape.

In terms of directorate challenges the Elections Act introduced a requirement for voter identification, the council would work to maximise the opportunities for people to vote but it would place pressure on the service. Discretionary Housing Payment funding was being reduced which had supported many people affected by the impacts of welfare reform. Finally, the financial uncertainty faced by local government with increasing costs affected the delivery of services. He highlighted Operation London Bridge a term used to refer to the protocols in response to the death of Her Majesty Queen Elizabeth II, as an example of local government working at its best.

Within the development and city services directorate housing completions had been impacted by Covid-19, supply chain issues and the issue of nutrient neutrality. The council's investment portfolio was performing well, it was below target but formed a key part of the organisation's financial infrastructure. He highlighted the successful sale of the airport industrial estate which brought in £14m funding to the council.

Further success within the directorate included works at the Carrow House site being underway with New Carrow House ready to let which was an important part of the East Norwich development. Heigham Park Tennis courts had been redeveloped and had proved to be the most popular site to date in terms of usage.

Challenges within the directorate included response times for complaints, work on the nutrient neutrality issue and delays to the introduction of the Greater Norwich Local Plan. He highlighted a successful case study to be the compulsory purchase of the Kings Arms public house in Mile Cross where a long derelict site had been transformed into good quality social housing.

Councillor Kendrick, cabinet member for resources presented the financial and risk elements of the report. He detailed the forecast financial outturn for the second quarter of 2022/23 and provided an overview of the General Fund and Housing Revenue Account underspends. He noted that in terms of the General Fund underspend of £1.4m, £1.3m arose from Treasury Management activity which was benefitting from current inflationary pressures. The underspend on the Housing Revenue Account of £2.1m was in part due to work ongoing to better understand the needs of the repair and maintenance budget and again due to investment performance from increased interest rates.

He highlighted that the Corporate Risk Register and financial risks associated with medium term financial planning were worsening due to inflation rising. A new risk in relation to the impact of the current economic environment on suppliers had been escalated this quarter. He noted that with the cost of living crisis affecting residents the council needed financial security and stability to respond appropriately.

In response to Councillor Wright's question, the interim head of finance, audit and risk, noted that greater information in relation to the council's debt and debt profile would be included in future reports.

In response to Councillor Galvin's question, the interim head of finance, audit and risk explained that housing delivery had in part been impacted by the issue of nutrient neutrality. The interim head of asset management noted in terms of the whole house repairs budget being underspent this was not only due to non-delivery of works but savings which had been made on procured works. The chief executive advised that it was not uncommon for capital programmes to change their financial profile. He highlighted that housing infrastructure delivery had been impacted by inflation, supply chain pressures and that this was a sector wide problem. Councilor Harris, the deputy leader and cabinet member for social housing noted that money had not been lost but reprofiled and often reflected the council getting best value on procurement.

With no members indicating that they wished to discuss the exempt appendix accompanying the report, it was:-

RESOLVED to:

1) Review progress on the key performance indicators for this quarter and the corporate risk register;

2) Note the financial position for quarter 2 2022/23 for the general fund, HRA and capital programme;

3) Note the re-profiling of 2022/23 capital budgets as approved under delegation by the executive director of corporate and commercial services resulting in the revised capital programme set out in Annex 1;

4) Note the capital budget virement approved by CLT detailed in Annex 1 (para A1.1).

5) Approve the additions to the 2022/23 capital programme set out in Annex 1 (para A1.2).

6) Recommend to Council, the removal of budgets from the 2022/23 capital programme as set out in Annex 1 (General Fund para A1.3, HRA – para A1.4); and

7) Note the exempt appendix to the report in relation to risk.

5. Biodiversity Strategy 2022 -2023 and the Biodiversity Development Plan 2022-2025

Councillor Giles, cabinet member for community wellbeing, presented the report. He noted that it was an ambitious strategy which sought to halt species decline and increase species abundance by 2030. He highlighted that this went further than the government's strategy which only sought to halt decline.

An engagement event, 'The Big Biodiversity Conversation' had been held initially with a draft strategy going out to consultation over the summer. This had resulted in the amended strategy with the development plan sitting beneath it. This strategy had also been subject to scrutiny by the Climate and Environment Emergency Executive panel.

The main objective of the strategy was the development of a Nature Recovery Network (NRN) compromising existing and new nature cores, nature corridors, stepping stones and the restoration of areas where biodiversity could be restored. The aim was to have this work largely completed by 2030.

The strategy integrated with the national NRN for which the county council was the lead authority but would not be restrained by it. The work of the strategy was to be funded through the intelligent management of existing council budgets, government grants, revenue from Community Infrastructure Levy and Green Infrastructure and Recreational Avoidance and Mitigation Strategy payments, funds leveraged from strategic partners and crucially the new 10% biodiversity net gain policy in the Greater Norwich Local Plan which would result in significant revenue in offsite payments.

A new biodiversity working group had been formed with officers from relevant council teams which aimed to breakdown any silo working. The working group would lead on the delivery of the development plan reporting actions back to cabinet. A biodiversity baseline measurement had been commissioned from Norfolk County Council which would be used to monitor progress against the aims of the strategy.

In response to Councillor Galvin's question, Councillor Giles, the cabinet member for community wellbeing, noted the biodiversity working group would be the means by which the strategy would be delivered. The income derived from the new 10% biodiversity net gain policy included in the Greater Norwich Local Plan would provide funding to deliver actions.

In response to Councillor Wright's question, Councillor Giles, the cabinet member for community wellbeing noted that an example of driving resident engagement in the strategy was the purchasing of 200 Swift boxes to be sent out to those on a low income. The head of strategy, engagement and culture highlighted that the first stage of the development plan was the communication and engagement stage of the strategy.

RESOLVED to approve the Biodiversity Strategy 2022-2023 and the Biodiversity Development Plan 2022-2025 for adoption.

6. Scrutiny Committee Recommendations on Review of Fly Tipping

Councillor Waters, leader of the council presented the report in the absence of Councillor Oliver, cabinet member for environmental services. He thanked the scrutiny committee for its work and the public who had responded to the consultation on fly tipping in large numbers. This helped to ascertain fly tipping hotspots and efforts were directed accordingly.

He referred to the recommendations in the report and highlighted that recommendations a) and g) had costs associated with them. In terms of recommendation a), a review of waste amnesty collections, a bid had been submitted to the Shared Prosperity Fund for capital and revenue funding to target hotspots. However, rubbish would not be simply removed but working in association with local charities would be reused or recycled where possible. Staff would be on hand to engage with residents and emphasis alternatives to disposing of items.

Councillor Waters referred to the launch of the ‘Love Norwich Play Your Part’ campaign which had gone live, the campaign recognised the demand for enforcement action against those committing the crime of environmental antisocial behaviour. Where residents found it hard to do the right thing, help would be provided but where there was a deliberate choice to commit environmental crime enforcement action would be taken.

Councillor Wright, in his role as chair of the scrutiny committee, commented that it had been rewarding to take part in the work on the review of fly tipping, meeting residents on the ground and was an example of scrutiny at its best. Councillor Galvin noted that the report highlighted what actions would be taken forward but lacked a timeline and asked if a clear action plan with timelines associated with it could be drafted. The head of environment services noted that the recommendations detailed in the report at paragraph 3 had all been progressed. The chief executive officer considered a timeline and action plan was reasonable to expect and noted that the action plan could be incorporated as a Key Performance Indicator into the annual refresh of the corporate plan.

RESOLVED to:

1) Note the proposals arising from the report to the Scrutiny Committee on the 14 July 2022 as outlined in the report;

2) Agree that Environment Services will continue to develop its operational response to the suggestions listed in paragraph 3 a. – k. within the report;

3) Agree that officers work with partners and local businesses on dealing with waste that arises from their products or services being used and promoting any existing services; and

4) Agree a timeline is set to an action plan with Key Performance Indicators being considered at the annual refresh of the corporate plan.

7. Contract Award, Capital Works at St Andrews Car Park

Councillor Stonard, cabinet member for inclusive and sustainable growth, presented the report. St Andrews car park was built in 2004 and had six levels but unfortunately did not meet modern safety standards. The council had consulted with its partners on the most appropriate method to bring the car park up to standard with a number of options being assessed. These were detailed in the report at paragraph 7, the preferred option was to carry out edge protection works to all levels.

Three tenders for the works had been received and during the process it was realised the initial budget allocated would not cover costs. These had increased due to the unanticipated costs of scaffolding to carry out works and material cost inflation since the original estimate was prepared.

In response to Councillor Galvin’s question, the executive director of development and city services agreed that the council were looking to reduce car park spaces. However, he emphasised that multi storey car parks offered a better customer experience and were easier to manage than small surface car parks. There was also a strong business case in terms of the level of income the car park generated. Councillor Stonard, cabinet member for inclusive and sustainable growth noted that decommissioned surface car parks could provide brown field development sites for housing.

With no members indicating that they wished to discuss the exempt appendix accompanying the report, it was:-

RESOLVED to:

1) Award the contract for the edge protection works at St Andrews Multi Storey Car Park to Bawburgh Installations Ltd, subject to the details in the exempt appendix to this report;

2) Delegate all matters incidental to the works to the executive director of development and city services, in consultation with the executive director of corporate and commercial services, and the cabinet member for inclusive and sustainable growth;

3) Recommend to Council to approve an increase to the 2022/23 general fund capital programme of £0.998m to fund the proposed edge protection works, to be funded from Capital receipts; and

4) Note the exempt appendix to the report.

8. Managing Assets (Non-Housing)

Councillor Kendrick, cabinet member for resources presented the report.

With no members indicating that they wished to discuss the exempt appendix accompanying the report, it was:-

RESOLVED to:

1) approve the disposal of 4a Guildhall, Norwich.

2) delegate authority to dispose of 4b Guildhall, Norwich to the Executive Director of Development and City Services if the prospect of a let as an investment does not progress in a timely manner;

3) delegate acceptance of the most advantageous offer for recommendations 1 and 2 above to the Executive Director of Development and City Services in consultation with the Cabinet member for resources; and

4) note the exempt appendix to the report.

***9 Q2 22-23 Corporate Performance Assurance Report – exempt appendix (para 3)**

This item was noted under item 4 above.

***10 Contract Award, Capital Works at St Andrews Car Park – exempt appendix (para 3)**

This item was noted under item 7 above.

***11 Managing Assets (Non-Housing) – exempt appendix (para 3)**

This item was noted under item 8 above.

CHAIR

NORWICH City Council

Item 5

Committee name: Cabinet

Committee date: 14/12/2022

Report title: Nutrient Neutrality: Interim policy led approach towards allocation of potential mitigation headroom

Portfolio:	Councillor Harris, Deputy leader and cabinet member for social housing and Councillor Stonard, cabinet member for inclusive and sustainable growth
Report from:	Executive director of development and city services
Wards:	**All**

OPEN PUBLIC ITEM

KEY DECISION

Purpose

For Cabinet to consider how the range of options for which the mitigation secured through fitting more water efficient fittings into Council owned properties should be used and for Cabinet to consider an interim policy led approach for the apportionment of the mitigation.

Recommendation:

That Cabinet agrees to pursue option 7 and to endorse an interim policy led approach for the apportionment of any nutrient neutrality mitigation credits secured through fitting more water efficient fittings into Council owned properties, and to delegate authority to the Executive Director of Development and City Services, in consultation with both the cabinet member for social housing and the cabinet member for sustainable and inclusive growth to finalise such an interim approach subject to being satisfied as to the further technical work (including an Appropriate Assessment which is necessary to establish the robustness of the proposed approach) together with engagement with Natural England.

To note the indicative cost of the nutrient neutrality mitigation credits and to delegate authority to the Executive Director of Development and City Services, in consultation with both the cabinet member for social housing and the cabinet member for sustainable and inclusive growth, to determine the final cost at which nutrient neutrality mitigation credits shall be sold.

To agree the provisional list of sites set out in rows 1-10 of Appendix A as the priority sites for the credits to be offered and to delegate authority to the Executive Director of Development and City Services to award credits (having regard to the preferred priority sites) and to enter into legal agreements allocating credits to these sites subject to them securing planning permission.

To delegate authority to the Executive Director of Development and City Services, in consultation with both the cabinet member for social housing and the cabinet member for sustainable and inclusive growth to allocate credits to further sites provided the headroom exists to do so, subject to legal agreements and the site securing planning permission.

Policy framework

The council has five corporate priorities, which are that:

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

This report meets the “Norwich has the infrastructure and housing it needs to be a successful city” as well as "The city has an inclusive economy in which residents have equal opportunity to flourish corporate aims” priorities.

This report addresses the corporate priority 3 that Norwich has the infrastructure and housing it needs to be a successful city. In particular:

- to develop and regenerate strategic areas such as East Norwich and Anglia Square;
- to provide and encourage others to provide new homes, open spaces and infrastructure for residents;
- to make the best use of our Housing Revenue Account assets and resources, maximizing our income and spending wisely to provide easy to access, high quality services and support for our tenants and leaseholders; and
- to actively manage and invest in our Housing Revenue Account Homes so that they are safe, well maintained and energy efficient.

This report helps to meet the housing, regeneration and development objective of the COVID-19 Recovery Plan.

Report details

Background

1. The Dutch Nitrogen Case[1] ('Dutch-N'), heard in the Court of Justice of the European Union (CJEU), ruled that where an internationally important site (i.e., Special Areas of Conservation (SACs), Special Protection Areas (SPAs) and Ramsar Sites) is failing to achieve a favourable condition due to nutrient pollution, the potential for a new development to add to the nutrient load is "necessarily limited". The Dutch-N case has informed the way in which regulation 63 of the Habitats Regulation 2017 should apply to pollution related incidents. This has resulted in greater scrutiny of proposed developments that are likely to increase nutrient loads to internationally important sites where a reason for their unfavourable condition is an excess of a specific pollutant.

2. As a result, on the 16 March 2022 Natural England issued new guidance to a second tranche of local planning authorities concerning nutrient enrichment and the role local authorities must play in preventing further adverse impacts to protected wetland habitats. The importance of achieving nutrient neutrality stems from evidence that large quantities of nitrogen and phosphate nutrients entering water systems cause excessive growth of algae, a process called 'eutrophication.' This reduces the oxygen content of water which increases the difficulty of survival for aquatic species; subsequently removing a food source for protected species.

3. All eight Norfolk Authorities are affected to some degree with catchments identified in the Upper Wensum SAC and the Broads SAC. The entirety of Norwich's administrative area is included in the Broads catchment, with a small part in the north-west also covered by the Wensum catchment.

4. The sources of nutrients generally include sewage treatment works, septic tanks, livestock, arable farming and industrial processes. Where sites are already in unfavourable (poor) condition, extra wastewater from new developments can make matters worse.

5. Local Planning Authorities are now required to consider the impact of nutrient enrichment before planning permission can be granted and therefore all planning applications for certain types of developments[2] in the affected catchments have been put on hold until it can be demonstrated how they will mitigate any additional nutrients arising from them.

6. Developers will have to mitigate for any adverse phosphate or nitrate deposits as part of any planning application for additional accommodation within the Wensum Special Area of Conservation (SAC) and Broads SAC and take account of the Habitats Regulations.

7. In April 2022 the Norfolk Authorities agreed to work together to address this issue as all the Norfolk Authorities, and the Broads Authority area are affected. Royal

---

[1] Joined Cases C-293/17 and C-294/17 Coöperatie Mobilisation for the Environment UA and Others v College van gedeputeerde staten van Limburg and Others
[2] It covers all types of overnight accommodation including new homes, student accommodation, care homes, tourism attractions and tourist accommodation and permitted development (which gives rise to new overnight accommodation) under the Town and Country Planning (General Permitted Development) (England) Order 2015 .

Haskoning were commissioned to assist with developing a mitigation strategy for Norfolk.

8. Agents and developers are being kept appraised of development of the mitigation strategy through forum meetings and information on each Council's website. Regular briefings are being provided to elected members.

9. Progress to date has been good: the catchment mapping has been refined to provide greater clarity for all parties on areas which are both in and out of the relevant catchments.

10. The Norfolk wide calculator has been produced in collaboration with Natural England. The Norfolk nutrient budget calculator is a catchment specific tool which has been varied to take into account regional variances from the Natural England calculator and is designed to rapidly calculate the nutrient loading from new residential development in the catchments of the River Wensum SAC and the Broads SAC. The Norfolk calculator utilises the best available scientific evidence and research alongside the latest nutrient neutrality guidance from Natural England (2022). As a result, some of the calculator inputs and assumptions deviate from those advised in the published guidance but there is a detailed guidance report to evidence the assumptions in the calculator. This calculator went live on Norwich's website in November.

11. Natural England has written confirming that it *'note[s] that the approach adopted in the Norfolk calculator is broadly consistent with that which underpins the Natural England nutrient budget calculator'* but with detailed comments on areas where there are differences including occupancy rates, water usage and Waste water Treatment Works (WwTW) discharge rates. In respect of these three areas Natural England advises that the Norfolk Authorities, as competent authorities must be satisfied that the evidence underpinning the assumptions in the Norfolk calculator is sufficiently robust and appropriate and advise that the Norfolk calculator is less precautionary than that of Natural England, but that ultimately '*Natural England do not intend to raise objection to the Norfolk Authorities using the Norfolk calculator to inform their Appropriate Assessments'*. Officers are of the view that the Norfolk calculator is sufficiently robust to justify the grant of planning permission and it therefore opens up the prospect of being able to determine currently stalled planning permissions where developers are able to demonstrate the level of mitigation required by the calculator. Officers are aware that across the affected catchment area several developers are exploring progressing planning applications by delivering on-site mitigation measures delivering the benefits required by the calculator. Whilst this may justify the release of some planning consents across the catchment, large strategic urban schemes are unlikely to be able to provide sufficient mitigation on-site.

12. The next stage is therefore to develop short-, medium-, and long-term mitigation solutions where on-site mitigation is not possible, and identify land where off-site solutions could be implemented to the greatest effect to mitigate nutrient loading from new developments. It is expected that draft reports on this will be commenced shortly, but these will need further consideration as to delivery mechanisms and further reports will likely be needed in Spring. It may be early summer before associated delivery solutions are confirmed and up and running. A joint venture is being considered by the Norfolk authorities and a separate report may be brought to Cabinet in due course. This joint venture will oversee the governance and administration of a catchment wide portfolio of NN mitigation

solutions, working with third parties such as Anglian Water and Water Resources East. Some solutions have been considered at a high level including the fitting of water efficient fittings in residential properties.

13. It is the intention that the above catchment wide solution will supersede the interim policy led approach to the allocation of nutrient neutrality credits that is proposed in this report. If, for any reason, the catchment wide solution does not prove feasible the Council may need to revisit the matter and identify a longer term policy for the application of any credits it may be in control of.

Mitigation available through Council owned Housing Stock

14. The installation of more water efficient fittings in bathrooms and kitchens in residential properties has been identified as a mitigation solution. When retrofitting water saving appliances, the water usage saved from the retrofitted properties will be replaced by the additional water from new dwellings. As a result, the volume of water entering the treatment works will stay the same and providing the treatment works operates to a permit limit, the effluent discharge concentration remains the same.

15. This solution is not applicable across the entire catchment area as it cannot be applied to wastewater treatment works (WwTWs) without a permit limit. For it to be effective WwTWs need to be operating at close to capacity with little headroom, which is not the case in all the treatment works in the catchment. However, the Whitlingham treatment works, to which almost all properties in Norwich discharge, typically does operates close to its permit limit and water efficiency measures fitted within its catchment would be effective at mitigating nutrients. Older houses generally have higher water usages per person and therefore have a greater potential for reducing nutrient loading.

16. This solution is only applicable to existing dwellings where an organisation, such as the Council, has control over properties, fittings, and any upgrade works. There may also be the possibility of Registered Providers and care providers also being able to retrofit their properties to generate credits.

17. Wastewater reductions from new water efficient appliances could be achieved during planned refurbishment and responsive repairs of such properties. The greater water saving is typically achieved through upgrades to bathrooms as opposed to kitchens, with improvements to toilets and showers providing the greatest reductions. Officers are confident that this solution could be executed in the Council's housing stock.

18. The Council owns approximately 14,500 Council houses and operates a rolling program of improvements to its Council housing, including upgrades to bathrooms and kitchens, both of which present an opportunity for more efficient fittings to be installed. The current 5yr programme has funding for the first 2 years during which some 763 properties are proposed for improvement, including works to bathrooms and kitchens. Additionally, the Council also installs new fittings as responsive repairs which are in addition to the Council's planned improvements program. Using the average over the last three years, it can be assumed that 493 dwellings would need some responsive repairs each year.

19. An average volume of water usage of around 150 l/person/day has been assumed for existing dwellings in the catchment. The WRc water efficiency

calculator (WRc, 2021) has been used to approximate the water usage per appliance / fitting for usage of 150 l/person/day. The findings are presented in **Table 1** below.

Table 1: Baseline (150 l/person/day) maximum water consumption values for fittings

Fitting	Maximum Consumption
Toilet	8 litres
Shower	12 l/min
Bath	200 litres maximum capacity
Basin Taps	9 l/min
Sink Taps	10.5 l/min

20. The Council's program of improvements currently installs fittings with a water usage of approximately 125 l/person/day. This represents a saving of approximately 25 l/person/day from the baseline. The maximum consumptions per fitting are presented in **Table 2**.

Table 2: Current (125 l/person/day) maximum water consumption values for fittings

Fitting	Maximum Consumption
Toilet	6 / 4 litres (dual flush)
Shower	9 l/min
Bath	200 litres maximum capacity
Basin Taps	8 l/min
Sink Taps	10.5 l/min

21. In order to maximise the nutrient mitigation potential of the retrofitting program, the Council will install more water efficient fittings going forward. These are expected to reduce the water usage to 106 l/person/day, representing a saving of approximately 45 l/person/day. The maximum consumptions to achieve this efficiency are presented in **Table 3**.

Table 3: Future (106 l/person/day) maximum water consumption values for fittings

Fitting	Maximum Consumption
Toilet	4 / 2.6 litres (dual flush)
Shower	8 l/min
Bath	170 litres maximum capacity
Basin Taps	5 l/min
Sink Taps	7 l/min

22. Requirement G2 and Regulations 36 and 37 of the Building Regulations (2015) introduce a minimum water efficiency standard for new homes of no more than 125 l/person/day. The Government also introduced an optional requirement of 110 l/person/day for new residential developments (excluding properties owned by local authorities and Registered Providers), which should be implemented through local policy where there is a clear evidence need. The City Council does apply conditions to planning permissions granted requiring new development to meet a water efficiency standard of 110l/person/day. However, this is not applicable to the fitting of water efficiency measures in existing housing stock as this is not subject to planning control.

23. Table 4 provides an approximate estimate for installing new fittings that will meet a water efficiency of 106l/person/day.

Table 4: Cost estimation for installing fittings to meet a water efficiency of 106 l/person/day

Fitting / Appliance	Approximate cost	Source
Toilet	£200 - £300 for a new dual flush toilet including labour. Retrofitting a traditional toilet with a dual flush mechanism may cost as little as £15.	https://www.thegreenage.co.uk/tech/water-saving-toilet/
Shower	£25 - £50	Water Efficient Showers | How To Save Water (how-to-save-water.co.uk)
Bath	£250	How Much Does a Bathroom Renovation Cost in 2021? | Checkatrade
Basin Taps	£100	How Much Does a Bathroom Renovation Cost in 2021? | Checkatrade
Sink Taps	£100	How Much Does a Bathroom Renovation Cost in 2021? | Checkatrade
Dishwasher	£300	Best dishwashers to buy 2021 - BBC Good Food
Washing Machine	£350	Top 5 Energy Efficient Washing Machines - Appliance City
Total	**£1,450 per property**	

24. The cost estimates of actual bathroom upgrades and sink tap replacements are currently being obtained from the Council's contractors. Once these are known a more accurate cost of the water efficiency improvement programme will be

known. Although the Council upgrades exclude dishwashers and washing machines, once labour costs are included costs in the same order of £1,450 are expected.

25. The planned 5yr programme sees 1,793 properties identified for planned upgrades to bathrooms and kitchens as well as 2,460 for responsive repairs. This would release 120.73 kg Total Phosphorus/yr and 3,353.58 kg Total Nitrogen/yr of mitigation, which is equivalent to approximately 1,412 new dwellings to be built. The calculations account for properties already completed since March 2022 to the current water efficiency specification.

26. The Council as landlord is in control of these properties and so can guarantee the perpetuity of the measures being installed, and the Council is also in control of the programme to ensure the mitigation is delivered in a timely manner. Essentially this means that the Council is in control of a form of mitigation which can be used to rapidly unblock some development up to the limit of the mitigation headroom.

27. In terms of nutrient neutrality mitigation this would require around 3 existing council dwellings to be retrofitted with improved water efficiency fittings to release 1 new dwelling (with a water efficiency of 110 l/person/day) draining to Whitlingham.

28. Based on the assumptions in **Table 4**, the mitigation cost per 1 new dwellings is estimated to be around £4,350 (3 x £1450). This figure will be refined once a more accurate cost of the water efficiency improvement programme is known. In practice the Norfolk Budget nutrient budget calculator would be used to determine the precise Total Phosphorus kg/yr(TP) and Total Nitrogen kg/yr (TN) mitigation requirements for a proposed development. The TP and TN headroom created by retrofitting would be apportioned and costed in kg/year units. The budget calculator has been used to calculate the mitigation budget requirements of a typical house and this allows an approximation of new dwelling headroom to be calculated.

29. Whilst not quantified at this stage, there is also likely to be some saving passed on to tenants of such properties as water usage would drop (this may only apply to those properties on water metres).

Monitoring

30. It will be essential for this programme to be monitored to ensure delivery of the mitigation in advance of the occupation of any new dwellings. The Council shall undertake detailed monitoring of the following during the course of this proposed mitigation:

- the number of upgrades undertaken by the Council every quarter;
- the drawdown of nitrate credits, both at grant of planning permission and at the point of occupation.

31. If monitoring indicates a need, it may be possible to accelerate the Council's planned water efficiency improvements in order to generate further wastewater headroom. Monitoring information will be published on the Council's website and updated periodically.

Implementation

32. The use of the Council's mitigation credit will require resourcing in order to cover the cost of the works. The Council intends to secure proportionate contributions from developers, to be collected and pooled through section 106 agreements and to secure that no benefitting developments can be occupied until the mitigation credit has been funded. The Council may also enter into direct contracts to award and secure the credits and, as set out within this report, it is recommended the Executive Director of Development and City Services be delegated authority to agree any such awards / contracts. Legal agreements will need to provide for inflationary increases in costs to be met.

33. All developments should also be subject to conditions to secure high water efficiency.

Options for mitigation

34. There are several possible developments which could be unblocked should the headroom created be allocated to them, and each option is set out below for Members' consideration.

35. A total of 52 development sites in Norwich alone are currently held up in the planning application process which would, if planning permission was granted, release 1623 new dwellings, including the 1100 dwellings at Anglia Square. These figures rise into the thousands when taking the rest of Norfolk into account. The following options have been identified:

36. **Option 1 – To allocate the mitigation on a first come first serve basis (on agreement of the developer to pay the cost associated):** There are some planning applications which could be granted once mitigation for Nutrient Neutrality is addressed. These comprise 24 applications for planning permission which would deliver 132 dwellings. Some of these planning applications may require a decision by Planning Applications Committee whilst others could be determined under delegated powers. Each application would need to enter into a legal agreement prior to the planning permission being issued to pay the cost per new dwelling for the nitrate credit mitigation before permissions could be released. The advantage of this options is that it would utilise the available headroom to the quickest possible timetable. However, the disadvantage is that it runs the risk of strategically significant developments remaining stalled whilst less significant developments are allowed to proceed. It is not favoured for this reason.

37. **Option 2 - Auction the mitigation headroom to the highest bidder – i.e., seek to maximise the financial benefit the HRA gets from an asset it owns:** This option would realise an increased income to the HRA to fund both this programme of works and future works but is not without its risks. The Council may suffer reputational damage and be seen to be profiting from provision of the mitigation and could lead to a bidding war rather than see the best type of

development brought forward. It is not favoured for this reason.

38. **Option 3 - Retain the mitigation headroom for the HRA's own development:** This option would see mitigation released for schemes such as Argyle Street and Mile Cross where important affordable housing is to be provided. It would also enable the longer term pipeline of HRA development to be delivered over time. However, this option would fail to maximise the strategic benefits possible that arise from the Council being in control of a deliverable nitrate mitigation solution at this point in time. Given that a catchment wide mitigation solution is expected to have been established by the summer of 2023 at a broadly similar order of costs per property as the current proposal, this option would fail to maximise the immediate benefits that could be delivered by releasing strategic planning permissions in the shorter term. For this reason it is not favoured.

39. **Option 4 - Allocate the mitigation headroom for specific developments where strategic benefits are considered to best align with corporate priorities (on agreement of the developer to pay the cost associated):** There are long standing allocated sites of strategic importance across the city and this would enable significant housing numbers to be granted planning permission (subject to all other planning matters being addressed) and realise economic investment and social and environmental benefits to the city. The Corporate Plan refers to two specific regeneration schemes: Anglia Square and East Norwich. A valid planning application for the redevelopment of Anglia Square was received in April 2022 and it is capable of being determined in Spring 2023. East Norwich is generally not as advanced in the planning process with masterplan having been endorsed by Cabinet in 2022. No valid planning application has been received for the Carrow Works site and there is little prospect of determination prior to summer 2023. The Deal Ground and May Gurney sites both have outline planning consent that was issued in 2012, preliminary discussion are underway about future reserved matters applications.

    The corporate plan also refers to the activities of the Council's wholly owned housebuilder Norwich Regeneration Ltd (NRL). NRL are active in building out a strategically significant site in Bowthorpe, providing private and affordable homes. They are also seeking to develop a smaller site on Ber Street for homes for private sale. Their proposed business plan is due for consideration at this meeting.

    There would clearly be significant benefits if one or more strategically significant development could be released under this option. However, the scale of the headroom available will be insufficient to allow East Norwich to proceed and if it were allocated just to strategically significant developments this risks failure to maximise the development released by the headroom currently available. For this reason it is not favoured although it should be noted that the favoured option would allow some developments mentioned above to proceed.

40. **Option 5 – Add the mitigation headroom created to the Norfolk Joint Venture portfolio of solutions for other authorities to also access**. This option 5 however, would not allow for an earlier release of strategic planning permissions within Norwich. All planning decisions would need to await the agreement of the catchment wide portfolio of NN mitigation solutions which could

take significant time to resolve and therefore undermine the objectives of the strategy. For this reason it is not favoured.

41. **Option 6 Allocate the headroom to those projects identified under the revolving fund under the Towns Fund project:** These sites are sites which are not necessarily strategic in nature as individual sites, but which collectively would have significant benefits for the City if unlocked. These sites comprise a blight to the urban character of the city and are prime development locations. Ensuring NN could be mitigated would alleviate yet another barrier to their development. However, as things stand the City Council has not been able to acquire any of these sites voluntarily and in view of the time that contested compulsory purchase orders take to pursue there is not considered an immediate benefit from allocation of the headroom created by the known mitigation. Progress on two of these sites is being reported separately to this meeting.

    Owing to the likely delays in bringing forward these sites seeking to allocate headroom specifically to these sites is not favoured. However, it should be noted that the favoured option below would allow credits to be apportioned to such sites subject to the planning process.

42. **Option 7 – Apportion the mitigation in accordance with a criteria based interim policy led approach.** The use of a criteria-based policy led approach against which to decide on the apportionment of the mitigation would ensure fairness and transparency.

43. Advantages of the policy approach are two -fold. Firstly, the approach allows, in the circumstances where the amount of proposed development exceeds the mitigation headroom, for criteria to be applied to prioritise schemes. Secondly it allows planning applications to be identified that could benefit from the mitigation, and for applicants to be invited to express an interest in utilising mitigation available through the Norwich City Retrofit scheme. This gives applicants greater certainty regarding the cost of mitigation, the timescale for a planning decision and, where necessary, for progress to be made on site-specific Habitat Regulations Assessment.

44. Such an approach is likely to be established more quickly in relation to the headroom established by the known water efficiency programme than the wider catchment wide series of credits. It therefore has the potential to allow certain developments to be granted planning permission and to proceed quicker to delivery than would otherwise be the case. It is anticipated that any policy would only operate on a temporary basis and any unused headroom could be incorporated into the emerging catchment wide scheme.

Proposed Policy Led Approach for apportionment of mitigation

45. It is recommended to Members that option 7 is utilised until the wider catchment mitigation solution is available. Appendix A includes a list of all current planning applications that propose development requiring nutrient neutrality mitigation. Also included within the list are developments that are known to be in the pipeline and expected to be submitted and ready for determination before summer 2023.

46. The list includes 54 planning applications/sites comprising a total of 1806

dwellings, 513 student beds, 95 hotel beds, 10 care home bed spaces and 3 gypsy and traveller pitches. The amount of development exceeds the available mitigation headroom. As a result, the proposed developments have been assessed against the following criteria, in sequential order:

- Is the development housing-led, delivering general needs C3 dwellings or gypsy and traveller pitches?

  Justification: development which contributes to meeting the council's 5-year housing land requirement or meets the legal duty to provide gypsy and traveller pitches.

- Is the development on an allocated site or one proposed for allocation in the submitted Greater Norwich Local Plan?

  Justification: sites that serve a strategic purpose in meeting housing need.

47. The application of these criteria results in a group of 10 sites being identified. These are then assessed against further criteria: whether they deliver affordable housing; whether there is a wider regeneration benefit associated with the development of the site, and finally ranked according to number of dwellings.

48. This criteria-based assessment results in developments on rows 1-10 of the table being identified, in order of priority, for apportionment of mitigation. Thee 'priority' developments would utilise approximately 1392 of the estimated 1412 new dwelling headroom.

49. It is recommended that applicants of the 'priority' developments should be invited to express an interest in utilising mitigation available through the Norwich City Retrofit scheme. Applicants would be required to provide a calculation of the nutrient budget mitigation requirements of their developments. This would enable verification of the availability of headroom and allow for the cost of the mitigation to be calculated.

50. Details of when any payment would need to be made (commencement or occupation) will be determined as part of the application process and secured in any related S106 agreement.

51. 'Priority' developments include the current Anglia Square planning application (ref: 22/00434/F) which would account for 1100 of the total available headroom figure for new dwellings. This is a significant proportion of the mitigation credit. The application performs strongly against each of the assessment criteria. The proposed 1100 dwellings (including up to 110 affordable homes (10%)) can make a very substantial contribution to housing supply and addressing housing need. The redevelopment of the site is a long held strategic objective of the Council as expressed through development plan policies and associated guidance over the years. Furthermore, the proposal represents the largest development scheme proposed in the city centre since Chapelfield. In the event of planning approval being granted in the first half of 2023, the £280+ million construction project would offer immediate prospects of boosting the city's economy. With demolition commencing late 2023 and construction continuing for the next 8 years. The development is predicted to create substantial job opportunities and result in transformative change in this part of the city. The proposed scheme includes replacement commercial floorspace, a new enlarged public square and public

realm improvements to surrounding streets and under the flyover. These changes along with the new resident population will materially impact the medium and long-term viability and vitality of the wider Anglia Square /Magdalen Street district centre.

52. In addition, the Anglia Square proposal benefits from a Housing Infrastructure Fund (HIF) grant offer awarded by Homes England. The grant arrangement is time limited and unless development starts on site shortly, there is a material risk that this funding will be lost. The HIF grant is scheme specific and cannot be applied to other schemes elsewhere in the city. Anglia Square is a complex site and without the HIF grant the scheme will not deliver a significant number of homes which support the Council's strategic regeneration objectives. It is also possible, in these circumstances, that the scheme would not proceed at all.

53. It is therefore recommended that the mitigation secured through fitting water efficiency measures into Council owned housing stock is offered to the 'Priority' developments. Developments listed in rows 11-47 of the table in Appendix A, provide housing but are not on allocated sites, these have been ranked according to dwelling numbers. Should any of the 'priority' development associated planning applications slip or be refused they would be deemed no longer suitable for allocation of the headroom. Depending on the timescale, mitigation may then be available to these developments.

Consultation

54. A meeting has taken place with Natural England who have advised that the proposed Norwich retrofit NN mitigation scheme will need to be subject to a formal Habitat Regulations Assessment (HRA) and Appropriate Assessment (AA). This will require formal consultation with Natural England. It is anticipated that this will be undertaken within a timescale to enable the scheme to be made available to applicants by March 2023.

55. The Council has sought further legal advice in relation to the requirement for consultation. A verbal update will be given to Cabinet about whether specific consultation is required on the proposed interim policy led approach.

Implications

Financial and resources

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

57. If accepted the proposals in this report may result in up to £6.142m additional unbudgeted income (based on cost of £4,350 per property and 1,412 headroom created) being received by the Housing Revenue Account through works that it had already committed to funding through its capital programme.

58. The actual amount will depend on the number of dwellings released by each development and the finally agreed 'levy rate'.

59. The implications of this additional income would need to be considered through the HRA business planning process and is not considered further here; including

determining whether the income is of a capital or revenue nature. There would be some monitoring and legal costs which have not been estimated at this stage but are expected to be only a fraction of the potential income.

Legal

60. A Habitats Regulations Assessment (HRA) refers to the several distinct stages of Assessment which must be undertaken in accordance with the Conservation of Habitats and Species Regulations 2017 (as amended). This is a legal duty on planning authorities.

61. All plans and projects (including planning applications) which are not directly connected with, or necessary for, the conservation management of a habitat site, require consideration of whether the plan or project is likely to have significant effects on that site. This consideration – typically referred to as the 'Habitats Regulations Assessment screening' – should consider the potential effects both of the plan/project itself and in combination with other plans or projects. Where the potential for likely significant effects cannot be excluded, a competent authority must make an appropriate assessment of the implications of the plan or project for that site, in view of the site's conservation objectives.

62. As stated in the background to this report, the Dutch-N case has informed the way in which regulation 63 of the Habitats Regulation 2017 should apply to pollution related incidents. This has resulted in greater scrutiny of proposed developments that are likely to increase nutrient loads to internationally important sites where a reason for unfavourable condition is an excess of a specific pollutant.

63. Local Planning Authorities are now required to consider the impact of nutrient enrichment before planning permission can be granted. The assessment of appropriate mitigation through the Habitats Regulations Assessment and Appropriate Assessment can only be undertaken when such mitigation is identified and secured.

64. There are additional potential legal risks around the Council seeking to adopt the proposed interim policy to guide the approach to the apportionment of the headroom. In drafting of this report the Council has obtained independent legal advice to seek to minimise these risks.

Summary of Independent Legal Advice

65. The legal advisors have highlighted that the Council's approach here is novel, in that aspects of this approach are untested, and therefore somewhat at risk of legal challenge.

66. The legal advice has considered the options appraised as above, and this draft report. It has highlighted that the Council's approach seeks to take a fair and equitable apportionment of initial mitigation credits whilst developing a longer term policy approach (as outlined in paragraphs 12 and 13 above). The interim policy led approach should provide sufficient scope to provide for allocation outside of the initial identified sites; there is still scope within the proposal for smaller allocations, and as highlighted in paragraph 53, if initial sites do not come forward there would be the ability to allocate to alternative sites.

67. The advice has further highlighted the potential that sites may still be given permission without necessary mitigation measures in respect of a negative habitat risk assessment where there are “imperative reasons of overriding public interest”. Whilst this may be applied in very limited circumstances this could still present an option in the most critical of situations where mitigation is not otherwise available.

68. The advice has also addressed the potential that this proposal falls under the scope of the subsidy control regime. Again, this is an untested area of law that does not come into full effect until January. In the meantime, the Council considers that this is a non-economic activity in that it falls under the scope of the Council’s functions to allocate mitigation in considering nutrient neutrality and therefore outside the scope of the subsidy control regime. It should be noted that option 2 above could fall under the scope of subsidy control if that route was preferred.

69. Finally, the legal advice explores the need to secure developer contributions for mitigation payments. As highlighted in paragraph 50, this will be secured through the planning and s.106 process.

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	There are no implications with regard to equality and diversity and therefore no measures proposed. An EqIA is not required
Health, social and economic impact	There may be a small reduction in water bills for residents of Council owned housing stock as a result of the works done to reduce water flows from fittings.
Crime and disorder	There are no implications with regard to crime and disorder and therefore no measures proposed.
Children and adults safeguarding	There are no implications with regard to safeguarding and therefore no measures proposed.
Environmental impact	The use of more water efficient fittings in Council owned residential properties will provide wider benefits for both tenants in terms of reducing water bills but also the environment. Pollution of waterways has been highlighted as an issue and addressing nutrient pollution from development will have a positive impact on waterways more generally but particularly the identified important sites.

Risk management

Risk	Consequence	Controls required
Failure to address the requirement to address NN mitigation.	Development plans for the site may stall if a solution to NN cannot be found. Homes England may withdraw the £15m HIF funding secured.	Introduction of the policy led approach proposed
Reputational risk	The Council may be seen to be favoring one development over another	This report sets out several options which are open to members in terms of ring-fencing this mitigation source. This decision is not a decision on any planning application. That will be determined by officers or Planning Applications Committee in due course. The policy led approach to determining allocation of headroom will not be considered to be material to the planning determination.
Legal risk	The Council may be subject to a legal challenge over its proposed approach	The Council's approach has been subject to specific and specialist legal advice as set out above

Other options considered

70. Alternatives to the recommendation have been set out in the report.

Reasons for the decision/recommendation

71. As set out above.

Background papers: None

Appendices: Appendix A – Application of suggested policy approach to current and emerging planning proposals

Contact officers: Graham Nelson, Executive Director, Development and City Services

Telephone number: 01603 989204

Email address: grahamnelson@norwich.gov.uk

David Parkin, Area Development Manager

Telephone number: 01603 989517

Email address: davidparkin@norwich.gov.uk

IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Appendix A – Application of suggested policy approach to current and emerging planning proposals

Sites listed include pending valid applications and other known proposals considered likely to be determinable before late summer 2023. Inclusion on the list should not be taken to give any indication as to how any application will be determined. Whether or not the site meets the policy will not be considered material in relation to how any application is determined.

	Application number	Address	General needs housing/gypsy & traveller led?	Allocated Site?	Affordable housing?	Regeneration of a derelict site	Dwellings	Student beds	G&T pitches	Hotel beds	Care home beds
1	22/00434/F	Anglia Square (including land and buildings to the north and west)	Y	Y	Y	Y	1100				
2		Phase 1 of the site for the former Mile Cross Depot	Y	Y	Y	Y	76				
3	22/00108/MA	120 - 130 Northumberland Street	Y	Y	Y	Y	36				
4	22/00762/F	Land and buildings including 70 - 72 Sussex Street & land north side of 148 Oak Street	Y	Y	Y	Y	34				
5		Three Score Phase 4	Y	Y	Y	N	94				
6	22/00273/F	Land off Argyle Street	Y	Y	Y	N	14				
7	22/00392/F	Land at Swanton Road	Y	Y	Y	N			3		
8	22/00272/F	10 - 14 Ber Street	Y	Y	N	Y	9				
9	22/01471/F	Earl of Leicester (site of), Dereham Road	Y	Y	N	Y	9				
10	20/00998/F	126 - 128 Barrack Street	Y	Y	N	N	17				
11	20/01579/F	The Children's Centre, 40 Upton Road	Y	N	Y		23				
12	22/00933/O	Land west of Eastgate House, 122 Thorpe Road	Y	N	Y		19				
13	21/00182/F	20 Cowgate	Y	N	Y		15				

14	21/00007/F	10 to 12 London Street	Y	N	N		14				
15	21/01655/F	100 Magdalen Street	Y	N	N		13				
16	22/00989/PDR	15 - 17 Haymarket	Y	N	N		13				
17	22/00380/F	85 - 87 Cadge Road	Y	N	N		9				
18	22/00157/F	Land north of 1 Dell Crescent, Dereham Road	Y	N	N		8				
19	22/00937/F	Land to the west of Crome Road	Y	N	N		8				
20	16/01670/F	Former Bethel Hospital, Bethel Street	Y	N	N		5				
21	22/00622/PA	Norfolk Clinic, 38 - 40 Magdalen Road	Y	N	N		5				
22	22/00363/F	Car park and premises between 25 and 27 St Leonards Road	Y	N	N		4				
23	22/00389/F	Richmond House, 244 Queens Road & 1A Bracondale	Y	N	N		4				
24	22/00491/F	74 St Faiths Lane	Y	N	N		3				
25	22/01002/F	Scotts Yard, Ber Street	Y	N	N		3				
26	22/00086/F	155 Waterloo Road	Y	N	N		3				
27	22/00519/PA	90 St Faiths Lane	Y	N	N		2				
28	22/00238/PA	37 Plumstead Road	Y	N	N		2				
29	22/00176/F	8 Redwell Street	Y	N	N		2				
30	22/00778/PA	27 Cattle Market Street	Y	N	N		1				
31	22/00127/F	The Valley, Heathside Road	Y	N	N		1				
32	22/00551/F	9 Cheyham Mount	Y	N	N		1				
33	22/01207/F	15 Willow Lane	Y	N	N		1				
34	22/00870/O	The Bungalow, Eaton Chase	Y	N	N		1				
35	22/00166/U	Wedgewood Guest House, 42 St Stephens Road	Y	N	N		1				
36	22/00058/F	36 Cotman Road	Y	N	N		1				

37	22/01102/F	60 Thorpe Road	Y	N	N		1				
38	21/01379/U	The Windmill, Knox Road	Y	N	N		1				
39	22/00356/F	183A Newmarket Road	Y	N	N		1				
40	22/00587/VC	Annexe at 137A Newmarket Road	Y	N	N		1				
41	22/00764/F	20 Waring Road	Y	N	N		1				
42	22/01010/F	2 Langton Close	Y	N	N		1				
43	22/00646/F	Clarence House, 6 Clarence Road	Y	N	N		1				
44	22/00604/F	44 - 46 Surrey Street	Y	N	N		1				
45	22/01184/U	Cat and Fiddle, 105 Magdalen Street	Y	N	N		1				
46	22/01257/F	Harford Manor House, Harford Manor Close	Y	N	N		1				
47	21/01440/F	549 Earlham Road	Y	N	N		1				
48	22/00243/F	Former Eastern Electricity Board Site, Duke Street	N	Y	N		237	480			
49	22/00545/F	Holmwood Residential Care Home, 11 Harvey Lane	N	N	N						10
50	22/00958/F	2 & 2A Winter Road, Norwich	N	N	N						
51	22/00396/F	Shoemaker Court, Enfield Road	N	N	N			33			
52	21/00942/F	Ailwyn Hall, Lower Clarence Road	N	N	N					94	
53	21/01196/O	Norwich Airport, Amsterdam Way	N	N	N						
54	22/01067/F	The Castle, 1 Spitalfields	N	N	N					1	
	TOTAL						1806	513	3	0	10

NORWICH City Council

Item 6

Committee name: Cabinet

Committee date: 14/12/2022

Report title: **Article 4 Direction**

Portfolio: Councillor Stonard, Cabinet member for inclusive and sustainable growth

Report from: Head of planning and regulatory services

Wards: Mancroft, Lakenham, Town Close, Thorpe Hamlet

OPEN PUBLIC ITEM

Purpose

To seek delegated authority for the Head of planning and regulatory services to formally ask the Secretary of State for Levelling Up, Housing and Communities to modify the proposed non-immediate Article 4 Direction to remove permitted development rights for the conversion of offices to residential within Norwich City Centre so it applies to a more targeted area.

Recommendation:

It is recommended that that Council proceeds with the introduction of an non-immediate Article 4 Direction and that delegated authority be given to the Head of planning and regulatory services to ask the Secretary of State for Levelling Up, Housing and Communities to modify the proposed non-immediate Article 4 Direction.

Policy framework

The council has five corporate priorities, which are:

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

This report meets the first four priorities.

This report helps to meet the Local development plan for the city.

This report helps to meet business and local economy objective of the COVID-19 Recovery Plan

Report details

1. Norwich City Council made an Article 4 Direction on 28 July 2021 in order to remove permitted development rights for the conversion of offices to residential within the city centre. The Direction was confirmed on 8 December 2021 further to it being considered at Cabinet however due to the need to give 12 months' notice to avoid compensation claims it was not due to come into force until 29th July 2022. The Council feels that there is a need to bring into force an Article 4 Direction as since the introduction of permitted development to change from offices to residential in 2013, there has been a significant loss in office floorspace with around 30% of the total office stock since 2008 being lost. This has significantly impacted upon the supply of available office space in the city centre. An Article 4 Direction will enable the Council to manage the loss and to consider all material planning consideration including the impact that the loss of individual offices will have upon Norwich's economy as well as ensuring that housing is of good quality.

2. The Council received correspondence from Department of Levelling Up, Housing and Communities (DLUHC) about the Article 4 Direction in May 2022 which set out that they are not convinced that the Article 4 Direction complies with new national policy that where an Article 4 Direction related to change from non-residential to residential use, it should apply to the smallest geographical area possible. Whilst DLUHC found the evidence provided is helpful in setting the strategic context, and helps demonstrate the condition of the office market in Norwich, they consider that the Council has failed to take a sufficiently targeted approach to the assessment of the impacts of the permitted development rights in locations throughout the city centre. DLUHC highlights that such an approach is necessary to ensure that the Article 4 Direction meets the tests that they should apply only to the smallest geographical area possible. This was a risk that was identified within previous committee reports.

3. In order to make the Article 4 Direction more targeted, Norwich City Council commissioned Ramidus Consulting Ltd (Ramidus). Ramidus' research helped formulate additional evidence in the form of a study which recommends areas, streets and/or buildings which should be protected by virtue of the newly defined Article 4 Direction area. The purpose of this additional work was to inform a revised geographical area for the Article 4 Direction in the hope that we can successfully bring the Article 4 Direction into force.

4. Working closely with Ramidus officers have undertaken significant work and submitted a proposed revised geographical boundary to officers at DLUHC for their informal consideration and comment. Feedback was received on 19th October 2022 to say that officers at DLUHC are comfortable with our revised proposal. The proposed modification was also discussed at Sustainable Development Panel on 15th November 2022. Following a brief discussion, Members of this panel agreed unanimously with the officer recommendation to recommend to cabinet on 14th December 2022 that the Council formally ask the Secretary of State for Levelling Up, Housing and Communities to modify the proposed non-immediate Article 4 Direction so that it can be brought into force at the earliest possible opportunity. It is not proposed to withdraw the

existing Article 4 Direction and submit a new one as this would require a further 12 months' notice; however the Secretary of State is able to modify the Direction which means it can come into force a lot sooner.

5. The section below outlines the process which we went through to redefine the geographical area and the newly proposed boundaries for the Article 4 Direction are shown in the appendices to this report.

The process

6. The first stage of the process involved mapping all of Norwich's city centre offices using data obtained from Valuation Office Agency (VOA) records. This data includes any hereditaments that are recorded as being offices. Whilst this data is not 100% accurate it is a good starting position and it is expected that any non listed buildings that were not identified by the VOA records would have been detected during site visits. The mapping process also allowed officers to be able to identify which of these offices were statutory listed buildings. The decision was made that there would be no need to survey the statutory listed buildings as these do not need protection through an Article 4 Direction; however it is important to show them on our mapping exercises as it helps to identify clusters and accurately demonstrates how Norwich's offices are distributed across the city centre. Appendix 1 shows all offices within the city centre (including offices within statutory listed buildings) and Appendix 2 shows all offices other than those within listed buildings. One of the main observations gained from this mapping exercise is how scattered offices are across the city centre although there are some areas of the centre where clusters can be identified.

7. A spreadsheet containing details of occupiers and address points for all non-listed office buildings was supplied to Ramidus. In order to make the survey work more manageable, the city centre was broken down into seven key character areas, namely:

   • North of the River
   • Norwich Lanes
   • Whitefriars
   • St Stephens
   • Norvic House
   • Prince of Wales & King Street
   • Station area.

8. Local knowledge and desk-based research enabled some sifting of buildings, with for example offices situated within shopping centres and purpose built student accommodation being discounted along with those proposed for demolition as part of a wider redevelopment scheme.

9. Survey work was carried out by Ramidus, and for each site the following details were observed and recorded. Photographs were taken of all sites.
   • Occupier/owner
   • Address details
   • Occupied/vacant
   • Floors, use, condition and age
   • Typology, size and locational factors
   • Curb appeal, historic significance
   • Comments

10. Using the information and research gathered Ramidus applied a status to each office building (on a “red. Amber, green/RAG” basis). This separated the offices into the following categories:

    Red – office premises that must be protected as their loss would be wholly unacceptable

    Amber – very important premises but where there are uncertainties that needed discussion with the Council. These were subsequently recategorizes as either red or green.

    Green – A case could be made for their release despite some of the offices still being considered important as their loss could not be justified as ‘wholly unacceptable’.

11. Using the status rating the Council then produced two maps. The first map shows the proposed modified Article 4 Direction (appendix 3) so this includes any offices that were identified as red within the RAG status. The second version of the map (appendix 4) not only shows the proposed direction but also shows offices that were discounted and offices that are listed buildings. This contextual map is not proposed to be published alongside the modified Direction however it is considered important to demonstrate how the proposed Article 4 Direction would relate to the wider office economy. A list of proposed buildings for Article 4 Direction protection is included within Appendix 5.

12. Ramidus also produced a short report which sets out their findings (appendix 6). One of the key things to note is that Norwich’s office economy would appear to be very different from a number of other cities. It does not have a central business district but instead offices are scattered across the city centre which in itself makes the office economy quite vulnerable. A number of very important clusters have been identified through the mapping exercise, but the exercise has also highlighted how important a number of our individual offices are too.

13. Ramidus undertook a very thorough assessment, and officers feel that a justified case has been made for each office that has been identified for protection. Each of these offices play an important role due to their size, location, character or affordability but each of them also plays a fundamental role in ensuring that Norwich retains a variety of premises from small, affordable offices to large corporate office buildings.

14. Norwich has lost around a third of its office accommodation since 2008 and through assessing all existing individual office buildings we have now identified a significant amount of office accommodation that we feel would not meet the ‘wholly unacceptable’ test and would need to accept its loss (in some instances rather reluctantly). Any office floorspace that we feel would not meet the ‘wholly unacceptable’ test has not been included with the proposed Article 4 Direction area. Officers are of the opinion that the loss of any of the premises identified for protection would not only be wholly unacceptable on an individual basis, but it would erode the office economy to the extent whereby the very survival of the city centre office market is at risk. Only through seeking to protect the identified offices will Norwich be able to meet need and demand and ensure that the office economy thrives. Therefore, it is officer’s opinion that the principle of the loss of any of the identified offices would be wholly unacceptable without being able to fully consider its impact through the planning application process. The

proposed Direction (if approved) does not necessary mean that all offices will be prevented from changing to residential. Instead, it will enable the Council to manage it and to consider all material planning considerations including the impact that the loss of offices will have upon our economy. In addition it would enable the Council to ensure that housing is of good quality.

15. It should be noted that the Direction does include some (circa 30) office buildings which do exceed 1,500sqm which officers at DLUHC have warned against doing. These are strategically important offices and whilst we acknowledge that the current wording of the General Permitted Development Order would prevent the building in its entirety being converted in one go, we do have concerns that the threshold could change or one floor at a time could be converted to residential which could have a significant and wholly unacceptable impact in itself. Therefore, it is proposed that these buildings be included as officers believe a justified case has been made; however it must be acknowledge that there is a risk that DLUHC will ask that these be removed.

16. We have now put forward the Council’s case to DLUHC on an informal basis and feedback received from officers so far would suggest that they are comfortable with our revised proposal. The next step is to put forward a formal request to the Secretary of State to modify our Direction. Subject to the Secretary of Statement for Levelling Up, Housing and Communities agreeing that our case is now supported by overwhelming evidence and meets the test of applying to the smallest geographical area possible the Direction should be able to be brought into force on the revised boundaries.

17. One other minor change is also proposed to the Direction. Currently the wording of the Direction does not specifically exclude any building and land for which prior approvals have been granted or treated as being granted. This effectively means that any development falling into the description in Schedule 2 would need planning permission if the development had not been commenced, regardless of the stage the prior approval applications had reached. As officers we feel that where premises already benefit from prior approval consent they should be given the opportunity to build out that consent and therefore it is proposed to amend schedule 1 to specifically exclude any building and land for which prior approval have been granted and where the permission is still extant. The Direction would however apply if the permission expires. We have sought legal advice on this matter and their response is that they can understand the rationale for the proposed approach and that it seems completely reasonable. Their advice is that we engage with the Secretary of State to invite them to make this explicit within the direction. NPlaw does not feel that this change will be controversial as the Council would be seeking to retain rights rather than limit them. Appendix 7 sets out the proposed modification that the Council has put to officers at DLUHC but now response has been received on this matter so far.

18. If successfully brought into force, then any change of use from office to residential within the Article 4 Direction area will require full planning permission (save for those sites with an extant permission or prior approval as set out in the previous paragraph) and the assessment of planning applications will need to take into account the existing and emerging local plan which enables the LPA to consider all material planning matters.

19. It is envisaged that if approved, the Article 4 Direction would be consistent with the Council's policies. Currently policy DM19 seeks to protect high quality office space over 1,500sqm and policy DM17 seeks to protect smaller businesses. In terms of the emerging Greater Norwich Local Plan, the regulation 19 version of the plan set out that the loss of existing office floorspace will be resisted. A modification has since been proposed to take into account that the Article 4 Direction is going to be more targeted but to also add a clause that enables offices to change use if it can be demonstrated that the loss of the office accommodation would not be of detriment to Norwich's office economy. The proposed wording also seeks to protect offices within listed buildings as these will not be covered by the Article 4 Direction. The proposed wording is as follows:

To support this, loss of existing office floorspace will be resisted

a) within the area to be defined under the 'Article 4 direction relating to the conversion of offices to residential';

b) where the office accommodation to be lost would exceed 1,500sqm and the site is within the city centre (as defined by map 9), with the exception of any existing office building situated within site allocation GNLP0506; or

c) for all statutory listed office buildings situated within the city centre (as defined by map 9)

unless it can be demonstrated that its loss will not be of detriment to Norwich's office economy.

Consultation

20. A consultation took place when the Council made the Direction in July 2021. Responses to the consultation were set out within the November 2021 SD panel report. There is no requirement for a further stage of consultation where Ministers agree to modify a Direction; however the Council will be required to publicise the notice as soon as practicable and the Direction can then come into force from the date of publication.

21. Informal comments have been sought from the DLUHC on the modified boundary and officers have confirmed that they are comfortable with the revised proposal.

22. The proposed boundary modification was discussed at Sustainable Development panel on 15th November 2022 and members of this panel were keen to progress the Article 4 Direction and to formally ask DLUHC to modify the Direction based on the revised proposal.

Implications

Financial and resources

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

24. There are no proposals in this report that would reduce or increase resources.

25. There will be a financial cost associated with further publicity for introducing an Article 4 direction. It is expected that this will be met from existing budgets.

26. The initial Ramidus study was funded through Towns Deal funding. The most recent study was met from existing budgets. We have already given 12 months notice of bring the direction into force which will avoid any compensation claims.

27. Any change of use from offices to residential will reduce business rates revenue but on the other hand will increase council tax income; the precise impact will depend on a number of factors that cannot be exemplified eg the rateable value of the business property including any reliefs, the council tax band and the circumstances of residents (eg if they qualified for the council tax reduction scheme or other discounts or reliefs). It is also likely to change the mix of services provided by the council.

28. Introducing an Article 4 Direction may prevent some offices from changing to residential where the change of use would not comply with local or national planning policy. The introduction of an Article 4 Direction could potentially have some implications on the total amount of business rates/council tax received but this is unlikely to be significant.

Legal

29. Legal advice has been sought through the process, Once brought into force, the Direction will need to be registered as a land charge.

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and Diversity	There are no direct equality implications arising from this proposal.

Consideration	Details of any implications and proposed measures to address:
Health, Social and Economic Impact	There has been an uncontrolled loss of office accommodation within Norwich since the introduction of permitted development to convert offices to residential and it has been identified by Ramidus in July 2020 that Norwich's office economy is in a fragile and vulnerable condition. This report in itself will not have a direct impact in protecting Norwich's office economy but, once the direction is confirmed and comes into force, it will enable the LPA to consider whether the loss of an office building within the city centre is acceptable on a case by case basis. This will allow office stock that is truly redundant to change use while, on the other hand, being able to protect space of strategic value. This therefore has the potential to have a positive impact on economic development. In addition the size and quality of flats delivered through permitted development rights have often been substandard as they are not of sufficient size or provide sufficient natural light or external amenity space to provide a good quality of life for future residents. The impact of this report to make an article 4 direction will not have any direct impacts but, once the direction is confirmed and comes into force, removing permitted development rights will enable the LPA to consider all material planning considerations and ensure that internal and external amenity for future residents accords with planning policy.
Crime and Disorder	Neutral impact
Children and Adults Safeguarding	Neutral impact

Consideration	Details of any implications and proposed measures to address:
Environmental Impact	Under prior approval applications no physical alterations can be made to the building. If required these come forward as a separate application. The impact of this report to make an article 4 direction will not have any direct impacts but, once the direction is confirmed and comes into force, having one planning application for the change of use and physical alterations will enable the LPA to better consider the impacts of the development in order to ensure that the proposal enhances the built environment. It will also enable the LPA to secure landscaping via a condition which will have a positive upon both the natural and built environment. Under prior approval applications the LPA is not able to require 10% of energy to be from decentralised and renewable or low carbon energy sources. The impact of this report to make an article 4 direction will not have any direct impacts but, once the direction is confirmed and comes into force, the Article 4 direction will enable the LPA to consider energy for all sites of 10 or more dwellings.

Risk management

Risk	Consequence	Controls Required
There is a risk that DLUHC do not accept the modification and that the article 4 direction may fail.	Given that the majority of work has already been done, the further financial resource implications are relatively minimal.	We have submitted our proposed modification to officers at DLUHC on an informal basis which should minimise the risk of failure. We feel that our case is supported by overwhelming evidence and is now geographically limited.

Other options considered

30. The alternative option is to not introduce an article 4 direction. This option is not recommended as it would prevent the Council from having any future control over the conversion of offices to residential through permitted development rights.

Reasons for the decision/recommendation

31. It is felt that our case is supported by overwhelming evidence and the Article 4 Direction will help protect Norwich's office economy.

Background papers: None

Appendices:

Appendix 1: All offices within Norwich City Centre
Appendix 2: All offices within Norwich City Centre (excluding offices within Listed building)
Appendix 3: Proposed modified Article 4 Direction geographical area
Appendix 4: Contextual map
Appendix 5: List of proposed office buildings for Article 4 Direction protection
Appendix 6: Summary of research to support the introduction of an article 4 Direction for Norwich City Centre, Ramidus, September 2022
Appendix 7: Proposed modified direction

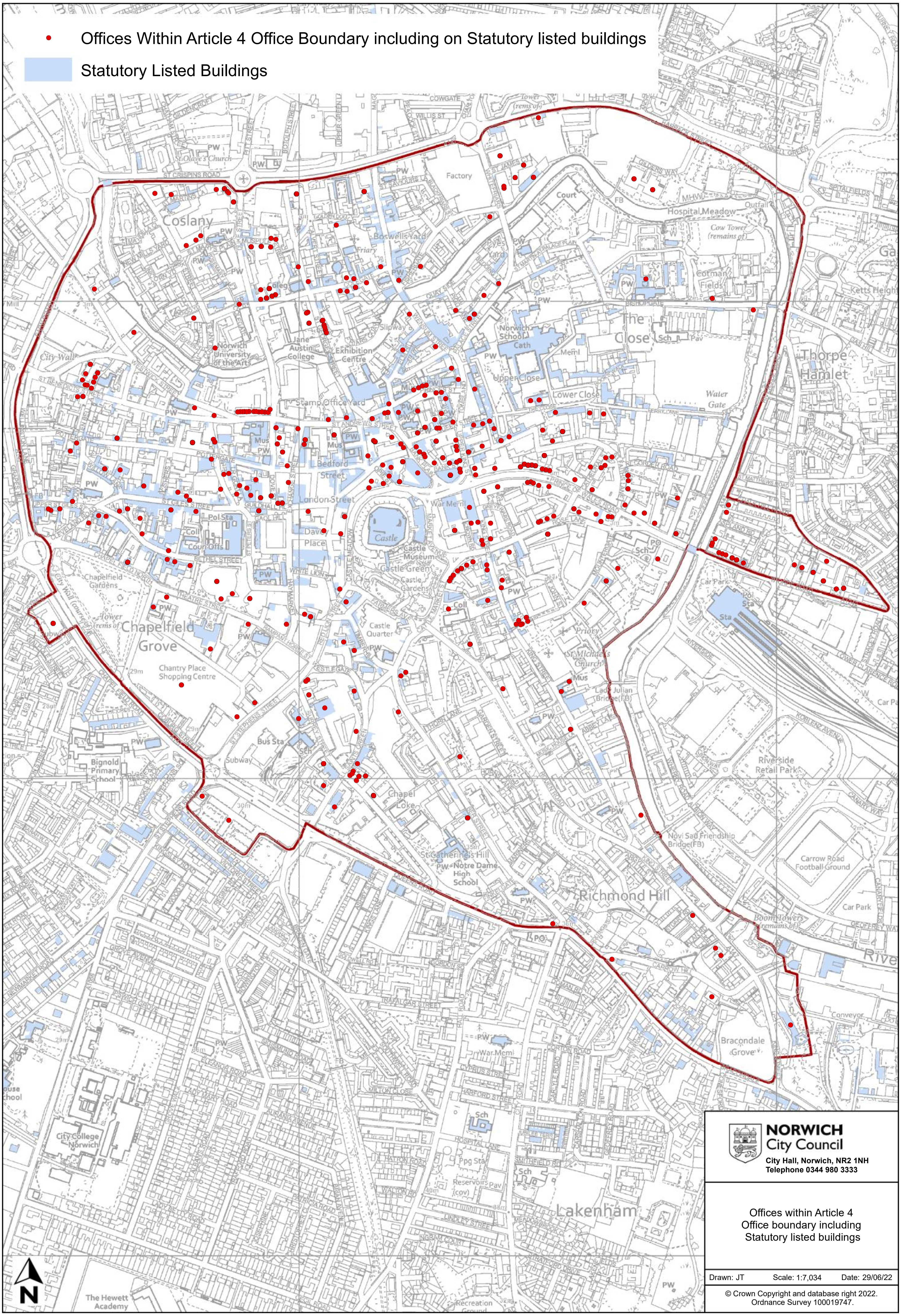
Contact officer:

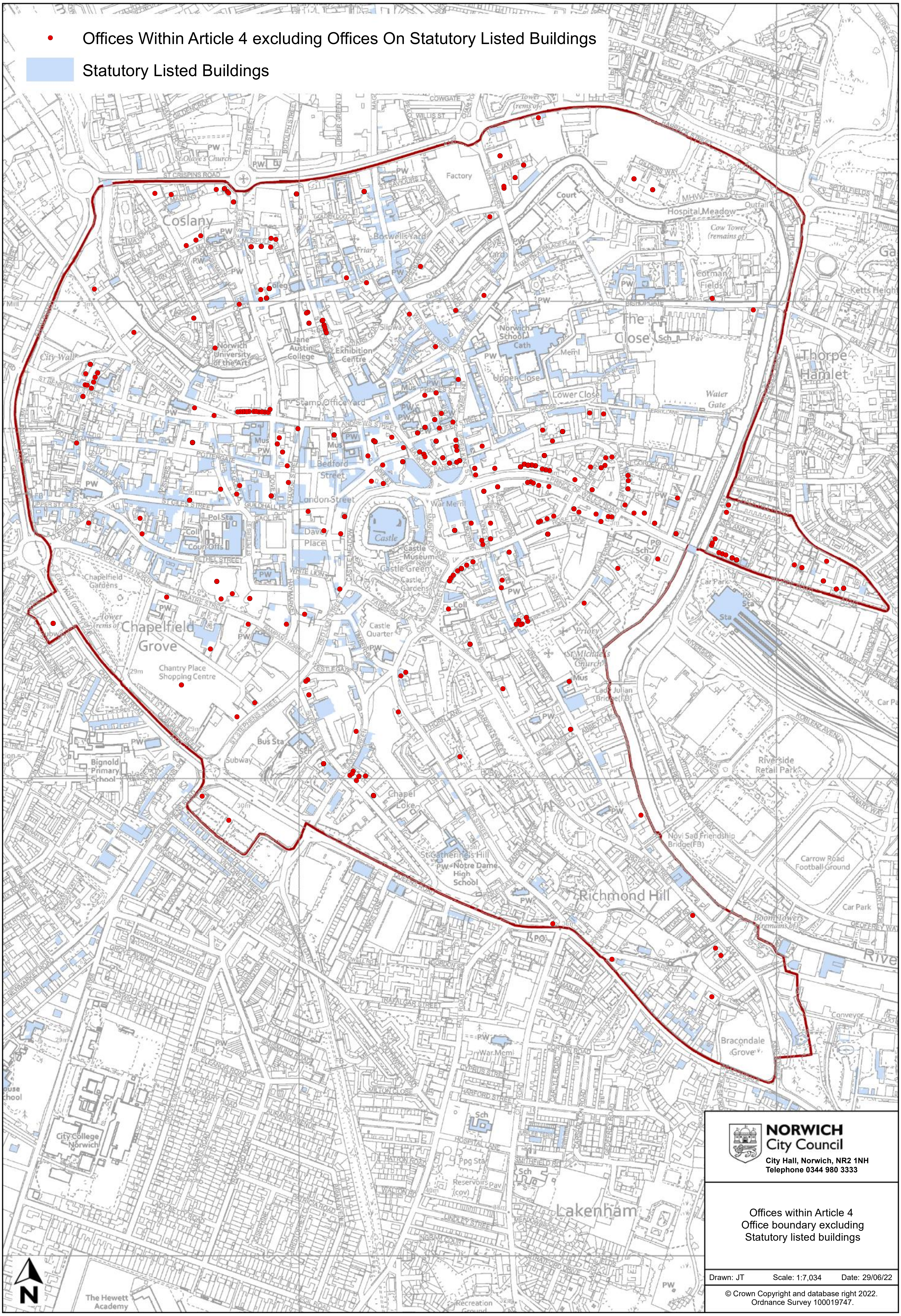
Name: Joy Brown

Telephone number: 01603 989245

Email address: joybrown@norwich.gov.uk

IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.


Offices Within Article 4 Office Boundary including on Statutory listed buildings
Statutory Listed Buildings
Coslany
Chapelfield Grove
Chantry Place Shopping Centre
Castle
The Close
Thorpe Hamlet
Richmond Hill
Lakenham
Bracondale Grove
Riverside Retail Park
Carrow Road Football Ground
NORWICH City Council
City Hall, Norwich, NR2 1NH
Telephone 0344 980 3333
Offices within Article 4 Office boundary including Statutory listed buildings
Drawn: JT
Scale: 1:7,034
Date: 29/06/22
© Crown Copyright and database right 2022. Ordnance Survey 100019747.
N

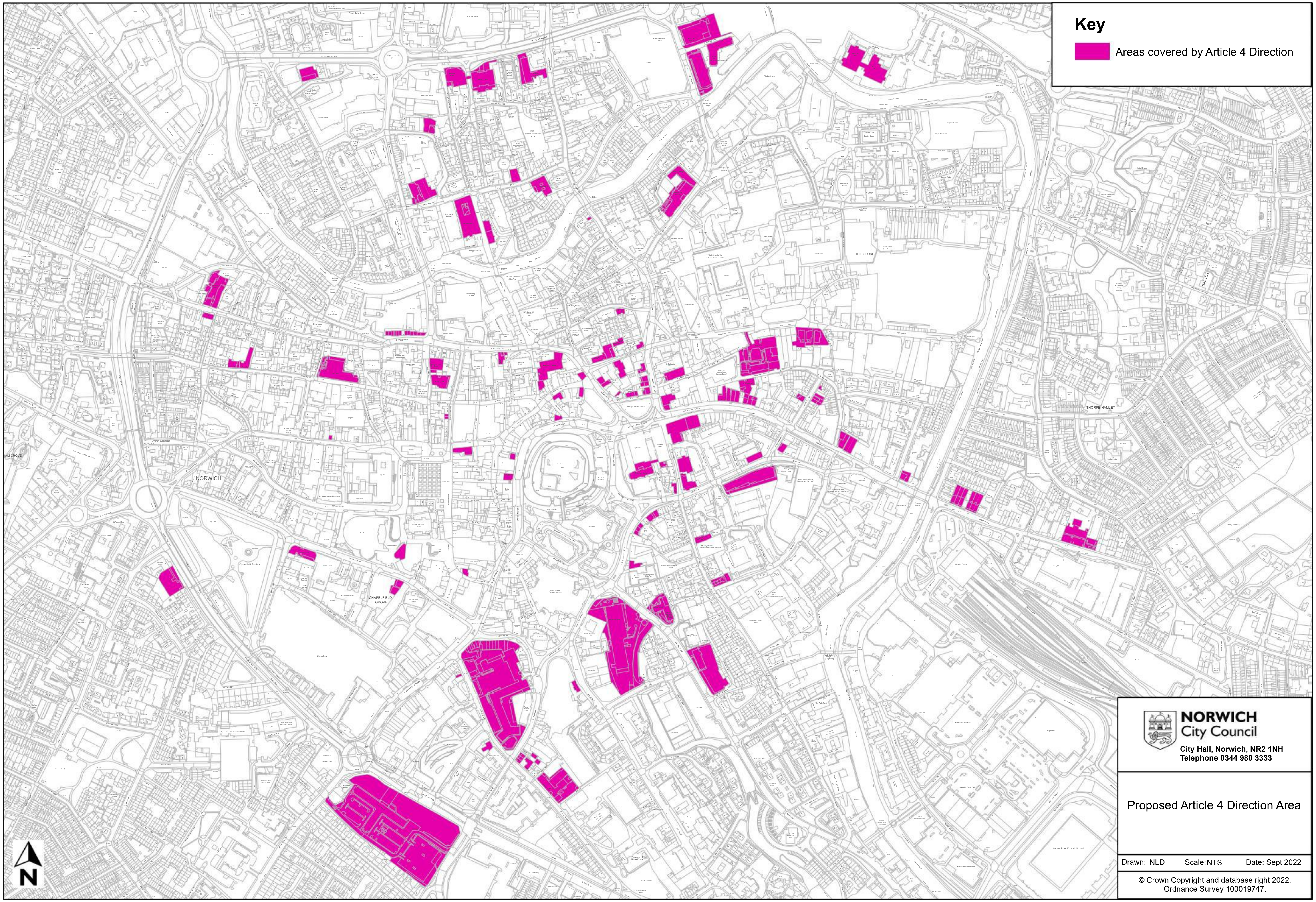


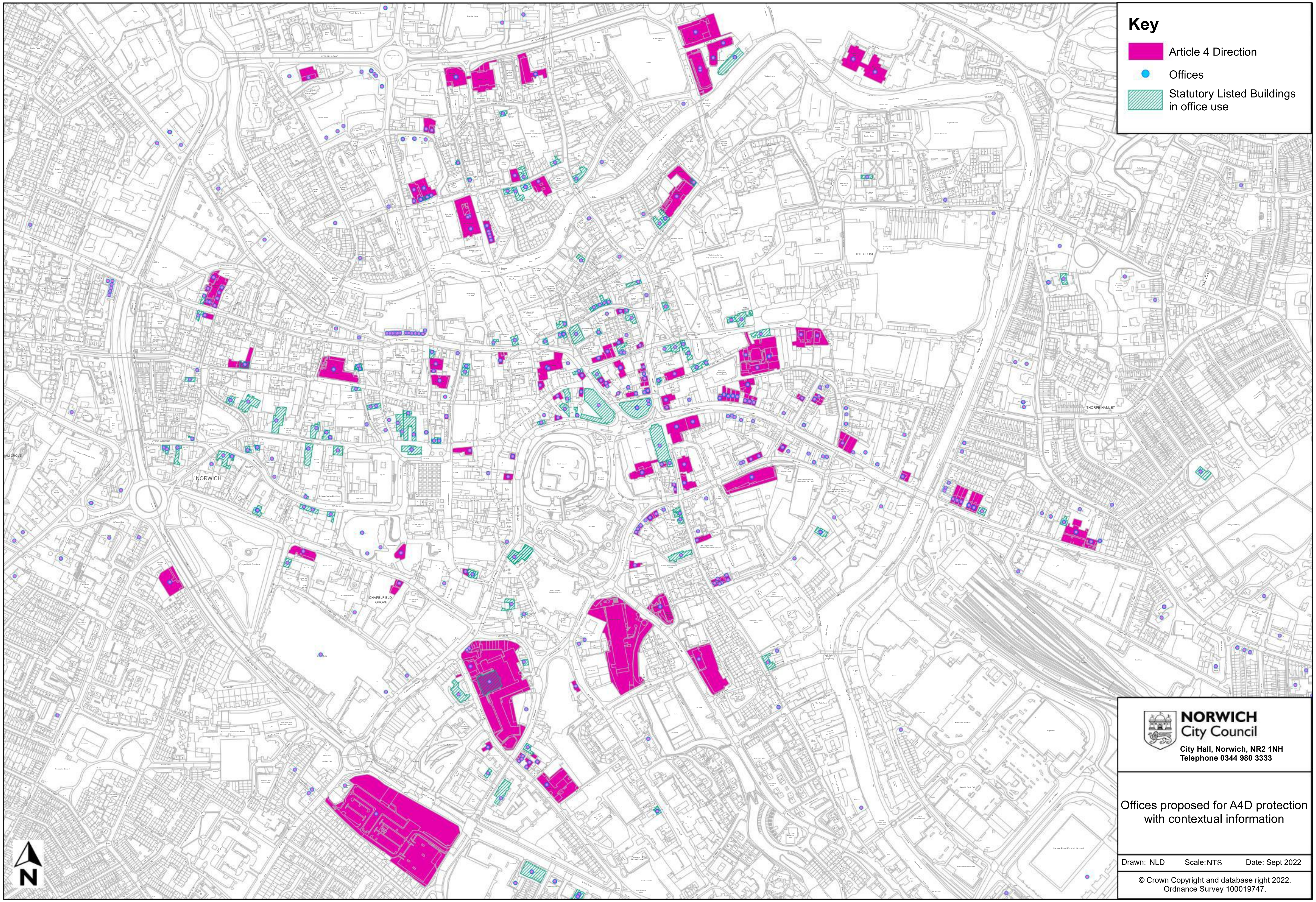
NORWICH City Council

City Hall, Norwich, NR2 1NH
Telephone 0344 980 3333

Offices within Article 4
Office boundary excluding
Statutory listed buildings

Drawn: JT Scale: 1:7,034 Date: 29/06/22


Key
Areas covered by Article 4 Direction
THE CLOSE
THORPE HAMLET
NORWICH
CHAPELFIELD GROVE
N
NORWICH City Council
City Hall, Norwich, NR2 1NH
Telephone 0344 980 3333
Proposed Article 4 Direction Area
Drawn: NLD
Scale: NTS
Date: Sept 2022
© Crown Copyright and database right 2022. Ordnance Survey 100019747.


Key
Article 4 Direction
Offices
Statutory Listed Buildings in office use
THE CLOSE
THORPE HAMLET
NORWICH
CHAPELFIELD GROVE
N
NORWICH City Council
City Hall, Norwich, NR2 1NH
Telephone 0344 980 3333
Offices proposed for A4D protection with contextual information
Drawn: NLD
Scale: NTS
Date: Sept 2022
© Crown Copyright and database right 2022. Ordnance Survey 100019747.

List of protected sites

1-3 Saint Court, All Saints Green
47 All Saints Green
49 All Saints Green
51 All Saints Green
Norwich Union Island Site, All Saints Green
1 Bank Plain
7 Bank Plain
9 Bank Plain
19 Bank Plain
8-10 Bank Plain
12 Bank Plain
16 Bank Plain
1 Bedding Lane
17-23 Ber Street
7 Castle Meadow
10 Castle Meadow
24 Castle Meadow
10-12 Cathedral Street
13-15 Cathedral Street
17 Cathedral Street
23 Cathedral Street
The Old Drill Hall, 23 a Cattle Market Street
26 Cattle Market Street
27 Cattle Market Street
28 Cattle Market Street
Brancaster House, 30 Cattle Market Street
Nadler House, 31 Cattle Market Street
Norvic House, 29-33 Chapel Field Road
1 Charing Cross
3 Charing Cross
5 Charing Cross
7 Charing Cross
9 Charing Cross
11 Charing Cross
15 Charing Cross
17 Charing Cross
19 Charing Cross
21 Charing Cross
23 Charing Cross
25 Charing Cross
St Clements House, 2 -16 Colegate
21 Colegate
47 – 49 Colegate
The Guildhall, 51 Colegate
55 Colegate
Townshend House, 30 Crown Road
32 Crown Road
Mall Chambers, 40 Crown Road

12-14 Exchange Street
Dragonfly House, 2 Gilders Way
Kingfisher House, 1 Gilders Way
Netherconesford, King Street
31 King Street
Communications Centre, 33 King Street
46 King Street
61 King Street
10 London Street
56-58 London Street
68 London Street
Sackville Place, 44 – 48 Magdalen Street
2 Millennium Plain
19 Muspole Street
21 Muspole Street
3-5 Orford Place
Centenary House, 19 Palace Street
Kiln House, 27-43 Pottergate
1 Prince of Wales Road
2 Prince of Wales Road
11 Prince of Wales Road
32 Prince of Wales Road
34 Prince of Wales Road
36 Prince of Wales Road
38 Prince of Wales Road
40 Prince of Wales Road
44 Prince of Wales Road
46 Prince of Wales Road
48 Prince of Wales Road
100 Prince of Wales Road
Portland House, 102-104 Prince of Wales Road
15-17 Princes Street
Victoria House, Queens Road
2-4 Queen Street
5 Queen Street
16-18 Queen Street
Haldin House, Old Bank of England Court, Queen Street
Jacquard House, Old Bank of England Court, Queen Street
New Patrick's Yard, 2 Recorder Road
44 Rose Lane
Union Building, 51-59 Rose Lane
Rouen House, Rouen Road
20 Rouen Road
Prospect House, Rouen Road
3 St Andrews Hill
Lawrence House, 5 St Andrews Hill
Cavendish House, 28-32 St Andrews Street
Woolgate Court, St Benedicts Street
Woburn House, 80-84 St Benedicts Street

Stannard Place, St Crispins Road
90 St Faiths Lane
13 -15 St Georges Street
17 - 19 St Georges Street
The Atrium, St Georges Street
St Giles House, 27 St Giles Street
1 St James Court
Carmelite House, 2 St James Court
3 St James Court
Golden Lion House, 15 St John Maddermarket
Charing Cross Centre, 17-19 St John Maddermarket
Norfolk House, St John Maddermarket
Cotman House, 53 - 57 St Martins Lane
1-5 St Stephens Street
St Vedast House, 5-7 St Vedast Street
2 Surrey Street
5 Surrey Street
8 Surrey Street
25-27 Surrey Street
32-38 Surrey Street
Norfolk Tower, 48-52 Surrey Street
Boars Head Yard, Surrey Street
South Tower, Surrey Street
Holland Court, The Close
13 The Close
14 The Close
15 The Close
Dencora House, Theatre Street
4 Theatre Street
8 Thorpe Road
10 Thorpe Road
12 Thorpe Road
16 Thorpe Road
18-20 Thorpe Road
Yare House, 62-64 Thorpe Road
66-70 Thorpe Road
Compass House, 4 Upper King Street
8-10 Upper King Street
12 Upper King Street
Kingstreet House, 15 Upper King Street
19 Upper King Street
22 Wensum Street
1-17 Westlegate

NORWICH CITY COUNCIL

SUMMARY OF RESEARCH TO SUPPORT THE INTRODUCTION OF AN ARTICLE 4 DIRECTION FOR NORWICH CITY CENTRE

16th SEPTEMBER 2022

RAMIDUS

1. Context

Norwich City Council made an Article 4 Direction on 28th July 2021 in order to remove Permitted Development Rights allowing the conversion of offices to residential within the city centre. The Direction was due to come into force on 29th July 2022. However, in May 2022, the Department of Levelling Up, Housing and Communities informed the Council that the Article 4 Direction failed to comply with new national policy stating that Article 4 Direction should apply to the smallest geographical area possible.

The Department advised the Council that it had failed to take a sufficiently targeted approach to the assessment of the impacts of Permitted Development Rights in locations throughout the city centre. In light of this advice, the Council asked Ramidus Consulting to undertake a study to help inform a revised geographical area for the Article 4 Direction and to produce the additional evidence base required to successfully bring the revised Article 4 Direction into force.

2. Study requirements

The Brief for the study required output which recommended areas, streets and/or buildings which should be protected by virtue of the newly defined Article 4 Direction area. The brief asked that the key outputs from the study should include the following.

- Map of existing offices within the A4D area (excluding listed buildings).
- Spreadsheet of existing offices within the A4D (excluding listed buildings).
- Spreadsheet of all offices (non-listed) including data which identifies factors such as user, class/typology, age, locational factors, historical significance and amenities.
- Identification of offices which would have a wholly unacceptable impact if they were lost to residential (taking into account size thresholds).
- List of buildings to be protected.
- Map identifying the streets and/or buildings for inclusion within the Article 4 Direction (possibly to be produced by Norwich City Council).
- Summary of key findings.

3. Study methodology

The Council provided Ramidus with maps and spreadsheets of all offices within Norwich city centre. This information was obtained from Valuation Office Agency records and includes any hereditaments that are recorded as being offices. Appendix One provides a map showing the buildings identified for detailed survey work. The Council and Ramidus identified a series of character areas to make the survey work more manageable, which resulted in the city centre being broken down into seven key character areas, as follows.

- North of the River Wensum
- Norwich Lanes
- Whitefriars
- St Stephens
- Norvic House
- Prince of Wales & King Street
- Station Area

Local knowledge/desk based research enabled some sifting of buildings at this stage to exclude, for example, any sites with little prospect of being converted due to being situated within shopping centres or those proposed for demolition as part of a wider redevelopment scheme.

Survey work was undertaken on Monday 1st, Tuesday 2nd, Wednesday 3rd and Sunday 21st August. Each building was visited, photographed and surveyed. Some 239 buildings were surveyed, and the following details were recorded. Appendix Two shows an extract from the spreadsheet.

- Occupier/owner
- Address details
- Occupied/vacant
- Floors, use, condition and age
- Typology, size and locational factors
- Curb appeal, historic significance
- Red-amber-green status
- Comments

Premises sizes and ages were estimated. Clearly this cannot be a precise exercise, and so categories were used in each case, as shown below.

Category	Approx. size ranges, sq m	Approx. size ranges, sq ft
1	<100	<1,000
2	100-500	1,000-5,000
3	500-1,000	5,000-10,000
4	1,000-1,500	10,000-15,000
5	1,500-3,000	15,000-30,000
6	>3,000	>30,000

The 1,500 sq m (15,000 sq ft) boundary was selected so that premises requiring a full planning permission prior to conversion to residential can be identified.

Category	Typology
1	Purpose built, since 2000 (est.)
2	Purpose built, 1980-2000 (est.)
3	Purpose built, post-war
4	Purpose built, pre-war
5	Former dwelling
6	Former commercial premises
7	Other (specify)

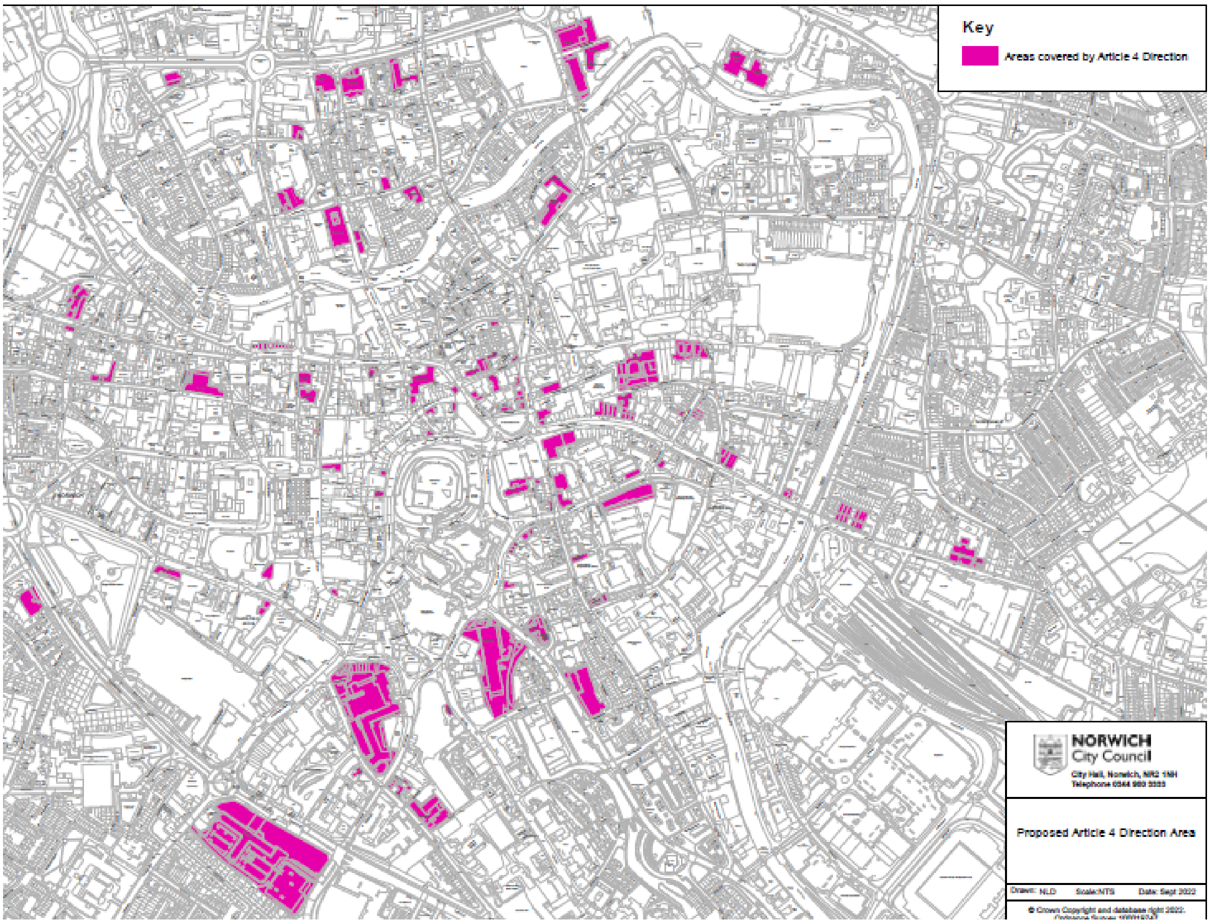
A fundamental aspect to the revised guidance on Article 4 Directions is that protected buildings must be identified as such only when their potential loss could be deemed to have a ‘wholly unacceptable’ impact. To this end the survey involved applying a ‘RAG’ status to each building – Red, Amber or Green. Red applied to buildings that should certainly be protected as the existing office meets a particular need and the loss of the individual office or cluster would have a wholly unacceptable impact upon Norwich’s office stock; green was applied where there was a case for their release, and amber was used when there was uncertainty.

Following the fieldwork, all of the ‘Ambers’ were then discussed with the Council. Combining local knowledge and policy background, the Ambers were then allocated either Red or Green status, depending on the outcome of the discussion. Black was used when survey work identified that the building was no longer in commercial office use.

4. Summary findings

The key output from this study is the Excel spreadsheet recording the detailed survey work. This, along with the photographic record, should be read alongside this summary. Figure One provides a visual record, prepared by the Council, of all those buildings allocated a ‘Red’ status in the RAG assessment described above. Having visited and surveyed in detail each of these premises, and the context within which they sit, it is our opinion that each of these buildings should be subject to an Article 4 Direction as the loss of any of these offices would be wholly unacceptable. The map excludes Listed buildings.

Figure One Map showing buildings proposed for Article 4 Direction protection



There are a number of points that can be drawn from the spreadsheet and the map.

- The office stock in Norwich city centre is scattered rather than concentrated. There is no ‘central business district’, nor are there identifiable concentrations, where office use is dominant.

- The scattered nature of the office stock increases the vulnerability of the individual parcels. Without policy protection, these could be gradually denuded until the point where the whole office market is further weakened.

- The strongest areas in terms of office use include the following.

  - Bank Plain/St Andrew's Street
  - Charing Cross
  - North of River Wensum
  - Prince of Wales Road/Cattlemarket Street
  - Surrey Street/St Stephens Street
  - Thorpe Road
  - Whitefriars

- The stock of office premises is enormously variable, ranging from small, period offices above retail premises to large, modern corporate office buildings.

- The range of types and sizes of office space in Norwich is essential for meeting a diverse demand profile, including the need for affordable offices.

- A significant proportion of Norwich's offices are in 19th century and earlier buildings, often town houses. These work exceptionally well for small, professional firms, providing sub-divisibility, natural light and air, and a central location.

- A number of self-contained, office buildings – particularly those dating from the 1960s-1980s – have already been converted to residential use and those remaining are particularly vulnerable due to the relative ease with which they can be converted.

- The premises surveyed were, on the whole, well occupied, with little evidence of vacancy. There was minimal indication of neglect or obsolescence.

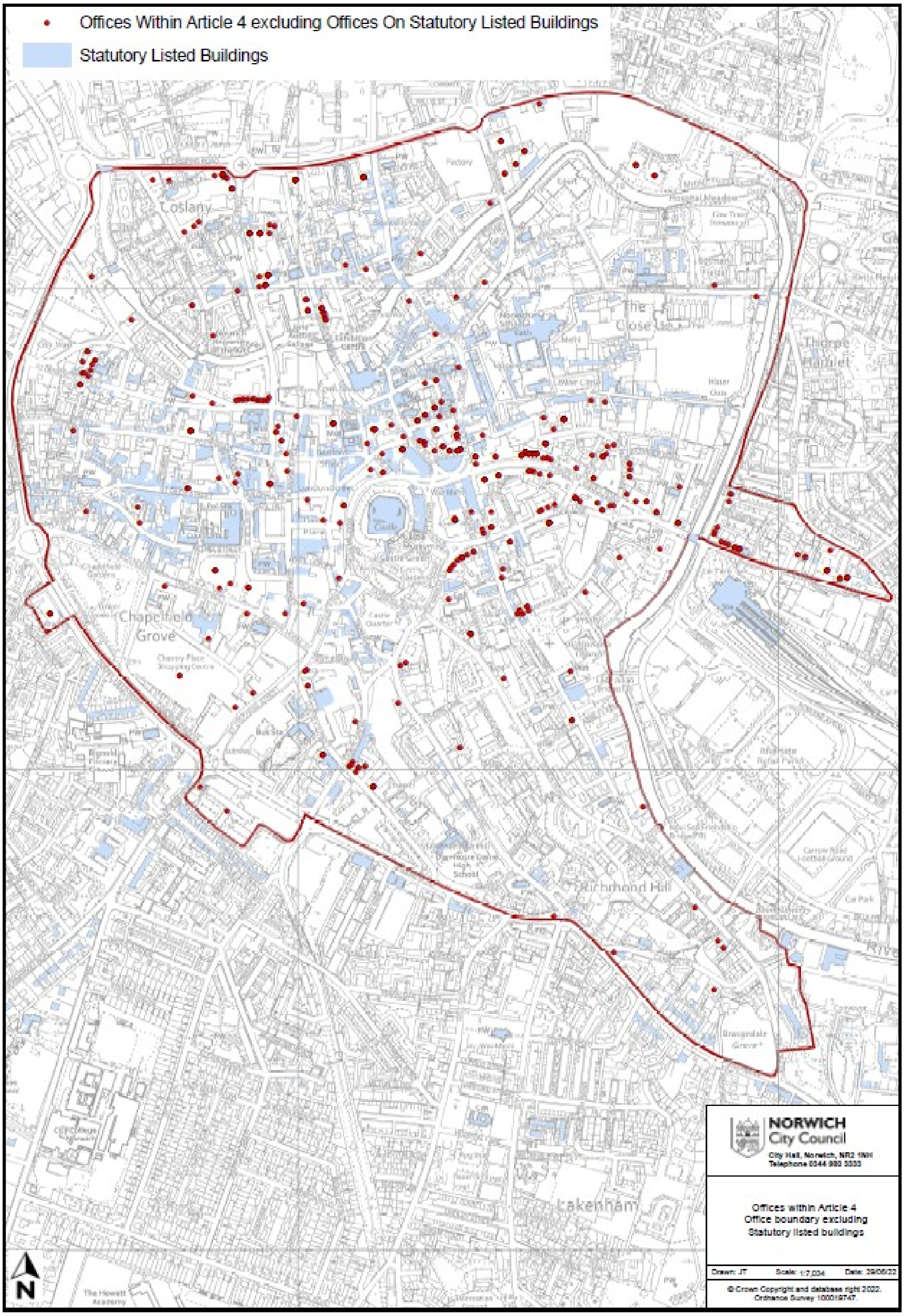
5. Concluding remarks

Norwich has lost a significant amount of office floorspace since the extension of Permitted Development Rights to ease the change of use from office to residential. This has left the office economy in a fragile state. The existing office stock is scattered across the city centre which leaves it highly vulnerable. It is fundamental that Norwich retains a variety of premises from small, affordable offices to large corporate office buildings in order to meet need and demand and to ensure that Norwich's office economy thrives.

The comprehensive survey work has identified those buildings which must be retained as offices as their loss would be considered wholly unacceptable. It has also identified offices which could be released for other uses. The loss of a number of these more marginal offices would be considered regrettable; however it is unlikely that Norwich City Council could justify that their loss would be wholly unacceptable.

Appendix One

Norwich City centre Offices (excluding offices within statutory Listed buildings)



Appendix Two Extract from data sheet

NORWICH LANES

Occupier/owner	Name	Number	Street	Postcode	Occupied or vacant	Floors	Use
Watsons		1	Bank Plain	NR2 4SF	occupied	1-3	estate agent office
Trustees Of The Georgics Pension Fund		7	Bank Plain	NR2 4SF	vacant (to let)	G-2	retail + office
		9	Bank Plain		occupied	g-2	offices over estate agent
Dna Norwich Limited/Northwood Lettings		11	Bank Plain	NR2 4SF	retail unit		
Fosters Solicitors	William House	19	Bank Plain	NR2 4FS	occupied	1-2	solicitor
		8-10	Bank Street	NR2 4SE	occupied	g-1	professional office
B U I L D		12	Bank Street	NR2 4SE	occupied	g-1	Build Charity
Na Marketing Services Limited		16	Bank Street	NR2 4SE	occupied	g-2	estate agent office
Howes Percival LLP	Flint Building	1	Bedding Lane	NR3 1RG	occupied	g-1	law firm
Uttings Limited	Graphics House	60	Bethel Street	NR2 1NR	occupied	g-1	parcel collection point
Ymca		62	Bethel Street	NR2 1NR	occupied		
Miss Mia Boorman T/A La Cala/Suntrap		2	Castle Meadow	NR1 3PY	vacant	1	office over f&b
First Eastern Counties Buses Limited	Davey House	7	Castle Meadow	NR1 3DE	occupied	g-2	office over travl centre
Don'T Paye Too Much Ltd		10	Castle Meadow	NR1 3DE	occupied	g-2	accountancy
Cambridge Accountancy Services Ltd		24	Castle Meadow	NR1 3DH	occupied	2-3	offices over Trailfinders
Mrs Natalie Bussey T/A Fossi Hair & Beauty		8	Castle Street	NR2 1PD	occupied	1-2	office over shop
Malmains & Co Ltd T/A Martin & Co		1	Charing Cross	NR2 4AL	occupied	g-2	estate agent
Philip Noble & Son		3	Charing Cross	NR2 4AX	occupied	g-2	property management
Root Norwich Ltd/Howards Residential Lettings		5	Charing Cross	NR2 4AX	occupied	g-2	Root'

Appendix Two Extract from data sheet (cont'd)

Condition	Age	Type	Size	Locational Factors	Curb Appeal	Historic Significance	RAG status	Comments
very good	1930s	4	3	good, high street	yes	some		upper floors of ground floor estate agent; quality space
fair	1920s	4	3	high street	yes	some		niche space, but good quality
fair	1970s	3	2	in a cluster	no	no		
	1970s							ground floor retail unit beneath Fosters
very good	1970s	3	5	high street	limited	no		tired but useful office stock
good	19th	5	2	side street	limited	no		good quality space; recently refurbished
poor	1910s/1920s	5	1	side street	yes	some		multiple businesses
poor	1900s	5	1	side street/corner	no	no		three businesses listed; good affordable space
very good	2000s	1	5	quiet location	yes	yes		part historic/mostly modern office building
fair	1900s	5	1	quiet street	no	no		former resi property converted to quasi office use
								building been converted to YMCA
very poor	1890s	4	1	off pitch. Fair location	no	no		poor quality office above f&b; poss beauty parlour
good	1920s	4	4	off pitch, fair location	no	no		quality, regular space; must be protected
good	1950s	3	3	off pitch, fair location	yes	no		quality, affordable space over ground retail
good	1960s	3	2	off pitch, fair location	no	no		upper floors of travel business
poor	1880s	5	1	central	no	no		very small scale; difficult to protect; maybe access issues
very good	1990s	2	3	busy road, corner plot	yes	no		quite vulnerable
very good	1980s	3	3	busy road	no	no		quite vulnerable
very good	1970s	3	3	busy road	no	no		quite vulnerable

NORWICH CITY COUNCIL ARTICLE 4 DIRECTION

TOWN AND COUNTRY PLANNING (GENERAL PERMITTED DEVELOPMENT) (ENGLAND) ORDER 2015 (As amended)

DIRECTION MADE UNDER ARTICLE 4(1) WITHOUT IMMEDIATE EFFECT

WHEREAS Norwich City Council ("the Council") being the appropriate local planning authority within the meaning of article 4(5) of the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended) ("the Order") is satisfied that it is expedient that development of the description set out in Schedule 1 should not be carried out on the land shown ~~edged and hatched~~ shaded in red on the map attached hereto in Schedule 2 unless planning permission for it is granted on an application made under Part III of the Town and Country Planning Act 1990 (as amended).

NOW THEREFORE the said Council in pursuance of the power conferred on them by Article 4(1) of the Order hereby direct that the permission granted by Article 3 of the Order shall not apply to development on the said land (being that identified at Schedule 2 hereto) of the description set out in Schedule 1 hereto.
THIS DIRECTION is made under Article 4(1) of the Town and Country Planning (General Permitted Development) (Order) 2015 (as amended) and shall come into force on the 29th July 2022. [To be updated once the Council has agreed with DLUHC the date that the Direction should come into force].

SCHEDULE 1
Development consisting of a change of use of a building and any land within its curtilage from a use falling within Class E (g) (i) (an office to carry out~~r~~ any operational or administrative functions) of the Schedule to the Town and Country Planning (Use Classes) Order 1987 to a use falling within Class C3 (dwellinghouses) of that Schedule, being development comprised within Class MA of Part 3 of Schedule 2 to the Order and not being development within any other class, save for when prior approval has already been granted (under the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended)) and development so approved is completed within a period of 3 years starting with the prior approval date.

SCHEDULE 2
This Direction shall apply to those parts of the City of Norwich shown ~~edged and hatched~~ shaded in red on the attached Plan.

MADE under the COMMON SEAL of Norwich City Council this ……..Day of ……………….20…..
This COMMON SEAL of the Council was affixed to this Direction in the presence of ……………………….
Authorised Signatory

CONFIRMED under the Common Seal of the Norwich City Council this ……..Day of ……………20….
This COMMON SEAL of the Council was affixed to this Direction in the presence of ……………………….
Authorised Signatory
SCHEDULE 2

NORWICH
City Council

Item 7

Committee Name: Cabinet

Committee Date: 14/12/2022

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

Portfolio:	Councillor Kendrick, cabinet member for resources
Report from:	Interim Head of finance, audit and risk
Wards:	All Wards

OPEN PUBLIC ITEM

Purpose

To consider proposals for the council's 2023/24 budget (general fund, HRA and capital programme) and updated medium-term financial position, including the principles for consultation.

Final budget proposals, alongside the outcome of the budget consultation work, will be brought back to Cabinet in February 2023 with a recommendation to consider and approve those proposals before it goes to February Budget Council for agreement alongside the council tax setting decision.

Recommendation:

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

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

Policy Framework

The Council has five corporate aims, which are:

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

This report is relevant for all five corporate aims.

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

Report Details

Background

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

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

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

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

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

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

Summary

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

8. This report outlines the budget principles which form the basis for public consultation on the general fund revenue and capital budgets for 2023/24. The views of residents and local businesses will be sought, via a public

budget consultation exercise; the results of that consultation will be made available before the budget is discussed and proposed by Cabinet on 8 February 2023 and finally approved by Council on 21 February 2023.

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

General Fund

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

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

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

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

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

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

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

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

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

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

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

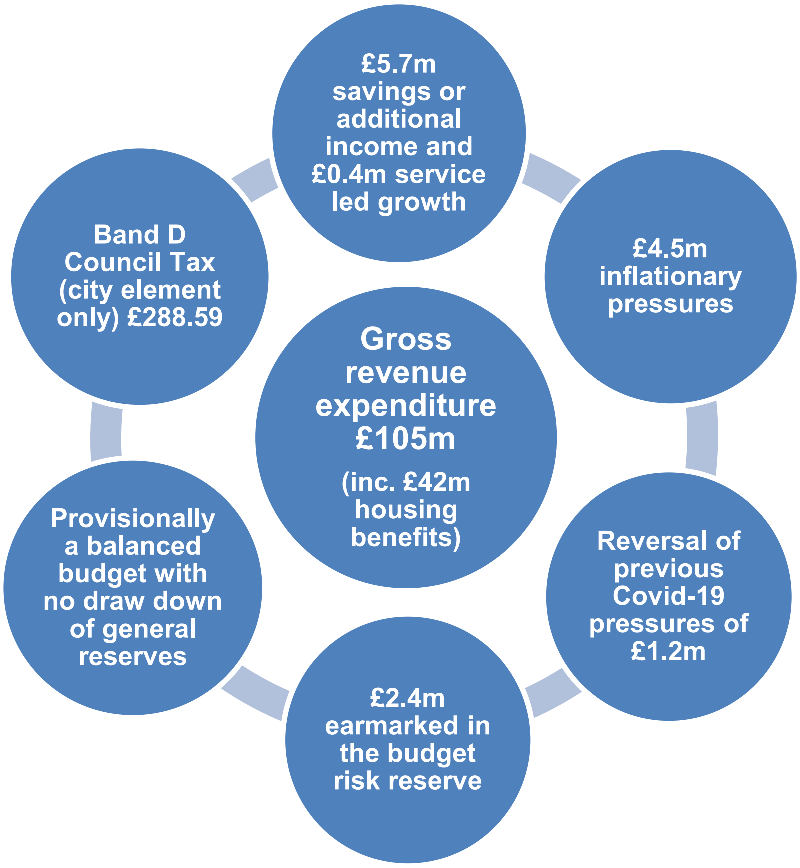
20. As part of the Future Shape Norwich programme, focus areas have been identified which have the potential to improve service delivery, operational efficiency and/or support the financial sustainability of the council. These themes cover:

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

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

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

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



Housing Revenue Account (HRA)

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

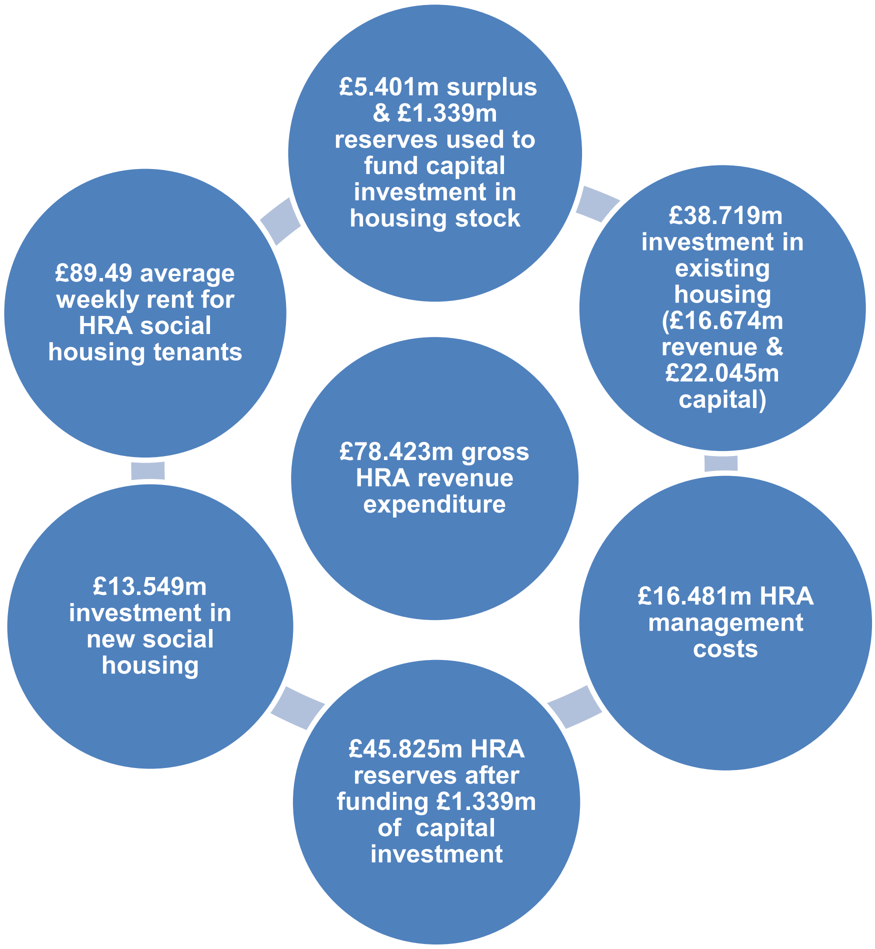
24. Although the HRA is in a relatively stable position in the short-term, there are future pressures and competing priorities for the budget linked to the council's ambitions around continuing to develop high quality new council housing and maintaining and renewing existing homes. The HRA has also lost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

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

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

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

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



Capital Programme

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

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

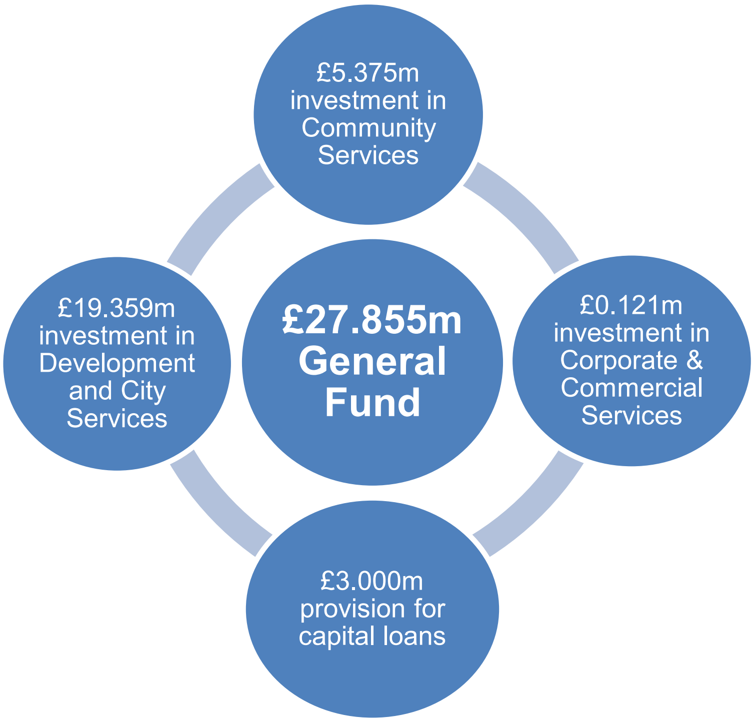
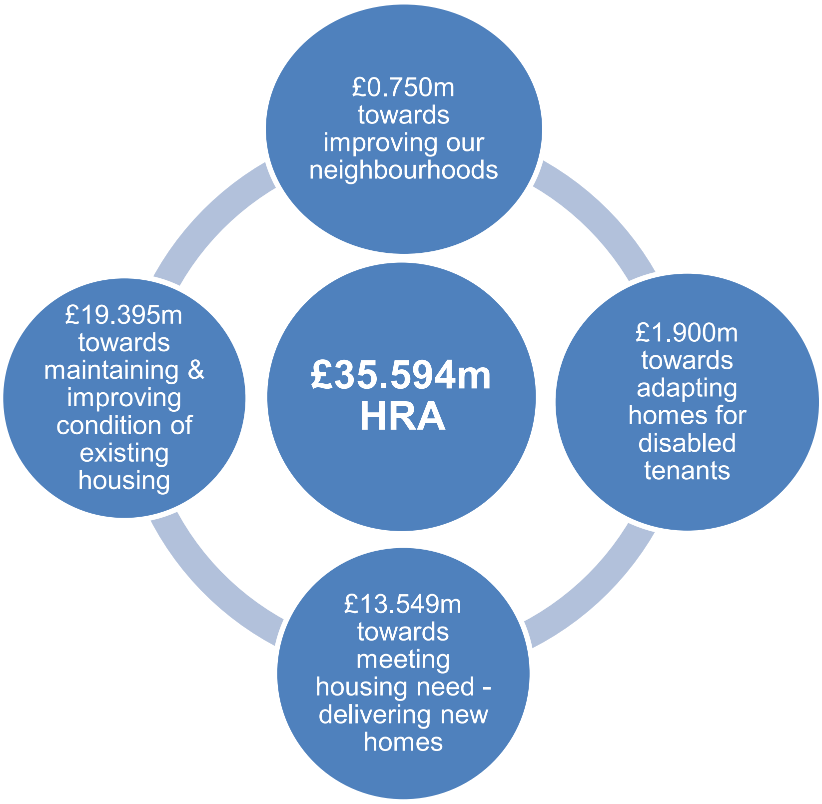


Chart 4: Illustration of proposals within the HRA capital programme



Equality Impact of budget proposals

29. To discharge our public sector equality duty and ensure we have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations we will undertake an initial screening of all budget

proposals to ascertain where there is a possible impact. This will identify those proposals that require a full Equality Impact Assessment or further consultation.

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

31. Information on the residents of the city as well as council customers and employees can be found in the annual Equality Information Report published on the council's website.

Public Consultation and next steps

32. In line with the approach used in previous years, residents, partners and local businesses will be consulted on the proposed approach to meeting the savings target for 2023/24 including the proposed council tax level. Separate tenant consultations will seek views on the proposed increase in council rents and service charges which will follow in January. The budget consultation questionnaire is attached in Section 6 and will be made available online in the days following Cabinet consideration of this report. The budget consultation will be available to access online and additional engagement through a range of stakeholder groups will also be undertaken.

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

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

Consultation

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

Tenant Involvement Panel representatives are due to be consulted on the proposed rent increase at a meeting on 18th January 2023.

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

Implications

Financial and Resources

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

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

Legal

There is a statutory duty to consult on the Council's budget with business ratepayers (S65 Local Government Finance Act 1992). It is also considered best practice to seek broader views through meaningful consultation with service users, residents, and partners. Further duties to consult on specific proposals impacting users, including staff and unions also exist prior to implementation.

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

The Council's Chief Financial Officer (S151) has a duty to report to Council on the adequacy of its reserves and the robustness of its budget estimates before the final decisions are taken on the budget and setting of the council tax.

Statutory Considerations

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

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	Equality Impact Assessments are required for any specific budget proposals and the impact of the totality of all measures. The overarching assessment is included in Section 5.
Health, Social and Economic Impact	Budget savings and investment proposals including capital investments are likely to have economic impacts on the area.
Crime and Disorder	No specific crime and disorder impacts are considered to arise from the Council's budget setting processes.
Children and Adults Safeguarding	No specific safeguarding issues are considered to arise from the Council's budget setting processes.

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

Risk Management

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

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

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

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

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

Reasons for the decision/recommendation

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

Background papers: None

Appendices:

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

Contact

Name: Neville Murton, Interim head of finance audit and risk, Corporate & Commercial Services (Deputy S.151 Officer)

Telephone number: 01603 987766

Email address: nevillemurton@norwich.gov.uk

1. Local Government Finance – Economic & Statutory Context

Autumn Statement & Wider Economy

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

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

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

1.4 Key economic forecasts in the report included:

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

Impacts for Local Government

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

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

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

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

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

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

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

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

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

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

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

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

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

Implications for Norwich

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

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

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

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

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

2. GENERAL FUND 2023/24 BUDGET AND MTFS

Forecast 2022/23 Outturn

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

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

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

Proposed 2023/24 Revenue Budget

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

Savings, growth and investment

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

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

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

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

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

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

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

Inflation

2.12 The increasing inflation levels, as detailed in Section 1, have placed additional pressures on the council's finances. £4.5m of inflationary costs have been incorporated into the 2023/24 provisional budget across pay, gas, electric and other contract costs.

2.13 The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The process has not yet concluded for the 2023/24 financial year and therefore an estimate of payroll inflation at 4% has been included within the provisional budget. Given that pay costs form a significant proportion of the council's budget and the uncertainty over future pay awards, this is a key budget risk (see paragraph 2.24).

2.14 Many of the council's contracts have inflationary increases incorporated within them and therefore the significant increases in CPI and RPI measures has created a clear pressure on the budget position. Inflationary increases have been applied across the council's main contracts based on current CPI levels, although there remains a risk that further cost pressures emerge as contracts come up for re-tender.

Council Tax & Business Rates

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

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

2.17 The figures shown will be reduced, for qualifying council taxpayers, by the council's Council Tax Reduction Scheme (CTR). Currently the total cost of the CTR scheme is £14.4m, of which the Norwich share is around £1.9m.

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

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

Grants

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

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

2.22 The overall impacts of the Chancellor's Autumn Statement combined with a lack of progress in the previously announced funding reforms means the current assumption is that broadly a roll-forward settlement position is expected for 2023/24. As a result, the provisional budget position now assumes an improved set of grant assumptions; with the revenue support grant and lower tier grant held at 22/23 levels, New Homes Bonus reduced by 10% and the services grant reduced by a third to provide allowance for the reclaim of funding for the now-reversed increase in National Insurance contributions.

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

Areas still to be confirmed

2.23 There are several areas where estimates included in the provisional budget will be updated ahead of the final proposed budget in February 2023. As outlined in Section 1 the council is awaiting the provisional financial settlement from Government in December 2022 which will confirm grant allocations and the business rates tariff to be applied.

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

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

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

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

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

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

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

- **Recharges.** A full review of recharges between services areas will be undertaken which may alter estimates of the overall recharge position for both the general fund and housing revenue account.

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

Budget Risks

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

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

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

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

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

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

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

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

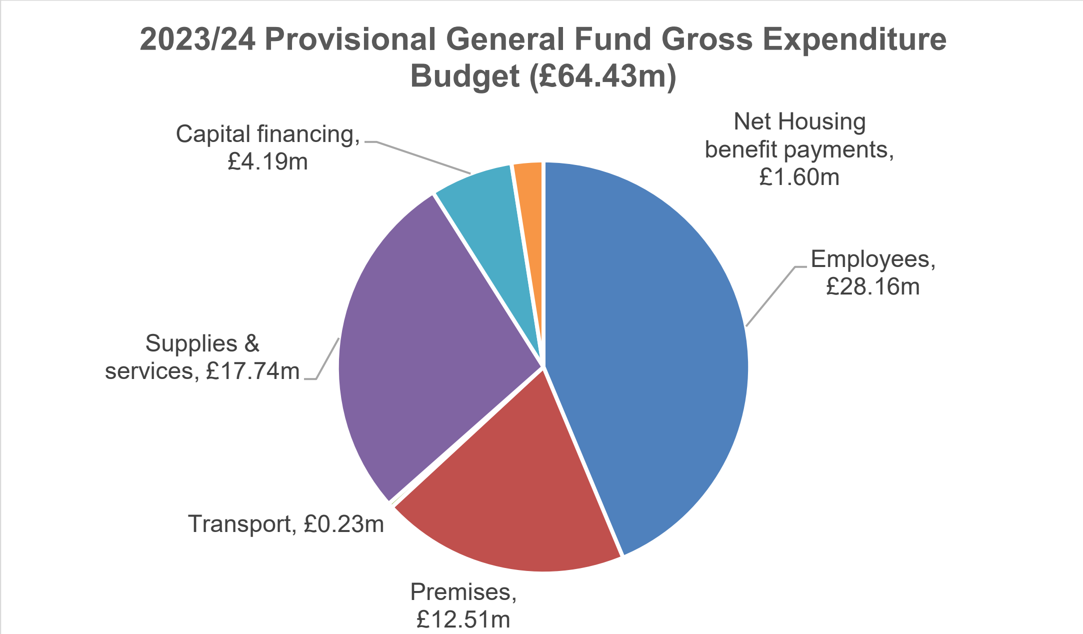
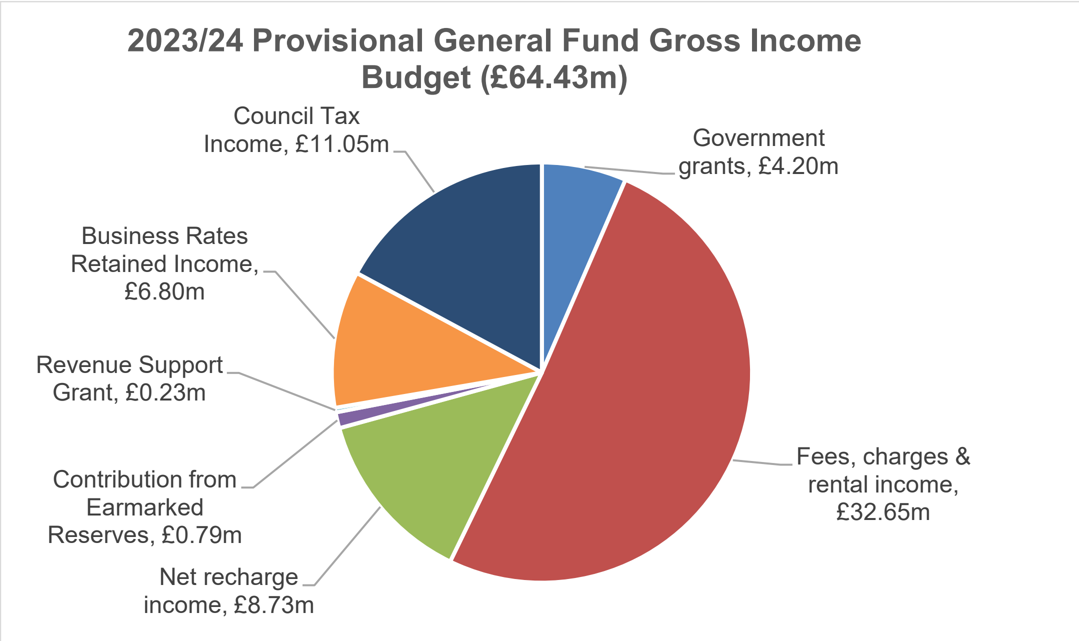


Chart 2.2: 2022/23 provisional gross income budget by type of income



Medium Term Financial Strategy (MTFS)

2.26 The MTFS is a forecast of the estimated cost of delivering current services over the next five years, compared to the anticipated funding streams to support council services. This results in a projected budget gap from which the future savings requirements are estimated.

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

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

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

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

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

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

* Includes £5.658m of savings – see Appendix F

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

2.29 It is important at this stage that the provisional options identified exceed the target for several reasons. Firstly, it allows for options to be reviewed and feedback from the public consultation to shape the future budget direction. Secondly, as the options are still subject to a full validation process it is likely that the savings figures may evolve and change as this work is completed. Lastly, there is a high degree of risk associated with the MTFS projections especially around government funding from 2025/26 onwards in light of the fiscal challenges outlined in the Autumn Statement. It is therefore important the council has plans that can flex to the financial position as a clearer view emerges.

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

Council Tax

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

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

2.32 The figures shown will be reduced, for qualifying council taxpayers, by the council's Council Tax Reduction Scheme (CTR). Currently the total cost of the CTR scheme is £14.4m, of which the Norwich share is £1.9m.

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

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

Business rates

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

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

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

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

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

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

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

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

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

Payroll

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

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

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

Inflation

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

Government Grants

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

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

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

Capital financing budget

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

Income from wholly owned companies

2.51 The MTFS assumes a steady state loan interest income budget of £0.428m per annum arising from lending to Norwich Regeneration Ltd (NRL) for the life of the MTFS. The actual interest charges will be dependent on the cash flow requirements of the company and pace at which schemes are developed and loans repaid. The budget and MTFS forecasts do not include any possible dividend (profit share) income from the company.

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

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

MTFS Risks & Uncertainties

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

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

General Fund Reserves Position

The General Fund reserve

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

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

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

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

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

Earmarked Reserves

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

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

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

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

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

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

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

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

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

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

Explanation of key variances:

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

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

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Chief Executive	**267**	**0**	**267**
Corporate Financing	**3,064**	**(7,198)**	**(4,134)**
Corp & Commercial Services Management	475	0	475
Finance, Audit & Risk	2,002	(1,141)	861
HR & Organisational Development	1,239	(506)	733
Legal & Procurement	3,152	(1,371)	1,781
Revenues & Benefits	44,653	(41,331)	3,322
Total Corporate & Commercial Services	**51,521**	**(44,349)**	**7,172**
Community Services Management	403	0	403
Customers, IT & Digital	8,329	(3,190)	5,139
Strategy, Engagement & Culture	3,905	(1,249)	2,656
Housing & Community Safety	6,893	(5,663)	1,230
Total Community Services	**19,530**	**(10,102)**	**9,428**
Development & City Services Management	555	0	555
Environment Services	18,046	(14,414)	3,632
Planning & Regulatory Services	4,024	(1,854)	2,170
Property & Economic Development	7,462	(7,695)	(233)
Total Development & City Services	**30,087**	**(23,963)**	**6,124**
Total General Fund	**104,469**	**(85,612)**	**18,857**
Contribution from General Reserves	0	0	0
Contribution from Earmarked reserves	0	(790)	(790)
Contribution to Earmarked reserves	0	0	0
Budget Requirement	**104,469**	**(86,402)**	**18,067**
Revenue Support Grant		(225)	(225)
Business Rates Retained Income		(6,795)	(6,795)
Council Tax Income		(11,047)	(11,047)
Budget Resources		**(18,067)**	**(18,067)**

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

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

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

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

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

Appendix 2 (E): Council Tax Bands

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

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

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

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

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

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

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

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

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

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

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

Permanent Growth

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

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

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

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

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

3. HOUSING REVENUE ACCOUNT 2023/24 BUDGET

The HRA Business Plan

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

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

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

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

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

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

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

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

Introduction

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

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

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

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

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

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

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

Delivering new homes

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

Maintaining and improving condition of existing housing

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

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

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

Improving our neighbourhoods

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

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

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

Improving the use and management of our existing housing

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

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

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

Financial Background and Budget

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

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

Forecast 2022/23 Outturn

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

Proposed 2023/24 Revenue Budget

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

Chart 3.1: 2023/24 HRA gross revenue expenditure budget

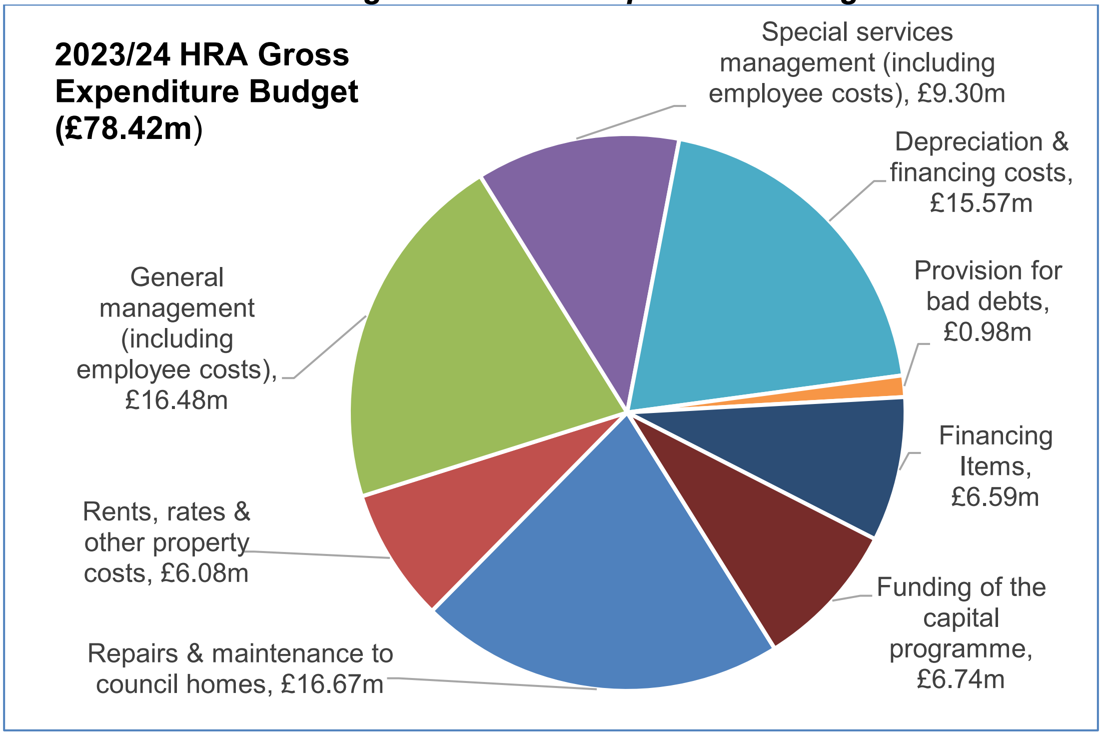
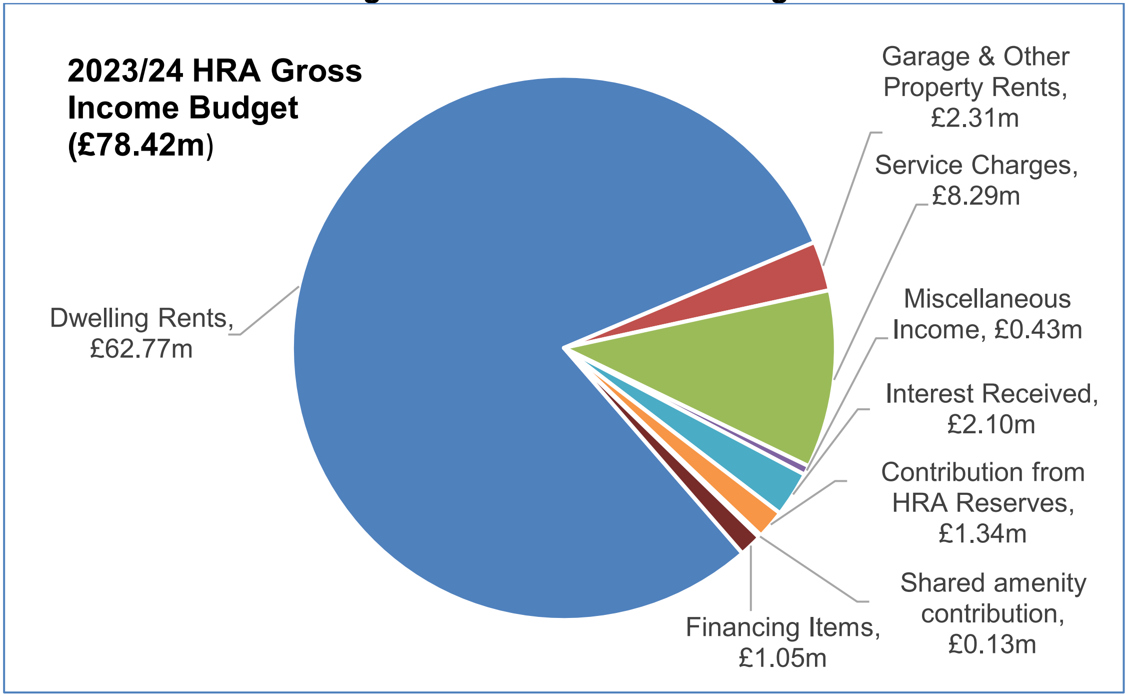


Chart 3.2: 2023/24 HRA gross revenue income budget



HRA Business Plan

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

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

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

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

Council housing rents, garage rents, and service charges

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

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

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

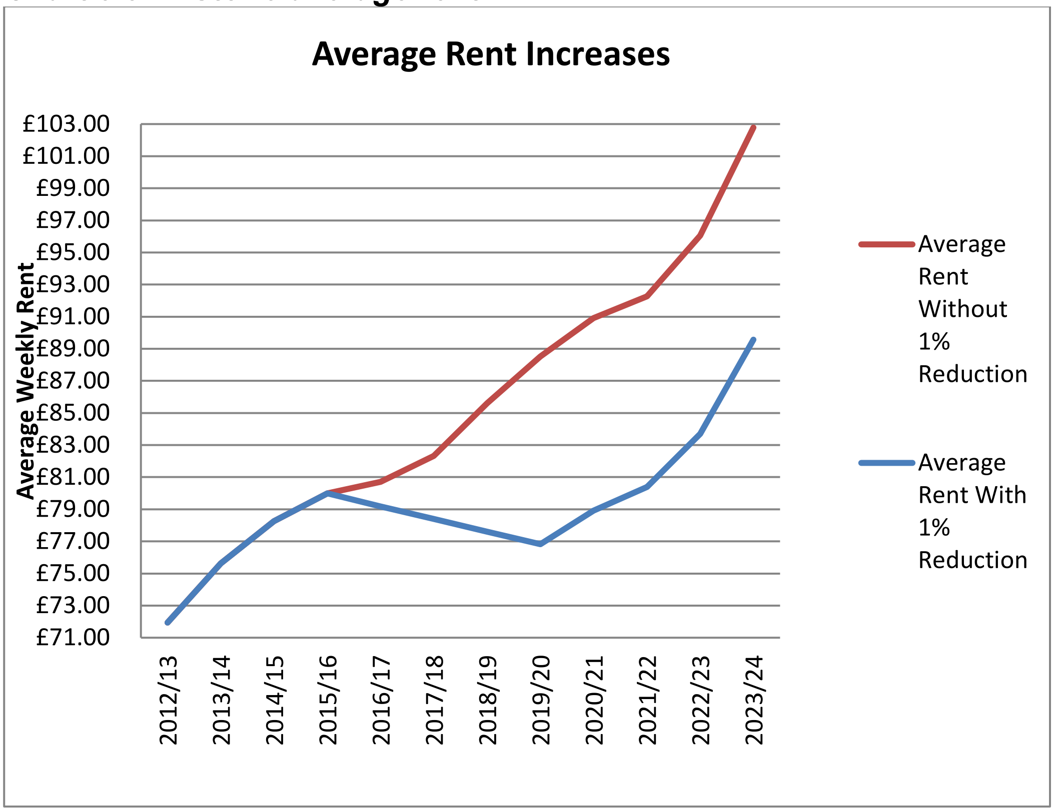
3.33 A dwelling rent increase for 2023/24 of 7% would generate an average weekly rent increase of £5.85 for Norwich social housing tenants (excluding larger dwellings leased to care agencies). The table below shows the minimum and maximum rent increases at 7%.

Table 3.1: Proposed dwelling rent increase 2023/24

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

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

Chart 3.3: Historic average rent



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

Table 3.2: Impact of rent increase 2023/24

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

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

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

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

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

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

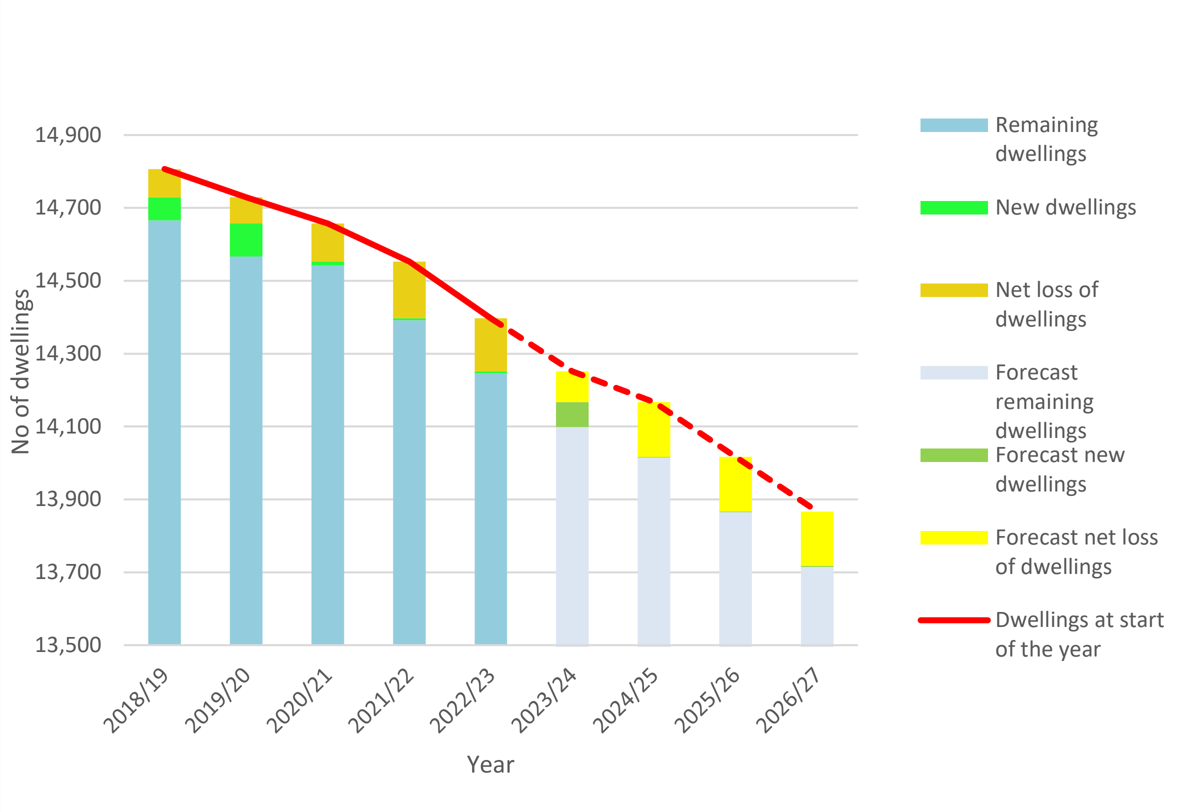
Council dwelling stock levels

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

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

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

Chart 3.4: HRA dwelling stock movements



Capital expenditure plans

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

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

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

Capital financing plans

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

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

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

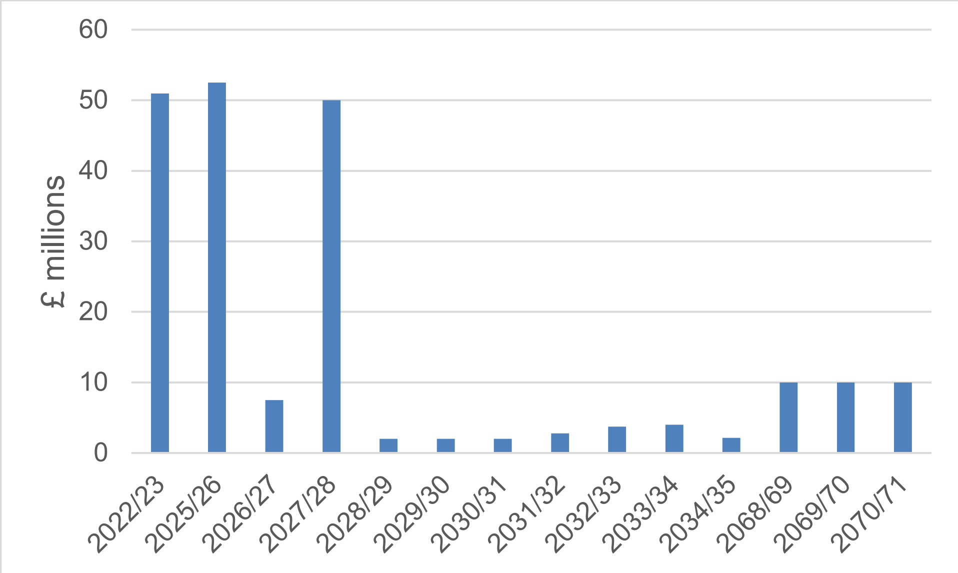
1. Right-to-Buy Retained ‘One for One’ capital receipts.
2. Capital Grants
3. Major Repairs Reserve
4. General HRA capital receipts
5. General reserves
6. Revenue budget contributions
7. Borrowing

3.49 The current HRA Capital Financing Requirement (the need to borrow) is £208.533m. The most recent HRA external borrowing of £30m was taken in advance to support the refinancing in 2022/23 of an existing loan of £49m which formed part of the £149m loan undertaken to fund the HRA self-financing settlement in 2012 when the HRA subsidy system was abolished. This meant that the council no longer had to make payments of approximately £9m per annum to the Government subsidy system and was able to retain all future rental income in return for taking on a calculated share of the national housing debt. The remaining borrowing consists of £31m of historic external borrowing, the most recent being taken over 24 years ago.

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

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

Chart 3.5: Existing HRA external borrowing



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

HRA Reserves Position

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

Table 3.3: Estimated HRA reserves position

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

3.54 The level of general reserves is forecast to slightly reduce in 2023/24, but this is due to the council's significant planned investment in new social housing during the year. The estimated reserves to carry forward into 2024/25 remain substantial (£45.825m) which not only provides a flexible funding resource for the HRA, but also ensures the financial resilience of the account, and provides the council with options for service delivery and the funding of future capital expenditure whilst managing overall debt.

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

Table 3.4: Prudent minimum level of HRA reserves

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

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

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

Explanation of key variances:

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

Appendix 3 (B): HRA dwelling stock movements

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

Shaded cells in italics denote forecast movements

4. CAPITAL AND COMMERCIAL STRATEGY

The wider context and capital investment objectives

4.1. Norwich City Council's Capital and Commercial Strategy provides a valuable opportunity for engagement with full council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.

4.2. It is also a requirement of the Investment Code and the Prudential Code that a commercial strategy exists to inform investments, which are not Treasury Management investments, but which include investing in assets, shares or loans to companies and third parties in support of its corporate priorities. The approach to commercial investments has changed significantly in recent times through changes to the prudential code and capital regulations.

4.3. The overall strategy sets out the council's programme and budget for capital investment over the next five years in support of all its capital expenditure items. It describes how the council will manage, finance, and allocate capital investment towards assets that will help to achieve the council's priorities, as well as its operational and statutory requirements.

4.4. It covers projects and programmes and investments financed through both the council's General Fund and Housing Revenue Account (HRA).

4.5. At the highest level the council's proposed Corporate Plan sets out the key aims that the council wishes to deliver, either itself or with other key partners, namely:

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

4.6. There are however additional drivers or needs for capital expenditure. These comprise:

- Using assets to support the improvement of council services through the Future Shape Norwich programme. Asset investment in services can be designed to generate both new sustainable income streams as well as improving efficiency of service delivery and the reduction of costs.
- The need to maintain or improve the physical condition of existing assets as they deteriorate, are less “fit-for-purpose”, or fail to comply with regulatory requirements. These considerations are part of the Council's asset management planning processes.

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

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

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

Commercial property investment

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

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

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

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

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

Setting aside net rental income into an earmarked reserve

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

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

Capital Loans

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

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

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

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

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

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

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

Norwich Regeneration Limited (NRL)

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

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

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

NRL Business Model

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

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

Chart 4.1: The proposed key drivers for capital investment

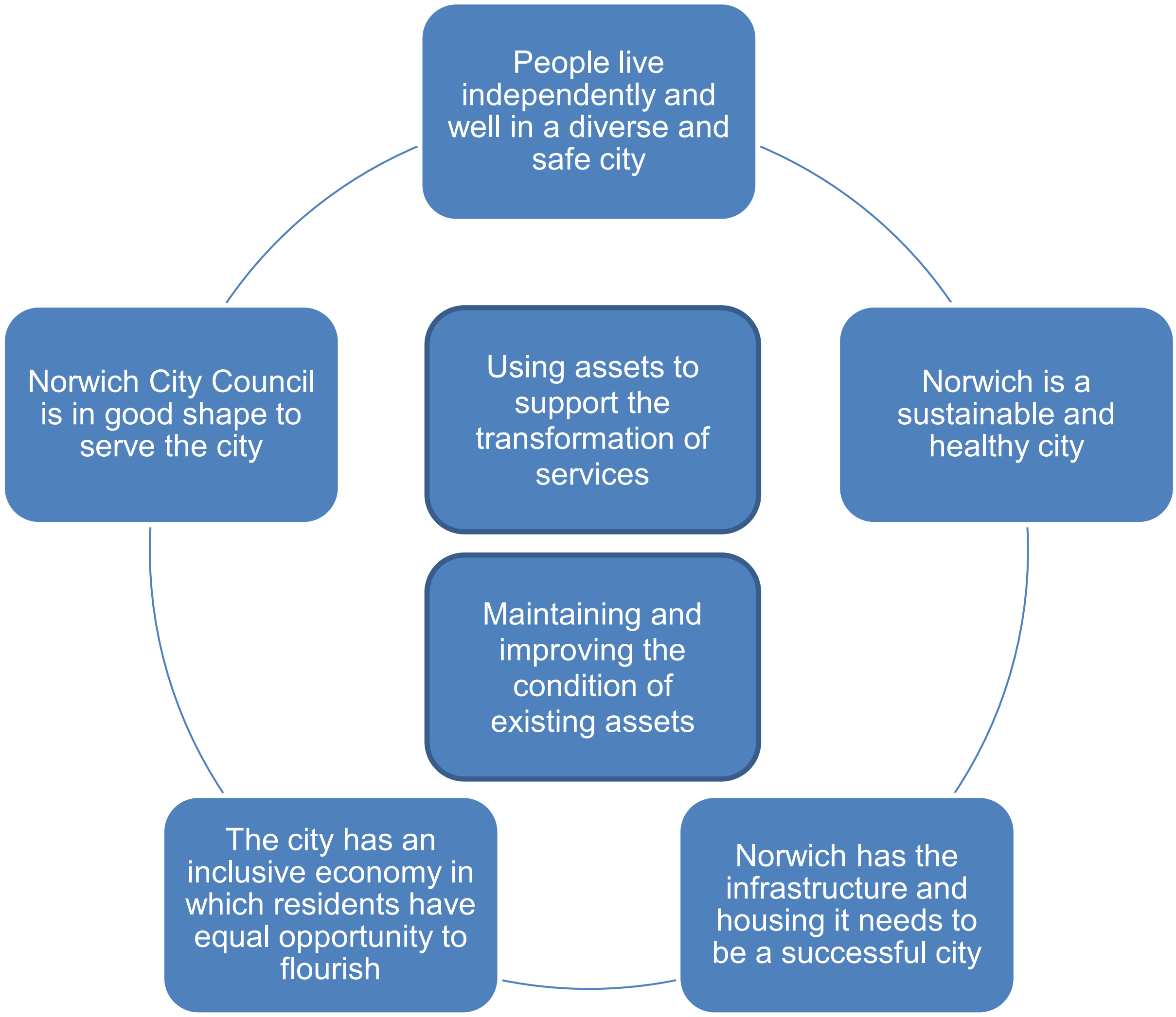


Table 4.1: The council's proposed capital investment objectives

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

Asset management planning

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

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

General Fund asset management planning

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

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

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

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

Housing Revenue Account asset management planning

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

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

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

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

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

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

Capital expenditure plans

4.38. The expenditure plans consist of two kinds:

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

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

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

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

Forecast 2022/23 outturn

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

2023/24 to 2027/28 capital programme

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

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

Table 4.2 Capital Programme 2023 – 2028

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

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

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

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

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

General Fund:

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

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

Housing Revenue Account:

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

Towns' Deal Funding

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

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

Future capital programme

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

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

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

People Live Well

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

Inclusive economy

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

Meeting housing need and delivering new homes:

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

Maintaining and improving the condition of existing HRA housing:

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

Improving the quality and safety of private sector housing:

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

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

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

Funding the capital strategy

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

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

Proposed funding of the general fund capital programme

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

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

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

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

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

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

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

Table 4.4: Proposed funding of the General Fund capital programme

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

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

Proposed funding of the HRA capital programme

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

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

Table 4.5: Proposed funding of the HRA capital programme

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

Enabling our future vision

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

Alternative delivery routes

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

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

Delivering the capital strategy

Governance

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

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

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

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

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

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

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

Corporate Planning Process

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

Commissioning, appraisal, and programme/project management

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

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

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

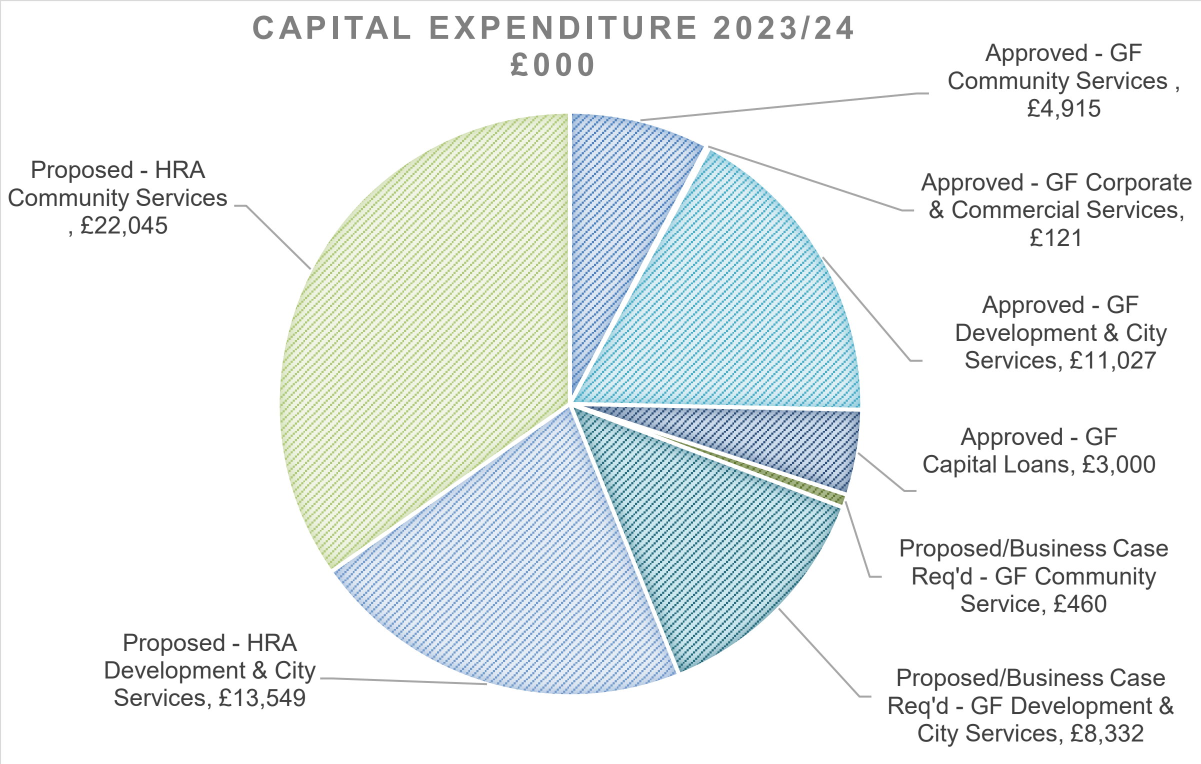
Knowledge and skills

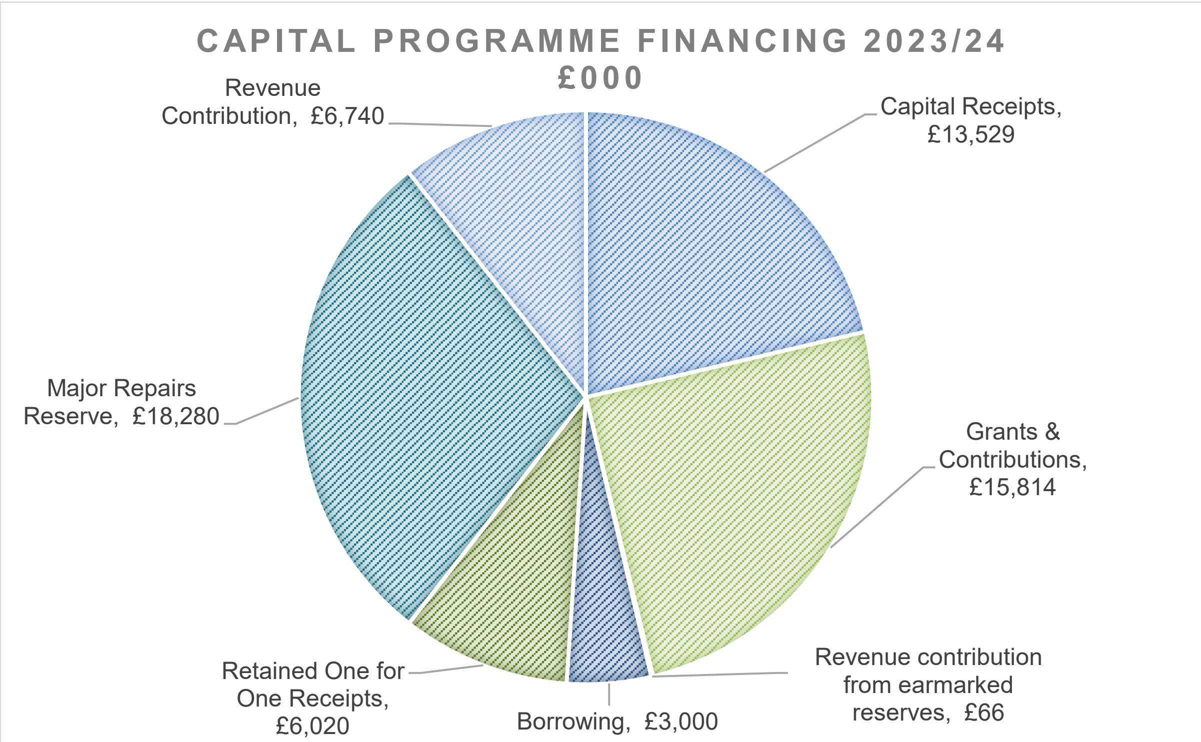
4.67. The council has professionally qualified staff, or access to such staff across a range of disciplines including finance, legal, planning and property that allow for capital investment decisions to be robustly considered. These individuals follow continuous professional development (CPD) and attend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

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

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

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





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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Equality Impact of budget proposals

Background

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

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

2. Information on the residents of the city as well as council customers and employees can be found in the annual Equality Information Report published on the council's website.

Budget Context

3. The aim of the Equality Impact Assessment Process is to support good decision making; it encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs. The aims of an EIA become especially important at times of tightened budgets, enabling us to:

    - Think about what the council is trying to achieve.
    - Consider what impact the decision will have on different groups.
    - Target resources to those who may be most vulnerable.
    - Fund services which respond to people's diverse needs and save money by getting it right first time.

4. As part of the Corporate Plan 2022-2026 it is proposed that we must focus our priorities and resources towards:

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

5. It is also important to understand the national and local context in which the budget and medium-term financial plan are being developed. The council has seen reductions in its long-term funding allocations from central government and with the expectation that there will again only be a one-year local government settlement there remains significant uncertainty over future funding levels including the operation of the business rates retention scheme.

6. The level of funding allocated to local government continues to be insufficient to support the increasing demand for council services. This, together with increased cost of living pressures, means that the council will not receive adequate resources to cover its costs over the medium term.

7. Certain budget decisions – perhaps where they do not have an impact on service provision available to our residents – will not require specific Equality Impact Assessments. However, where there is a material impact on service provision, an individual EIA will be conducted before any change is implemented.

Cumulative Equality Impact Assessment of Budget 2023/24

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

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

9. We have undertaken an initial screening of all budget proposals, including those relating to the HRA, to ascertain where a potential change impacts on service provision. This has identified those proposals that require an Equality Impact Assessment or consultation. In those cases, an Equality Impact Assessment template has been completed by service leads to identify the main potential impacts on groups covered by legislation (the protected characteristics in the Equality Act 2010).

10. Equality Impact Assessments (EIA) for specific proposals are developed as proposals are being finalised. This ensures that the impact is understood and mitigating actions that minimise disadvantage and tackle inequality are identified where possible. These initial assessments are made available at the relevant time so that members can make informed decisions. There may be some proposals that have implications for council employees for which details of consultation or Equalities Impact Assessments cannot be published owing to data protection or employment legislation.

11. The EIA process and consultation have been based on identifying whether service delivery impacts are likely to be different for a person because of their protected characteristic (with a focus on where impacts may be worse).

12. While assessing the cumulative impact of our proposals on equality groups, we have identified an additional factor that could compound the impact. This is the risk of financial exclusion (due to low income).

Equality Impact Assessment Findings

Council Tax Increase

13. A 2.99% increase to the Band D rate is proposed in the 2023/24 budget figures The proposed 2023/24 Band D rate is therefore £288.59 compared to the current year rate of £280.21 – an increase of £8.38.

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

15. In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one group, rather it is an increase that is applied across the board. It should be noted that most Norwich residents are within council tax Bands A and B where the annual increase is lower; the impact on all individual council tax bands is shown Appendix 2(E).

16. The main mitigation is that many people on low incomes can get Council Tax Support to help them pay their Council Tax bills. The council has retained a 100% Council Tax Support Scheme and the proposal is to maintain current levels of support and assistance in 2023/24. In addition, further support is in place through the council's discretionary policies for those who suffer hardship and other support such as the council's go-for-less scheme.

Rent and Service Charge Increase

17. The proposal within the HRA budget is that rents increase by 7% in line with the government's announcement at the Autumn statement For social housing tenants this equates to an average increase of £5.85 per week. This increase applies equally to all properties and so is not considered to have a differential impact on any group having a protected characteristic. Support is however available for those on low incomes through the operation of Housing Benefit or in some cases Universal Credit.

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

Savings and Income Proposals

19. There has been an overall assessment of the Equality Impact Assessments that have been produced for the savings and income proposal and the findings are:

    - We acknowledge the need to ensure that our services are as accessible as possible. This will be central when looking at alternative models of delivery, including the use of technology to reduce our costs.
    - There are some fee increases for non-statutory services that we provide, and we understand that these fee increases all add up. This may not impact on specific protected characteristics but will impact on

those who have a low income; the impact of the cost of living crisis is also likely to exacerbate the impacts on lower income groups.

20. The equality impact assessments will continue to be updated as projects move through the feasibility appraisal and into implementation.

21. If there is a requirement to adapt the proposals as the full EIAs are finalised, there is financial mitigation (in the form of the budget risk reserve) put aside for any non-delivery or amendments to proposals.

NORWICH City Council

Item 9

Committee Name: Cabinet

Committee Date: 14/12/2022

Report Title: Treasury Management Mid-Year Review Report 2022/23

Portfolio:	Councillor Kendrick, resources
Report from:	Executive director of corporate and commercial services
Wards:	**All Wards**
OPEN PUBLIC ITEM	

Purpose

This report sets out the Council's Treasury Management performance for the first six months of the financial year to 30 September 2022.

Recommendation:

Cabinet is asked to:

1. Note the contents of the report and in particular the treasury management activity undertaken in the first six months of the 2022/23 financial year.
2. Propose that this report be considered and agreed by Full Council.

Policy Framework

The Council has five corporate priorities, which are:

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

This report meets the Norwich City Council is in good shape to serve the city corporate priority

This report meets the treasury management strategy policy adopted by the Council.

Report Details
Background

1. CIPFA (the Chartered Institute of Public Finance & Accountancy) defines treasury management as: “The management of the local authority’s borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
2. This report primarily reviews the council’s treasury management activity during the first six months of the financial year 2022/23 and reports on the prudential indicators as required by CIPFA’s Treasury Management Code of Practice.
3. The original Treasury Management Strategy (TMS) and Prudential Indicators were reported to and approved by Council on 22 February 2022 and, as the original decision-making body, subsequent monitoring reports should also be considered by Full Council.
4. In the Spring and Autumn of 2021 CIPFA completed two consultations on proposals to make changes to the Treasury Management Code and its associated guidance. Running alongside these consultations, similar consultations were also conducted on proposed changes to the Prudential Code for capital finance, governing local authority capital investment and borrowing activities.
5. In December 2021 CIPFA published the new Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) and Prudential Code for Capital Finance in Local Authorities (Prudential Code).
6. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions.
7. The new codes have been “soft launched” for the 2022/23 financial year. This means, where possible, local authorities should make their best endeavours to adhere to their provisions and not undertake any new investments which would not be consistent with the changes. The codes will be fully implemented in the 2023/24 financial year.
8. This Council has adopted the new CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code. This requires that the prime objective of treasury management activity is the effective management of risk, and that borrowing activities are undertaken on a prudent, affordable and sustainable basis.

Investment Strategy

9. The TMSS for 2022/23, which includes the Annual Investment Strategy, was approved by the council on 22 February 2022. It sets out the Council’s investment priorities as being:
    - Security of capital;
    - Liquidity of capital; followed by
    - Yield

10. No policy changes have been made to the investment strategy and the Council will therefore, continue to aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

11. The Council held £183m of investments as at 30 September 2022. Table 1 below shows the movement in investments for the first six months of the year. The main components of the increase between March and September were the receipt of £14m proceeds from the sale of Norwich Airport Industrial Estate and the balance reflects the normal receipt of government grants towards the beginning of the year where amounts have not yet been expended.

12. The Council continues to consider the broader impact of its investments and a new element of the Treasury Management code will also require consideration of Environmental, Social and Governance (ESG) policies in placing future investments. Currently the Council has placed two tranches of £5m in the Standard Chartered Bank Sustainable deposit fund; the deposit guarantees that investment is referenced against sustainable assets, both existing and future. The investments are referenced against the United Nations Sustainable Development Goals (SDGs) thus funds are put to work addressing some of the world's biggest long-term threats including, but not limited to, climate change, health, financial inclusion and education.

Table 1

Investments	**Actual**		**Actual**
	31-Mar-22	**Movement**	**30-Sep-22**
	£000	**£000**	**£000**
Short term investments:			
Banks	40,000	0,000	40,000
Building Societies	25,000	0,000	25,000
Local Authorities	45,000	0,000	45,000
Cash Equivalents:			
Banks	16,525	-6,525	10,000
Non- UK Banks	12,000	3,000	15,000
Building Societies	0,000	0,000	0,000
Local Authorities	0,000	0,000	0,000
Money Market Funds	24,000	1,000	25,000
UK Government	2,000	21,000	23,000
Total	**164,525**	**18,475**	**183,000**

13. In setting its Treasury Management budgets for 2022/23 the council set an income budget target of £220,000 for its investment activity, reflecting the continuing low rate environment that was at the time available for short term investments; so far however, it has proved possible to achieve a return on investments which has resulted in £533,739 of actual interest being achieved to the end of September 2022.

14. It is anticipated that cash balances will decrease during the second half of the year particularly reflecting the repayment in January and March of PWLB loans amounting to £51m and as further capital expenditure is incurred. A combination of early refinancing loans, taken before the recent interest rate rises and relatively higher than anticipated levels of cash balances has achieved a reduction of the overall cost and the refinancing risk associated with the PWLB loan.

15. A projection for the remainder of the year suggests that total income for the year of £2.6m may be achievable; interest earned will be apportioned between the General Fund and the HRA with an estimated £0.7m being due to the HRA.

16. The Director of Resources (S.151 officer) confirms that all investment transactions undertaken during the first six months of 2022/23 were within the approved limits as laid out in the Annual Investment Strategy.

BALANCE SHEET POSITION

External Borrowing

17. Table 2 below shows that as at 30 September the Council had external borrowing of £262.299m, of which £211.907m relates to the Housing Revenue Account (HRA). In the first six months of the year the Council has not completed any borrowing. There is a repayment of £2m debt scheduled for January 2023 and £49m debt for March 2023.

    Table 2 shows the current and forecast borrowing position. This position assumes that there will be no borrowing in the current year. The scheduled repayment of loans of £51m in January and March gives the revised position.

Table 2

Long Term Borrowing	Actual 31-Mar-22	Actual 30-Sep-22	TMSS Forecast 31-Mar-23	Revised Estimate 31-Mar-23
	£000	£000	£000	£000
Public Works Loan Board	256,606	256,606	205,647	205,647
Money Market	5,000	5,000	5,000	5,000
3% Stock (Perpetually irredeemable)	499	499	499	499
Other financial intermediaries (Salix)	183	157	131	131
Corporate Bonds and External Mortgages	11	11	11	11
Total	**262,299**	**262,273**	**211,288**	**211,288**

Future Economic forecasts

18. For the period to September the Monetary Policy Committee (MPC) has increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. The UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a squeeze on their real incomes.

19. In their November meeting which happened as this report was being drafted the Monetary Policy Committee (MPC) increased interest rates further to 3% (from 2.25%) which was the largest single increase in Three decades; currently the forecast position suggests they will continue to rise to a peak of 5.00% around February 2023. Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in the forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

Interest rate forecasts

The Council's treasury advisors, Link Group, have updated their forecast for Bank Rate. Table 3 below shows their interest rate forecasts through to September 2025. These projections are based on the end of September position to align with the date covered by this report and they may change before the Investment Committee meeting.

Table 3

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Source: Link Treasury 2022 (PWLB rates include adjustments for Certainty rate discounts)

20. In summary, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control.

21. The forecast on 8th November sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the worst impacts of ultra-high wholesale gas and electricity prices.

22. These forecasts will be kept under close review and the impact will feed through into in year budget monitoring position, the 2023/24 budget and MTFS.

PWLB Rates

23. As the interest forecast table for PWLB (borrowing) rates above shows, there is likely to be a steady rise over the forecast period for about a year, after which rates are expected to fall.

Debt Rescheduling

24. No debt rescheduling was undertaken during the first six months of 2022/23. It is not anticipated that the Council will undertake any rescheduling activity during the remainder of the financial year. The council retains some higher rate borrowings and if rates continue to rise there may be some opportunities for debt rescheduling if this proves cost effective. Until borrowing rates fall the Council is unlikely to consider additional loans to finance its unfinanced borrowing.

Prudential Indicators

25. This part of the report is structured to provide an update on:

- The changes to the Council's capital expenditure plans;
- How these plans are being financed;

- The impact of changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing.

Capital Expenditure & Financing

26. The 2022/23 capital programme budgets were approved as part of the budget report to full Council on 22 February 2022. In the Q1 Assurance report there were approved revisions to the capital budgets to include the 2021/22 capital carry forwards, new capital schemes approved during the year and the re-profiling of some capital budgets into future years. The current capital programme budget is shown in Table 4 along with the mid-year estimate. A detailed breakdown of capital programme schemes can also be found in the Quarter 1 2022/23 Corporate Performance Assurance report.

Table 4

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Forecast Outturn
	£000	**£000**	**£000**
General Fund capital expenditure	20,246	18,298	16,430
General Fund capital loans	6,000	1,000	1,000
HRA	41,962	42,347	38,417
Capital Expenditure	**68,208**	**61,646**	**55,847**
Financed by:			
Capital receipts	16,213	16,377	13,516
Capital grant and contributions	20,109	18,507	16,178
Capital & earmarked reserves	19,544	19,144	19,205
Revenue	6,342	6,618	5,949
Total Resources	**62,208**	**60,646**	**54,847**
Net borrowing need for the year	**6,000**	**1,000**	**1,000**

27. Table 4 shows how the revised capital programme will be financed and shows a significant decrease in the net borrowing need for the year compared to the figure anticipated when Council approved the Treasury Management Strategy. The reason borrowing need for the year has decreased is due to the loan requirement for the council's wholly owned subsidiary, Norwich Regeneration Limited being re-profiled into future years.

28. A further consequence of this is that the council's forecast Capital Financing Requirement (CFR) for 2022/23 shown in Table 5, is lower than initially anticipated.

The Capital Financing Requirement (CFR)

29. Table 5 below shows the Councils CFR, which is the underlying external need to borrow for a capital purpose.

Table 5

	2022/23 Original Estimate	2022/23 Revised Estimate
	£000	**£000**
Opening General Fund CFR	**114,306**	**113,003**
Movement in General Fund CFR	5,769	2,065
Closing General Fund CFR	**120,074**	**115,068**
Movement in CFR represented by:		
Borrowing need (NRL loan requirement)	6,000	1,000
Loan repayment	(15)	(15)
Appropriations	(657)	0
Less MRP and other financing adj.	441	1,080
Movement in General Fund CFR	**5,769**	**2,065**
Opening HRA Fund CFR	**207,517**	**208,533**
Movement in HRA CFR	657	0
Closing HRA CFR	**208,174**	**208,533**
TOTAL CFR	**328,248**	**323,601**

Prudential Indicators relating to Borrowing Activity

30. Authorised Limit – This represents the legal limit beyond which borrowing is prohibited and needs to be set and revised by Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit represents the CFR (assumed fully funded by borrowing) plus a margin to accommodate any unplanned adverse cash flow movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The authorised limit has not been breached; Table 2 above indicates that the level of external borrowing at September 2022 was £262m falling to an estimated £211m by March 2023 and in comparison to the authorised limit in Table 7.

Table 7

Prudential Indicator	2022/23
	£000
Authorised Limit for external debt	**358,248**

31. Operational Boundary – This indicator is based on the probable external debt during the year; it is set deliberately lower than the authorised limit. This limit acts as an early warning indicator should borrowing be approaching the Authorised Limit. This limit may be breached on occasion under normal circumstances, but sustained or regular breaches should trigger a review of borrowing levels. The operational boundary has not been breached and current external borrowing is well below the Operational Boundary.

Table 8

Prudential Indicator	2022/23
	£000
Operational boundary for external debt	**328,248**

Borrowing Activity

32. The Authority has continued the prudent approach of utilising internal borrowing to fund its borrowing requirement where cash levels permit or interest rates mitigate against taking on external debt; overall the strategy is designed to reduce external borrowing costs. In the first six months of the year the Council has not borrowed.

33. Long-term fixed interest rates are still relatively low but are expected to rise over the five-year treasury management planning period. The Executive Director, Corporate & Commercial Services (S.151 Officer), under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates or opportunities at the time, taking into account the associated risks e.g. counterparty risk, cost of carry and impact on the Medium Term Financial Strategy as well as risk of future more significant interest rate increases.

34. Opportunities for debt restructuring will be continually monitored alongside interest rate forecasts. Action will be taken when the Executive Director, Corporate & Commercial Services (S.151 officer) feels it is most advantageous.

Investment Performance

35. The objectives of the Council's investment strategy are firstly the safeguarding of the repayment of the principal and interest of its investments, and secondly ensuring adequate liquidity. The investment returns (yield) being a third objective, consummate to achieving the first two.

36. The Council held £183m of financial investments at 30 September 2022 with the investment profile being shown in Table 1 earlier in this report.

Risk Benchmarking

37. The Investment Strategy for 2022/23 includes the following benchmarks for liquidity and security. Additional benchmarking data against comparable authorities was not available at the time of writing this report and these will be provided as they become available.

Liquidity

38. The Council has no formal overdraft facility and seeks to maintain liquid short-term deposits of at least £1 million available with a week's notice.

39. The Average return on investment at 30 September 2022 was 1.89% against a 7 Day LIBID benchmark average rate of 1.19% -0.7% (minus). The Executive Director, Corporate & Commercial Services (S.151 officer) can report that liquidity arrangements were adequate during the year to date.

Security

41. The weighted average credit risk of the portfolio at the end of the period was 3.02%. The Council's maximum security risk benchmark for the portfolio at 30 September 2022 was 0.011% which equates to a potential loss of £20.1k on an investment portfolio of £183m. This credit risk indicator is lower than the anticipated maximum risk of 0.040% in the Treasury Management Strategy.
42. At 30 September 2022 100% of the investment portfolio was held in low risk specified investments.
43. The Director of Resources (S.151 officer) can report that the investment portfolio was maintained within the overall benchmark during the year to date.

Minimum Revenue Provision Policy

44. The Council is required to approve an MRP policy in advance of each year. Council approved the 2022/23 policy on 22 February 2022.

REGULATORY UPDATE

Proposed changes to IFRS 16 Leases and the likely impact for the Local Authority Accounting Code.

45. Although the standard was issued in January 2012, authorities are expected to comply from 1 April 2024. The current classification of leases into operating and finance will no longer apply with the exceptions of leases of 12 months or less and leases of low value. This change will therefore impact the Council's CFR but have no borrowing impact. A lot will depend on the evaluation of contracts and their implications. The potential impacts of the new standard will be covered in the 2023/24 Treasury Management Strategy.

Changes to the Treasury Management and Prudential Code.

46. In the Spring and Autumn of 2021 CIPFA completed two consultations on proposals to make changes to the Treasury Management Code and its associated guidance. Running alongside these consultations, similar consultations were also conducted on proposed changes to the Prudential Code for capital finance, governing local authority capital investment and borrowing activities.

47. In December 2021 CIPFA published the new Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) and new Prudential Code for Capital Finance in Local Authorities (Prudential Code).

48. The focus of the Treasury Management Code changes relate to supporting the new prudential code. The new prudential code includes a new liability benchmark indicator which is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows.

49. The focus of the new Prudential Code changes are to address the risks associated with commercial investments (see paragraphs 50-54), including property acquisitions, known as debt for yield transactions. Councils are now required to review assets held for investment purposes against ongoing

borrowing requirements. The code requires Councils to consider disposal of investments to finance borrowing where the sale of an investment is financially viable.

Commercial Investments

50. Norwich City Council currently has £119m of Investment Property on its balance sheet (31 March 2022) and, as it is in a net borrowing position, is directly impacted by the proposed code changes.

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

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

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

54. The Council is currently undertaking a review of its investment portfolio to determine assets returns and the potential cost of disposal.

Other Treasury Management Code Changes

55. CIPFA has also set out several other areas which should be considered and reflected appropriately in authorities Treasury Management strategies and prudential indicators.

Maturity Indicator

56. The code revision sets out the need for a maturity indicator which is closely related to the liability benchmark; as the liability benchmark provides the methodology for producing maturity ranges appropriate to the authority's own committed borrowing profile and provides a projection of future debt outstanding around which to set the upper and lower limits for each maturity range.

Long Term Treasury Management Investments

57. The scope of this indicator has been clarified to relate explicitly to the authority's investments for treasury management purposes only. Investments taken or held for service purposes or commercial purposes should not be included in this indicator.

58. Authorities must not borrow more than or in advance of their needs purely to profit from the investment of the extra sums borrowed Organisations must not borrow earlier than required to meet cashflow needs unless there is a clear business case for doing so and must only do so for the current capital programme, to finance future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

Interest Rate Exposure Indicator

59. The Code requires each authority to set out its strategy for managing interest rate risks with such indicators as are appropriate. The indicators used should cover at least the forthcoming year and the following two years, in line with other prudential indicators. Authorities may find it helpful to use the measure required for the Financial Statements, which sets out the cost of a 1% increase in interest rates.

60. The liability benchmark chart can be used to portray interest rate risk, by splitting existing loans outstanding into its interest risk characteristics, e.g. fixed rate loans, variable rate loans, etc.

Credit risk

61. Authorities are asked to consider credit risk indicators appropriate to themselves. One simple measure which some authorities use is an overall credit score, i.e., the weighted average credit rating of the authority's treasury management investments.

Price risk

62. Authorities are asked to ensure that their reporting of investments which are materially exposed to movements in fair value includes an appropriate measure of price risk and reporting on movements in fair value. Authorities with commercial property portfolios, such as Norwich CC should establish a view of fair value at each year end. This is required in any case for the investment risk indicators and reporting under the Statutory Investment Guidance

Treasury Management Practice (TMP) changes

63. Each authority is required to adopt a number of Treasury Management Practices and the code changes have proposed changes to be made to some of these; some are minor wording changes to clarify or assist in interpretation however, there is now a requirement in TMP1 on counterparty credit risk for an authorities counterparty policy to set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations in relation to those counterparties.

64. The TMP requires an authority to assert that "its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited or investments made. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements. This will set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations."

Training, Knowledge and Skills

65. Revisions to TMP 10 on the training skills and knowledge now requires a knowledge and skills schedule to be maintained for all those involved in Treasury Management functions.

Consultation

66. The report is the mid-year position statement to ensure that the Cabinet and the Council are kept informed of treasury activity.
67. The report was considered by the newly formed Treasury Management Committee who noted and endorsed the report for consideration at Cabinet and Council.

Implications

Financial and Resources

68. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan and Budget. This report is for information only and there are no proposals in this report that would reduce or increase resources.

Legal

69. The Council must have regard to the provisions of the Treasury Management code of practice when undertaking and reporting on its treasury activities. The requirement for Council to approve its Treasury Management Strategy and to receive reports, on its treasury management performance, are requirements of the Code of Practice.
70. The mid-year report must set out performance against the approved Prudential Indicators and any breaches of them.

Statutory Considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and Diversity	None
Health, Social and Economic Impact	None
Crime and Disorder	None
Children and Adults Safeguarding	None
Environmental Impact	Sustainable investment products are an area of growth in the market. These options will be considered where the investments are in line with approved Treasury Management Strategy. Security, liquidity and yield remain the cornerstones of the Treasury Management Strategy, and it is vital that all investments continue to ensure the security of council funds as a priority and remain compatible with the risk appetite of the council and its cash flow requirements.

Risk Management

71. Managing risk is a major part of treasury management activity. All the limits and indicators in place to reduce the level of risk have been adhered to so that risks are at an acceptable level as in the treasury management strategy.

Risk	Consequence	Controls Required
Future interest rate changes can offer both opportunity and risk. Cashflow requirements are know to avoid the need for unplanned borrowing or overdraft facilities to meet expenses as they fall due.	Future loan interest rate changes need to be assessed against the cost of borrowing and the council's ability to fund expenditure from its own cashflows (internal borrowing). Investment rates offer an opportunity to generate income in support of council priorities subject to the achievement of security and liquidity considerations.	To mitigate the risk, we will work closely with our treasury advisors to review interest rate forecasts to assess when we should borrow. Surplus cash for investing is only available on a short-term basis until required to meet on-going or capital expenditures. The existence of reserves provides some longer-term opportunities to generate investment returns but must be undertaken alongside an assessment of risk and knowledge of the council's cashflow requirements.

Other Options Considered

72. No other options have been considered. The report is to inform the treasury management committee and the council of the treasury activity for the period 1 April 2022 to 30 September 2022.

Reasons for the decision/recommendation

73. To ensure the treasury management committee and Council are kept informed of treasury activity in line with the Financial Regulations.

Background papers: None

Appendices: None

Contact Officers:

Name: Robert Mayes

Telephone number: 01603 989648

Email address: robertmayes@norwich.gov.uk

Name: Caroline Knott

Telephone number: 01603 987615

Email address: carolineknott@norwich.gov.uk

NORWICH City Council

Item 10

Committee name: Cabinet

Committee date: 14/11/2022

Report title: Delegation to Award Contract for works to Public Realm in the City Centre.

Portfolio: Councillor Stonard, Cabinet member for inclusive and sustainable growth

Report from: Executive director of development and city services

Wards: Mancroft

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To provide an update on the current position with the Towns Funded public realm schemes and agree a contract for scheme delivery allowing works to commence in early 2023.

Recommendation:

To delegate the Executive Director of Development and City Services, in consultation with the portfolio holder for sustainable and inclusive growth, the authority to award the public realm enhancements contract at Hay Hill, Norwich to Tarmac Trading Limited.

Policy framework

The council has five corporate priorities, which are:

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

This report meets the Norwich is a sustainable and healthy city corporate priority

This report addresses a creative and liveable city priority or action in the Corporate

Plan

This report helps to meet DM8 planning effectively for open space and recreation, DM9 Safeguarding Norwich’s heritage adopted policy of the Council

This report helps to meet Arts, culture and heritage and regeneration and development objective of the COVID-19 Recovery Plan

Report details

Background

1. The cabinet considered the Towns Deal Funding award at their meeting on 20th January 2020. The council was awarded £25m at the end of 2020 by the Ministry of Housing and Communities and Local Government (now Department of Levelling Up, Housing and Communities (DLUHC)), for the following eight projects:

   Skills and Enterprise Infrastructure

   - Digital Hub
   - Make Space at the Halls
   - Digi-Tech Factory (fast-tracked)
   - Advanced Construction and Engineering Centre

   Urban Regeneration

   - East Norwich Masterplan and Carrow House (fast-tracked)
   - Revolving Fund
   - Public Realm
   - Norwich Branding

2. This report concerns the Public Realm element of the Urban Regeneration section

3. The Public Realm projects included in the Towns Fund business case are St Giles Street and Hay Hill. Hay Hill has been allocated £2.289m and St Giles £1.806m

4. The St Giles Street Public Realm project was being developed as part of the Connecting the Norwich Lanes (CtL) programme, which is part of the Transport for Norwich (TfN) programme, led by Norfolk County Council. Norwich City Council secured the funding for the St Giles project and are acting as client to Norfolk County Council, from whom it has commissioned project management and engineering services and access to the County's contractor Tarmac to deliver the project.

   The St Giles project proposes a reduction in carriageway width, resulting in widening and repaving of the footways, re-ordering of parking and loading areas and associated streetscape improvements and tree planting. The rejuvenated streetscape supports the ongoing renaissance of the Lanes area of Norwich.

5. Hay Hill is a City Council project. The site was identified as a focal public open space in the City centre which had become degraded since the last redesign during the 1980s, and required a comprehensive redesign to provide a high profile destination space in the City.

   The project provides a rejuvenated and regenerated public open space. A comprehensive redesign of the existing steps on site offers a more accessible, flexible and vibrant open space supporting the economic recovery of the City centre post covid. The retention of the majority of the existing trees, (one tree will be removed as it is diseased and dying) new planters and planting will provide urban greening and enhanced biodiversity in the centre of the City.

6. A water feature has been designed into the proposals that responds to the level changes on site. It flows from the base of the plinth of the repositioned statue of Thomas Browne, which in the revised plans now sits central to the space, and then flows either side of the junction of the seating steps and access steps on site. The water feature is a film of water with a series of low bubbler features along the top plain. The proposed feature uses low volumes of water, is resistant to vandalism and will be combined with misting features to water the new planting on site. The feature can be programmed to operate at set times responding to the use of the space and the level of financial support from surrounding businesses. When turned off the feature will present as simple contrasting steps on the site.

7. The Towns Fund board have approved the scheme for Hay Hill and the principle of the delivery of the project by Tarmac, appointed through Norfolk County Councils framework agreement. This report seeks approval by the cabinet to delegate authority to award the contract to Tarmac to the Executive Director of Development and City Services.

Consultation

8. A Full public consultation exercise was undertaken on both projects resulting in a significant response and a high level of support for both schemes.

9. The consultation process for St Giles was managed by the County Council as a highways scheme with web pages and a digital questionnaire. 64% of the 91 respondents supported the overall aims of the scheme.

10. The proposed design for St Giles was supported by the public with a strong support for the street greening, wider footpaths and improved pedestrian priority. There were however concerns raised by some local stakeholders and residents to the changes to loading and parking on St Giles street. The majority of these concerns could be alleviated during the detailed design phase.

11. The Hay Hill consultation was managed by the City Council with social media pages created directing people to project information and an online questionnaire, stakeholder emails, targeted letter drops and two consultation events held on Norwich market.

12. 448 responses were received on the Hay Hill project of which 441 were received via an online questionnaire. From the online questionnaire 79% of respondents supported or strongly supported the scheme with support for a natural, green pleasant place to spend time in the City centre.Hay Hill was recognised as a valuable but underused City asset and there was strong support for a sustainable, clean and accessible open space. There was also support for the return of a public water feature on site and the retention of the existing trees. The modern sculptures installed on the site in 2007 were recognised as of high value but that they frustrated movement and use of the space and that they should be moved to a new location.

Project Costs

13. The original budget for the Town Deal Funded Public Realm schemes was produced in 2020 and based upon recently completed city centre projects at the time.

14. Following the completion of the business case for the two Public Realm schemes in 2020, the construction industry has been subject to significant commercial pressures resulting in disruption to supply chains and labour due to COVID, and global cost inflation. These issues have significantly impacted the costs for both schemes of the Public Realm project, and recent revised costings for the two proposed public realm projects highlight the extent of the cost increases.

15. The project managers sought to clarify the financial and project risks around continuing to develop the two projects. The design work undertaken on both projects allowed for a more robust costing exercise.

16. The conclusion of this exercise, as shared with the Town Deal Board on the 25th of July 2022, was that development work on the St Giles project should be paused because there would not be sufficient money to complete both the Hay Hill and St Giles projects.

17. It was also established that the disruption to city centre users resulting from delivering both projects at the same time as other programmed elements of the Connecting the Lanes project would be unacceptable.

18. The Town Deal Board approved the recommendation to pause work on the St Giles project and concentrate the available budget on the successful delivery and completion of the Hay Hill project. A Project Adjustment Request (PAR) for an 'in-delivery' project change was submitted to DLUHC, revising the scope of the Public Realm project, and was approved by DLUHC on 1st December 2022.

19. The City and County Councils remain committed to delivering the St Giles project and securing, for the users of the street, the considerable benefits that flow from it. Alternative sources of potential funding outside of the Towns Fund project will be sought, and any application for funding could potentially be strengthened by a successful funding award from the levelling up fund for the submitted schemes on Exchange Street and Guildhall Hill.

Project Procurement

20. The County Council have a framework agreement with Tarmac for the delivery of all highways improvements across the County. Tarmac have delivered a range of high value and high profile projects within Norwich City including Tombland and Westlegate. Tarmac are currently finalising the St Stephens street project. The City Council has confirmed with the County Council that it is able to access the framework agreement and appoint Tarmac to deliver the Public Realm and highways improvement on Hay Hill. The framework agreement has been subject to a rigorous procurement exercise to ensure that the contract rates are competitive.

21. The direct appointment by the City of Tarmac to construct Hay Hill significantly reduces the risks associated with delivering a complex scheme

within the City centre. Tarmac have established procedures for the management of projects and the significant resources and procurement reach necessary to deliver the project in a challenging period for the construction industry.

22. The City Council design team have established working relations with both County Highways Engineers and Tarmac ensuring efficient contract delivery. The County Highways Engineers will be providing an administrator role, managing the contract between the City and Tarmac.

23. In accordance with the Council's constitution, contracts greater than £500k in value must be determined by Cabinet or delegated by Cabinet to Officers. The value of the contract exceeds the criteria for a key decision and hence the contract award requires a cabinet decision. The detailed design phase of the project is ongoing with a package of documentation issued to Tarmac by the end of November 22 with a 12 week period for target costing. There is a need to commence work on site in January 23 to allow for completion of the works by early November 23 to minimise any risk of disruption from site works during the Christmas period. The funding for the project provided by DLHUC must be expended by March 2025. If delays to the start of the project result in partial completion of the construction works by November 23 and as a result the project is paused and restarted in January 2024, there will be additional contract costs and additional staff related costs as funding for internal staff on the project is only budgeted to March 2024. The table below outlines the project milestones.

24. The works will therefore need to commence before the next cabinet meeting and it is therefore recommended that the decision to award the contract is delegated to the Executive Director of Development and City Services in consultation with the portfolio holder for sustainable and inclusive growth.

25. Project milestones

Action	**Required by**
Drawings package to Main Contractor for target costing and detailed programming	14.12.2022
Cabinet approval for delegated authority to award contract	14.12.2022
Executive Director of Development and City Services signs contract	15.12.2022
Procurement of special contractors i.e. Tree surgeon, conservator, ground investigations	Christmas
Public and stakeholder engagement	Christmas
Site set up	w/c 16.01.2023
Planning approvals for removals and demolition elements	w/c 23.01.2023
Forward programme subject to Main Contractor programming	
Completion	31.10.2023 (no works permitted on the Highway in lead up to Christmas)

Finances

26. The revised project costs of £3.2m has significantly increased from the original forecast/funding of £2.3m due to unavoidable additional project requirements and unprecedented inflationary pressure with resulting construction cost increases.

27. The additional funding for the Hay Hill project has been secured due to pausing the proposed works to St Giles, also within the original public realm project. DLUHC has confirmed the transfer of funding as noted in item 12 above. Internal approvals for the transfer will be completed early 2023.

Hay Hill Funding			
Projects	**Original Budget £000's**	**Revised Budget £000's**	**Variance £000's**
Public Realm - St Giles - contribution to facilitate Hay Hill			942
Public Realm - Hay Hill	2,290	3,232	(942)
	2,290	**3,232**	**-**

Public Realm - Hay Hill Costs								
	20-21 £000's	21-22 £000's	22-23 £000's	23-24 £000's	24-25 £000's *(Retention costs)*	Sub Total £000's	Contingency £000's	Grand Total £000's
Wiliam Booth Street				146	3	149	30	179
Elm Hill			150			150	30	180
Hay Hill			250	1,826	53	2,129	342	2,471
Art Installation				20		20		20
Main Construction + Other Costs	**-**	**-**	**400**	**1,993**	**56**	**2,449**	**402**	**2,851**
Consultants costs		2	92	4		98		98
PM & other staffing	1	37	113	97	15	264		264
Nrf CC Construction & Technical supervision			5	15		20		20
Additional Costs	**1**	**39**	**211**	**115**	**15**	**382**	**-**	**382**
Total Actuals + Forecasted Costs	**1**	**39**	**611**	**2,108**	**71**	**2,831**	**402**	**3,232**

28. Financial Profile of project

29. The Hay Hill project has been costed by an external team of quantity surveyors appointed to the design and delivery team to ensure best value on the project.

30. The revised Hay Hill Cost Plan is £3.2m as above £2.9m relates to the construction works (including contingency sums) with the remainder £0.4m attributed to consultancy, fees and approvals.

31. This figure includes an allowance for upgrading William Booth Street and some improvements to Weavers Lane linking to the market and Chanty Place through Hay Hill. The financial breakdown also allows for the relocation of the modern sculptures known as the Homage to Sir Thomas Browne off site to the council owned and managed Elm Hill Gardens.

Implications

Financial and resources

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

Forecast Income

33. The Hay Hill public realm scheme is expected to generate additional annual income from the lease of the renewed kiosk, and renewed interest in trader and events pitches due to the enhancement of the use and fabric of the space, in turn making hire more attractive.

34. The forecast income is expected to cover a good proportion of the costs of on-going management and maintenance of the space. This sum would allow comprehensive management of the soft landscape, as well as the operation and maintenance of the architectural lighting. It will also contribute to the operation of the water feature.

35. These revenue incomes will be reviewed by Finance in the next quarter.

Forecast management costs

36. Dependant on the level of operation of the water feature, there will be additional revenue costs per annum. The estimated costs are based on the existing energy unit rates, the consumption figure of £0.014m per annum has been estimated by the water feature consultant and the council's Electrical Engineer presents a worst-case scenario of operating the feature 24/7 for 365 days per year and seeking management outside of existing contracts.

37. Prior to the current inflated energy prices reflecting the turbulence on the world markets the energy costs for the water feature were estimated at £0.005m per annum. It is anticipated therefore, that future running costs will be lower than the current £0.014m estimate.

38. Liaison with service areas on the best approach to operation and maintenance scheduling for the feature to balance cost-benefit and safety is on-going.

39. Annual cost of future management will vary annually dependant on energy prices and the need for plant watering due to climate changes, but officers are confident that efficiencies in operation and procurement (including managing the hours of operation of water feature and post establishment reduced level of management of plants) can be made to reduce the worst-case operational cost outlined above.

40. When not in use the water feature will pose no risk to public health. There will be no standing or pools of water and it will aesthetically look similar as when in operation due to the cascade form.

Covering costs of on-going management

41. In the short term, it has been agreed that the first two years of soft landscape maintenance will be funded by the city council's Covid Recovery Fund (opening up fund), allowing any income from the space to be directly attributed to the water feature.

42. For the longer term, the project team, alongside the Norwich Business Improvement District, are approaching local businesses with a view to discuss sponsorship of the planting areas and / or water feature. These initial approaches have been well received, and discussions will continue.

43. The stewardship of Hay Hill as a whole will be reviewed annually, and suitable adjustments made to allow the space to continue to be managed in the best interest for the city and the public.

44. Revenue costs will be finalised on receipt of the tender exercise for the management and maintenance of soft works on site but it is anticipated that this will be largely offset by sponsorship and support from stakeholders and other interested parties.

45. No additional funding has been included in the council's budget and to the extent that additional costs arise they will need to be accommodated within existing budget provision.

Legal

46. The Council have confirmed with Norfolk County Council that it is permitted to use the Tarmac contract framework. The framework was procured in a manner compliant with the Public Procurement Regulations (this specific contract is under the Public Procurement Regulations thresholds for works contracts)

47. Legal advice and support has been obtained through involving Nplaw in regular project meetings and consulting specialist teams at Nplaw as required. The following aspects of the project are noted:

a) A public consultation has informed the scheme;

b) An equalities impact assessment has been prepared and is currently under review;

c) The project's procurement strategy is detailed in this report;

d) A request for a Stopping Up Order submitted July 2022;

e) Planning applications have been prepared and submitted;

f) Police and Community Safety consultations have taken place.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:

Equality and diversity	Equality Impact Assessment appended to this report.
	
	Key affected groups are:
	
	- Age
	    o Following initial public consultation in February 2022, the design team have held accessibility stakeholder workshops. Norwich Older People's Forum are represented within this group and the invitation is open other older people's organisations.
	
	- Disability
	    o Following initial public consultation in February 2022, the design team have held accessibility stakeholder workshops. Inclusive Norwich, RNIB, Guide Dogs, Vision Norfolk and others are included in this accessibility stakeholder group.
	    o The design team have produced a tactile model to aid communication of layout and detailed design features to members of the blind and partially sighted community.
	
	- Vulnerable people
	    o Measures to improve safety and reduce antisocial behavior in consultation with community safety teams and Norfolk Constabulary.
	
	- Religion and belief
	    o St Peter Mancroft Church is located adjacent to the site and through initial engagement it was noted that the presence and programming of events for both the church and the space requires special consideration.
	
	The layout and detailed design elements have been adjusted and adapted as required through continued engagement with stakeholder groups.
	
	Stakeholder engagement is on-going and will continue through the detailed design and delivery phase.

Consideration	**Details of any implications and proposed measures to address:**
Health, social and economic impact	- Regeneration of Norwich's prime city centre public open space to draw people and businesses to the centre and reduce vacant units. - Land values and rental uplift adjacent around improved spaces. - Offering a pleasant place for people to meet, socialise and contemplate in the city centre improving wellbeing. - Enhance cultural and tourist value of city centre conservation area and perception of quality of place by residents and visitors - Maintain the economic vibrancy of Norwich City Centre in a post-COVID-19 world, which depends on the attractiveness of its streets and spaces to provide a unique experience that competes with online shopping.
Crime and disorder	Please see above (Police and Community Safety consultations).
Children and adults safeguarding	Pursuant to the council's Safeguarding Policy statement we refer to Police and Community Safety consultations and procurement contractor Tarmac's modern slavery statement (se CRH plc).
Environmental impact	Sustainability, sourcing of materials and future maintenance of the scheme are aspects addressed in the project procurement.

Risk management

Risk	Consequence	Controls required
Increasing costs of materials impacting on delivery cost of the scheme.	Reduction in scope or quality of the project if project budget is exceeded.	A procurement schedule has been shared with Tarmac to commence early engagement on materials. Tarmac have established market presence with access to a range of suppliers minimizing potential delays and cost inflation. Risk level – medium.
Cost of delivering and maintaining the proposed water feature.	Public perception of the project if the water feature does not run or is poorly maintained.	The water feature has been designed to use minimal water and energy and is resistant to vandalism. The feature has been designed with input from City colleagues in community services to ensure maintenance and operational requirements are fully costed and approved. Risk level - medium
Disruption and stakeholder management during the construction phase.	Impact on footfall and economic activity resulting from the extended construction programme.	Early engagement with the surrounding businesses has been undertaken to inform and manage the construction phase. Tarmac have experience of delivering complex schemes in an urban environment and a pedestrian and traffic management plan is being developed. Risk level – medium
Equality impacts and management of crime and disorder.	The complex site levels could frustrate use of the space by some visitors. The site has a history of antisocial behavior resulting from poor site surveillance and permeability.	Full engagement has been undertaken with accessibility groups and the feedback used to inform the site layout. Positive feedback on the scheme from accessibility groups supports the scheme outcomes. Engagement with the police and community engagement colleagues has been undertaken and is ongoing – CCTV provision will be increased with a new camera on site. Risk level – low

Other options considered

1. A full procurement exercise for the project could have been undertaken to provide market rates for the construction phase. This option was rejected as the framework agreement with Tarmac has already been subject to a procurement exercise and the City are able to direct appoint Tarmac to deliver the scheme. The risks associated with appointing a contractor other than Tarmac would include unknown quality of work and contract administration. The need to agree and sign off any work on highways land with the County and the need to agree traffic and pedestrian management outside of the Tarmac agreed working practices.

2. The alternative of a full tender exercise could result in a delay starting on site and the potential failure of completion on the project within the necessary timeframe.

3. The appointment of Tarmac is the recommendation of this report to minimise risks in project delivery, untested quality of workmanship and management of the construction phase . Reasons for the decision/recommendation

Background papers:

Appendices: Site visualisations of completed scheme.

Appendix 1 site visualisations.docx

Contact officer: Programme Manager (Towns Fund)

Name: Sarah Collins

Telephone number: 01603 987962

Email address:sarahcollins@norwich.gov.uk

IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Equality Impact Assessment

What is being assessed	Towns Fund: Hay Hill public realm scheme	**Status**	First assessment of new proposals for the public realm ahead of fixing the design to move to detailed and technical design stages.
Officer completing	Zoe Tebbutt	**Role**	Landscape architect
Team	Design, conservation and landscape	**Directorate**	Development and city services
Senior leadership team sponsor	Graham Nelson	**Role**	Director of Development and city services

A member of the public should have a good understanding of the policy or service and any proposals after reading this section. Please use plain English and **avoid** using acronyms, abbreviations, and jargon.

What are the main aims or purpose of the policy, practice, service or function? *(include links to project briefs, cabinet reports etc)*

The main aims of the project are to:

- Create a reimagined, vibrant and accessible open space within the city centre
- Transform the space so that it can be used for events and cultural activities
- Improve walking links between Norwich Market, Millennium Plain, Gentleman's walk and Chantry Place.
- Attract investment and boost the visitor economy by improving the quality and look of the area.

Business case submitted to central government

On 20 January 2021 Cabinet approved a report that included a recommendation to delegate authority to sign-off business cases for individual Town Deal projects to the Director of Place in consultation with the relevant portfolio holder. The business case for the public realm project was formally signed off by the chair of the Town Deal Board on 21 May 2021. The Town Deal Board includes the Council's Leader, CEO and Executive Director of development and city services (formerly Director of Place) for submission to central government as part of an application for funding.

The business cases were approved by government, funds released and included in the council's capital programme. A further update to Cabinet was provided in a report on 23 February 2022.

How does it fit with other services and policies, and how does it support our corporate objectives and City Vision?

From the 2040 City Vision work, Norwich is recognised and promoted as a culturally vibrant city with a strong, independent character, a rich history and a forward-thinking mentality. The Vision outlines out how the challenges facing the city will be addressed over the coming years. It values the way good public spaces promote creativity, liveability, fairness, connectivity and dynamism. It explains that:

Nurturing **creativity** involves regenerating urban spaces, developing the unique mix of experiences in the city centre and maximising the use of our heritage assets to transform the perception of Norwich.

Liveability will flow from offering low-emission and affordable transport that protects biodiversity and air quality in open spaces.

Fairness will arise where physical activity can be enjoyed in public spaces that are welcoming to our citizens in their full diversity.

People will be connected in a city that is great for walking and cycling with spaces that enable people to come together, share and exchange. Hay Hill site has a geographic centrality, that will provide opportunity to improve connectivity to key retail areas.
The dynamism of the city depends on supporting independent businesses and attracting multi-nationals, who we know value good quality public space.

See Business case pages 11-16 for further information.

What is the reason for the proposal or change (financial, legal etc)? *The Equality Act requires us to make this clear.*

It is a prime city centre location which is currently underutilised and does not meet the needs of the public. The fabric of the space and infrastructure is nearing the end of its lifespan. The site is difficult to access, move across, and use due to trip hazards and awkward arrangements of steps and slopes.

Existing site condition and performance assessed through,
- site visits, observation,
- comparison against modern design standards and guidance,
- desk based assessment of anti-social behaviour and other data and corroboration by relevant internal and external departments,
- public and stakeholder consultation.

Who implements, carries out or delivers the policy, practice, service or function? *(person/team/body and other organisations who deliver under procurement or partnership arrangements)* Norwich City Council will deliver the improvement scheme and as the land owner, will be the responsible body for on-going maintenance of the space. Internal departments and team involvement: - Project Landscape architects and project managers; Design, Conservation and Landscape Team. - Economic Development; Towns Fund Project Manager - Property Services; Property, Electrical and M&E support - Citywide Services; Litter bins, Commercial waste, graffiti, Soft landscape maintenance support. - Parks and open spaces; arboricultural advice and management, reuse of reclaimed materials, site compounds - Strategy, engagement and culture; Events, Communications, Norwich BID.
What outcomes do we want to achieve, why and for who? Taken from the business case, pp. 13-14: - More businesses and talented workers locating in Norwich city centre, especially in the digital and creative sector due to improved quality of life, cultural vibrancy and sense of place though personal experience and place marketing imagery. - Creating a joyful and publicly accessible external environment that will encourage tenants to occupy buildings and promote cross-fertilisation of ideas with others in the building. The LIS recognises that “Significant evidence exists supporting the link between wellbeing at work and productivity.” (p43) - Boosting the visitor economy by making it easier for visitors to move between sites and be aware of the cultural assets in the city centre through wayfinding and promotion. - Improved social mobility and inclusive growth for those who lack access to a car or cannot afford public transport and therefore rely on walking to get to work and facilities.

- Better trading environment for retail and catering businesses including new opportunities for creating a street café culture. - Provide locations for cultural expression. - Secure health and environmental benefits arising from modal shift from cars to public transport, cycling and walking					
Decisions must be evidence-based and involve people with protected characteristics and other relevant groups that could be affected. Please use the remaining sections to demonstrate understanding of who could be affected by the proposal.					
Will anyone be disproportionately affected by the programme, and/or will it create any benefits? *(customers, employees, groups in the wider community etc)* **Construction & operation** - **General public** - **Accessibility groups** - **Rough sleepers / vulnerable people** - **Customers to the city centre retail offer** - **Businesses / organisations in the vicinity**					
If yes, complete the relevant sections below for any benefits and adverse impacts identified.					
Affected group	**Key findings from analysis of data and evidence. Identify any gaps in data here**	**Level & type of impact: low/medium/high, positive/adverse**	**Justifiable if adverse**	**Actions to mitigate impacts, maximise benefits or address identified gaps in data**	**By when**
Age	Public consultation feedback highlighted seating, steps, trips, hand rails, rest points etc. as important. Norwich Older People's Forum representative attended accessibility stakeholder	High positive	N/A	Work with stakeholder groups throughout design process and refer to best practice guidance for public realm accessibility.	Update and seek guidance throughout
Disability	Public consultation feedback highlighted seating, steps, trips,	High positive	N/A	Work with stakeholder groups throughout design process and	Update and seek

	hand rails, rest points etc. as important. Inclusive Norwich, RNIB, Guide Dogs, Vision Norfolk and others included in accessibility stakeholder group			refer to best practice guidance for public realm accessibility.	guidance throughout
Gender reassignment	No impact identified	N/A	N/A	N/A	N/A
Marriage and civil partnership	No impact identified	N/A	N/A	N/A	N/A
Pregnancy and maternity	No impact identified	N/A	N/A	N/A	N/A
Race/ethnicity	No impact identified	N/A	N/A	N/A	N/A
Religion and belief	St Peter Mancroft church adjacent	Medium positive	N/A	Working with the church around their key and spontaneous events during construction period, and also operation of events.	Update and seek guidance throughout
Sex/gender	No impact identified	N/A	N/A	N/A	N/A
Sexual orientation	No impact identified	N/A	N/A	N/A	N/A
Other groups This includes care leavers, low-income households, carers, rough sleepers, or any other marginalised or vulnerable group	Scheme will result in improved environment for wellbeing, additional seating, improved accessibility. Correspondence with local police raised issues of vulnerable people being victimised due to design of the space, lighting etc.	Medium positive	N/A	Work with local police and counter-terrorism division and City Council CCTV team through design development.	Update and seek guidance throughout

	Public consultation on concept scheme February 2022. Some concerned about loss of soup kitchen in free text comments. Although this has not been located on Hay Hill since pre-pandemic. Soup kitchen now located on St Peters Street opposite City Hall.				

What evidence and data has been used for this assessment, including community engagement and consultation? *(include links to data sources, consultations etc)*

Public consultation summary report currently available on the NorwichCC network. To be published online November/December 2022.

The Equality Impact Assessment must be able to influence the proposal and decision. This section asks how your understanding of the impacts identified has influenced your proposal, and how the findings of the Equality Impact Assessment can be measured going forward.

How has the equality impact assessment informed or changed the proposal?

Meetings with stakeholder groups have informed the proposal:

- Materiality of the space, colour, texture and layout particularly around seating, steps and water feature
- Heights of upstands to edges of walkways against steps and planters
- Handrail details
- Diversity of seating type
- Production of tactile model for visually impaired

What actions have been identified going forward?

- Continued engagement with key stakeholders and stakeholder groups by design and delivery team.
- Fourth workshop with other accessibility group members who were unable to attend the third, to present tactile model.
- Once on site, undertake test panels of paving for consultation with accessibility groups

How will the impact of your proposal and actions be measured moving forward?

- Continued engagement with key stakeholders and stakeholder groups such as accessibility stakeholders.
- Consider re-consultation of stakeholder groups and the public once scheme delivered.

- Continued collection of Anti-Social Behaviour data by NorwichCC and Norfolk Constabulary.

Once complete, email to: strategy@norwich.gov.uk For the assessment to be final, the relevant people agreeing it must sign off this section

Officer completing assessment	**Zoe Tebbutt**	**Date**	**02.08.2022**
Senior leadership team sponsor	**Graham Nelson**	**Date**	**06.12.2022**
Equality lead (strategy team)	**Emma Smith**	**Date**	**5 December 2022**

Visualisations of proposed public realm scheme at Hay Hill

View 1 view towards relocated Thomas Browne statue flanked by proposed water feature.

View 2 view through the fully accessible middle terrace of the proposed scheme.

Visualisations of proposed public realm scheme at Hay Hill

View 3 view over the redesigned public realm with modern statues removed off site to Elm Hill gardens.

View 4 view from the entrance to Hay Hill from Gentleman's walk with proposed new concession building.

NORWICH City Council

Item 11

Committee name: Cabinet

Committee date: 14/12/2022

Report title: To award a contract to decontaminate and stabilise the land at the Mile Cross development site

Portfolio: Councillor Harris, Deputy leader and cabinet member for social housing

Report from: Executive director of development and city services

Wards: Mile Cross

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To consider awarding a contract to decontaminate and stabilise the land at the Mile Cross development site

Recommendation:

To approve the awarding of the contract to Anglian Demolition Ltd for the undertaking of the land stabilisation and remediation works at the site of the former Mile Cross Depot, in preparation for future housing development.

Policy framework

The council has five corporate priorities, which are:

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

This report addresses Norwich has the infrastructure and housing it needs to be a successful city priority or action in the Corporate Plan

This report helps to meet housing strategy adopted policy of the Council

This report helps to meet housing regeneration and development objective of the COVID-19 Recovery Plan

Report details

Background

1. The appropriation at Mile Cross from the General Fund to the HRA to enable a social housing led development by the council was approved by Cabinet in June 2020.

2. It was also approved that officers would further explore the opportunities and costs for designing and delivering the homes to achieve enhanced environmental standards to help reduce fuel poverty for the residents.

3. The Housing Delivery Team subsequently awarded a contract to Hamson Barron Smith to act as an Employers Agent and lead cost consultancy and design services for the site. This was issued in May 2021 under delegated powers.

4. In July 2022 a factual and robust RIBA Stage 1 report was concluded. This was to ensure that all options to unlock this site had been carefully considered and that the site constraints on the site can be balanced with key opportunities, delivered in this area of the city, improving the community and people's sense of purpose and well-being.

5. The main focus of investigation in the RIBA Stage 1 report was into the ground conditions of this site. The site circumstances on the former depot site are extremely complex with respect to the remediation of this brownfield site. The issues on the site are difficult ground conditions, notably contamination across the site, a main sewage pipe to northern boundary and peat to the southern boundary. Groundworks need to be conducted to a standard required by the Environment Agency in view of residential development being proposed.

Purpose and requirements

6. The purpose of this project is to prepare the ground for future housing development which will be achieved by forming a homogenised and layered development platform to specified levels.

7. The works will require a specialist contractor, with relevant experience in groundworks and remediation to excavate all dry made ground for physical treatment, consisting of segregation, selection, screening and crushing and furthermore, to identify, at source, various materials including vegetation, made ground, soil, contamination, asbestos for treatment options.

8. Research carried out on the site indicates that the majority of the made ground should be suitable for re-use and where it is not suitable is expected to comprise of metals, timber/wood, plastics, rubber all with different prospects for recycling off-site. All material re-used will be in accordance with a materials management plan (MMP) and an engineering specification.

9. Recent ground investigations discovered small quantities of sporadic asbestos contained in the made ground. The contract will include provisions for the removal of discovered asbestos and is disposal via a licensed contractor.

10. The works will also consist of removal of the existing Japanese Knotweed onsite and providing a strategy to prevent any knotweed from spreading back into the site.

11. The contractor will be required to have the ongoing support of a relevant consultant in waste regulations to deliver an agreed Material Management Plan addressing technical aspects. Quality Assurance and Control support is required for chemical and physical properties of re-used materials for the contractor's verification report and regulatory sign off. The consultant will provide client-side support services for provision of information to the contractor as a mutual target for use of best practice and to optimise sustainable materials re-use.

12. These works are subject to a full planning application by Norwich City Council that can be viewed on the planning portal reference 22/00891/NF3. The consent was issued under delegated powers on 2nd December 2022. The start on site for these works is expected to follow in Q4 of this financial year. The contractor will be expected to comply with all planning conditions that fall within their remit, the cost of which will be covered by the undefined provisional sum. There are no pre-commencement conditions on the approval issued.

13. The site is allocated for residential led development in the current Local Plan. This is proposed to be carried forward into the emerging Greater Norwich Local Plan. Due to the ongoing issues with nutrient neutrality no planning application has yet been submitted for residential development.

14. It is expected that a full planning application for the first phase of residential development (c70 homes) will be submitted in April next year. The groundworks are expected to be complete by October 2023. Assuming there is a solution to nutrient neutrality and planning permission is issued, a start on the residential redevelopment could begin in late 2023. Provision for the residential development of the site is made within the emerging HRA business plan that is also being considered at this Cabinet meeting. Across all phases the site is currently estimated to have potential to deliver at least 168 homes.

Procurement

15. The tender was issued in September this year. The procurement route involved the careful selection of several national specialist contractors in the field of land remediation and decontamination and inviting them to engage in a competitive process. Seven specialist contractors were initially identified and then invited to register for the Norwich City Council E-tendering portal on which the invitation was issued. This procurement route was selected due to the specialist nature of the works and timeframes required to start on site.

16. Four contractors submitted tenders. Tenders were evaluated against the evaluation methodology summarised below.

Criteria	Weighting
Quality – Made up of:	**70%**
Q1 – Experience, Skills and knowledge *Q2 – Social Value* *Q3 – Programme* *Q4 – Risk*	*30%* *20%* *10%* *10%*
Price Please provide a price list with a lump sum breakdown for each package of work.	**30%**

17. The weighting of 70% to quality was in order to minimise risks to the Council. The primary risks the Council has sought to mitigate through this process are those of delay in the project (as these would create risks in relation to the previous One Public Estate Funding referred to below), environmental impacts and confidence in the price. Owing to the nature of the contract there is a high degree of uncertainty about the precise nature of the ground condition on the site, therefore the methodology favoured contractors who had done due diligence and could give greatest assurance of being able to deliver for quoted sums.

18. The quality assessment consisted of two elements, one being the non-technical data such as programme, logistics, social values, health and safety etc, and the second being all of the information that made up the technical submission including contractor's ability, methodology, certifications, experience etc. To support the process, a technical consultant was appointed to the assessment panel.

19. Following a first round of evaluation, further clarifications around exclusions and availability of equipment and pricing were sought. One supplier was removed from the assessment process at this stage. The tender scoring matrix for the remaining suppliers is set out below:

Contractor	Qualitative Score	Pricing Score	Combined Score	Position
Anglian Demolition	64	19.97	83.97	1
Jackson Remediation Ltd	56	24.99	80.99	2
John F Hunt	48	30.00	78.0	3

20. The contractor offering the most economically advantageous tender is Anglian Demolition and Asbestos Ltd with a primary contract value of £2.8m. This total contract value includes a general contingency of £0.5m which can be applied for additional work.

21. Through their due diligence work, the contractor has identified the Council may require a further contingency of £0.318m due to potential risks within the project. Therefore, whilst the award value for the contract is the £2.3m with the contingency value of £0.5m, a further provision is being made within the budget to take the total financial commitment to £3.1m.

22. To manage the financial risk, the Delivery Director will then rigorously manage any variation above the tendered value of £2.3m in the envelope budget of £3.1m and report appropriately each month back to the Executive Director for Development and City Services of any variation.

23. Due diligence has been carried out on the winning supplier. The financial assessment tool rates them as in a stable condition which is not considered to represent a moderate-high or high risk to the Council.

24. Award to Anglian Demolition and Asbestos Ltd has provisionally been made under delegated powers subject to endorsement by Cabinet as is recommended. This will enable the contractors to mobilise the site and commence early in 2023.

25. The contract that will be entered into is a standard specialist engineering contract created by the UK Institute of Civil Engineers.

Consultation

26. The planning application has been subject to statutory public consultation. Five consultee comments have been received and no public comments have been made.

Implications

Financial and resources

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

28. The cost of the works have been included within the overall budget for the mile cross scheme (c£40m) which is considered to be adequate to deliver the scheme including these site remediation works.

29. There is a significant difference in the value of the proposed bid for approval and the lowest tender value (around 1/3rd more expensive). The weighting of 70% to quality and 30% to price means that the ability to demonstrate value for money hinges primarily on the quality score since the successful bidder is being proposed on the basis that their quality score outstrips the saving otherwise available by appointing the lowest cost contractor. Cabinet members will need to be assured that this approach does indeed provide the best value for money to the council.

30. Two independent reports on the tender submissions were commissioned to support the quality scores given which gives some comfort that the assessment of the quality scores have been independently evidenced. It is also worth noting that, having approached specialist site remediation contractors, there is a significant divergence on quality.

31. Despite the specialist nature of the contractors, there were concerns that if pricing information was not clear or items were excluded from the pricing, this would pose a significant risk of additional cost to the council. In order to mitigate this risk, the weighting against quality in the tender evaluation process was set at 70% and specialist advice was sought from two independent external consultants to support the quality evaluation.

32. In making the decision to award the contract, members are required to be satisfied that the bid represents the most economically advantageous outcome for the Council. Given the differential in pricing, members will expect to need to be satisfied that the approach to the weighting and evaluation process is sufficiently robust in respect of the quality scoring. As the scoring ratio was set during the tender process, it is not possible at this point to re-appraise this without abandoning the current tender process. The overall value for the contract is £3.100m which includes a contingency (£0.5m) and risk sums of £0.318m. The work is expected to commence in the current financial year and continue into 2023/24 and will be funded from existing budgets within the approved HRA capital programme.

33. If the value of the work that takes place along with other project costs within the current financial year is to exceed the approved 2022/23 budget of £1.367m, it will be necessary to seek the approval of the S151 officer to bring forward budget from 2023/24 to cover additional costs.

Legal

34. The contract will be subject to NEC4: Engineering and Construction Short Contract conditions and CDM Regulations 2015. This contract is below Public Contracts Regulations 2015 threshold for works.

35. Nplaw were consulted on the tender pack which was prepared by Hamson Barron Smith.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	• There are no direct equality and diversity implications arising from the project, albeit this will continue to be monitored throughout
Health, social and economic impact	• The future development of the Mile Cross former depot site will see the provision of much needed new housing. • Remediating the land in order to provide additional social housing will advance financial inclusion by helping to improve housing affordability. • The provision of sufficient and high-quality housing is essential to ensuring decent levels of health and well-being.
Crime and disorder	• No directly but emerging site design will be developed in line with Secure by Design guidance

Consideration	Details of any implications and proposed measures to address:
Children and adults safeguarding	• By remediating the land and building more homes to meet needs will help provide accommodation for many people including vulnerable adults who may otherwise be rough sleeping.
Environmental impact	• Waste management measures will be undertaken in line with best practice guidance. • A treatment area will be constructed to manage unexpected contamination finds and dealt with in accordance with the Contamination Discovery Strategy. • The existing stockpiles may be re-used, recycling material and cost saving. • The new future dwellings will be energy efficient. • Housing Delivery Team will explore the use of modern methods of construction which will help minimize waste during construction • The contractor is local to the area with local employees therefore reducing mileage or travel to complete tasks. • Full consideration will be given to the council's emerging Nutrient Neutrality policy, as necessary.

Risk management

Risk	Consequence	Controls required
One Public Estate Funding. Cost of inflation	If the construction doesn't commence on site before December 2023 there is a risk funding of £1m may be reclaimed. Increase in cost from price submitted in tender.	Remediation works due to commence January 2023 taking 6-8 months. Design and procurement will be undertaken for the development during the remediation project. The contract will be at a fixed sum with a contingency for any identified matters outside of the scope of works. This is subject to commencement of works in accordance with the current timeframe.
Costs escalate due to additional hazards on site	Proposed works exceed budget	The proposed successful tenderer has provided appropriate contingency to mitigate the potential additional cost coverage

Other options considered

36. The procurement team, together with the Housing Delivery Team conducted an initial analysis to explore the requirement further and have identified the following options:

(a) **Identify a single supplier to award the contract to without competition:** This route would be contrary to Contract Procedures as the value is approximately £3m. An exemption to the contract procedures could be requested in order to engage a supplier at pace, however, this would not justify best value. This option is **not recommended**.

(b) **Utilise an existing framework:** Various frameworks provided by Crown Commercial Services (CCS), Eastern Shires (ESPO),Eastern Procurement Ltd (EPL), Procurement for Housing (PfH) and PAGABO were explored.

Market research conducted by NRL identified that some local SMEs capable of delivering this work were not available on the frameworks. Alternative routes to market will ensure that we are able to engage our local supplier base and align to the Economic Strategy, Covid Recovery Blueprint and Procurement Strategy. This option is **not recommended**.

(c) **Utilise an existing dynamic purchasing system framework:** PAGABO has a suitable dynamic purchasing system available for use by local authorities for small works. Suppliers are able to join during the lifetime of the DPS and as a result, new local suppliers will not be excluded from the opportunity to quote for the works. However, the disadvantages of the DPS are that a two stage process is involved including an expression of interest. This will add approximately 3 weeks to the procurement process. There is the potential that the suppliers pass on costs of the supplier framework fee 3-5% in their quotations. By utilising a different route to market we could realise a commercial benefit of an anticipated £90k -150k. This option is **not recommended**

(d) **Establish competitively tendered contract via an open procedure:** Run a competitive and 'open' procurement exercise looking for a single supplier to meet the council's requirements. This would encourage competition, and as such is the councils preferred route to market for contracts with a value in excess of £100k and may drive down pricing in the bidding process. However, an open tender may negatively impact timescales at evaluation stage. In addition, this route would be suited to larger national companies that could deliver pricing points achieved through economies of scale, it may negatively impact small and local suppliers. This option is **not recommended**

(e) **Establish competitively tendered contract via a closed minimum 3 quote procedure**: Run a competitive procurement exercise looking for a single supplier to meet the council's requirements. The procurement team could invite a minimum of 3 preferred suppliers to quote using the councils e-procurement system. The process still drives competition and best value. Timescales are approximately 3-4 weeks quicker than using the PAGABO framework, or open tender, and is likely to achieve a better value for money outcome. This is the **recommended approach.**

Background papers: None

Appendices: None

Contact officer:

Name: Nathalie Barrett

Telephone number: 01603 987769

Email address: nathaliebarrett@norwich.gov.uk

IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Item 12

Committee name: Cabinet

Committee date: 14/12/2022

Report title: **Development Pipeline**

Portfolio: Councillor Stonard, Cabinet member for inclusive and sustainable growth

Report from: Executive director of development and city services

Wards: All wards

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To provide an update on development pipeline work.

Recommendation:

To endorse the initial work on a development pipeline as set out in the exempt appendix and to approve the identified sites to be taken forward for detailed feasibility work.

Policy framework

The council has five corporate priorities, which are:

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

This report meets the ‘Norwich has the infrastructure and housing it needs to be a successful city’ corporate priority

This report addresses the ‘Review potential development sites to improve their management and develop a pipeline of potential housing development sites’ priority or action in the Corporate Plan

This report helps to meet the strategic asset management framework and the housing strategy, adopted policy of the Council.

This report helps to meet the housing, regeneration and development objective of the COVID-19 Recovery Plan

Development Pipeline

1. The Corporate Plan 2022-2026 identified a key action to review potential council-owned development sites, including surface car parks, to improve their management, to develop a pipeline of potential housing development opportunities, and unlock revenue opportunities.

2. This action is underpinned by the covid recovery strategy and the strategic asset management framework of the council which seeks to make the most of its own land holdings and financial capability to maximise rates of housing delivery through exemplary homes that meet the needs of the people of Norwich and develop a pipeline of sites that can be delivered over the medium to long-term.

3. In September 2022 the council carried out a procurement exercise to provide property consultancy advice on an initial list of 15 potential development sites, with Bidwells being the successful bidder.

4. This work was split into 2 phases, with phase 1 providing:

    a. A market commentary on potential uses for sites

    b. A review of existing information including existing uses, planning history and relevant planning policy / allocation of the site.

    c. An initial assessment of the optimum use of the site

    d. An initial valuation of the land if it were to be disposed.

5. Phase 2 work will include:

    a. Detailed feasibility work on the potential of the site

    b. Design work up to and including submission of a planning application (RIBA stage 3)

    c. Full Red Book Valuations of sites

6. Phase 1 work has now been completed and the report is provided in the exempt appendix to this report. The information is commercially sensitive so at this time the sites will remain confidential, but each site will be subject to further cabinet reports to determine the future use or disposal.

7. The advice received from Bidwells shows a potential for delivery of approx. 1800 new homes across the sites along with some commercial development.

8. Bidwells have prioritised sites for further detailed feasibility work.

Consultation

9. The relevant portfolio holders have been briefed on the phase 1 work.

10. At this time no public consultation has been carried out but individual sites will become subject to consultation through the planning process should they be taken forward for development.

Implications

Financial and resources

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

12. The cost of the feasibility work, both phase 1 and phase 2, is funded from the approved site feasibility budget, which has recently been re-profiled for spend in both this and next financial year.

13. Following more detailed work some sites may be suitable for development through a range of delivery methods including those led by the council. Any development by the council will be subject to detailed business case and further cabinet approval should this be the preferred option for a particular site. Any disposals via open sale or other development methods will also be subject to Cabinet approval.

14. Based upon the initial advice some sites would be more suited to disposal to the wider market, and this could generate significant capital receipts to the council. Some properties are generating an income and there should also be an underpinning strategy to understand the extent to which that revenue stream could be replaced to avoid undermining the council's revenue budget. There are also likely to be a range of capital and revenue costs associated with individual properties.

15. When sites are brought forward it is therefore important the total financial impact is understood and taken into account as part of the decision making processes.

Legal

16. There are no legal implications arising from this phase 1 work

17. Following further detailed feasibility work the council, by virtue of section 123 of the Local Government Act 1972 the city council has the necessary statutory powers to dispose of its land. This section also states that on a disposal, the council are under a statutory obligation to obtain the best consideration that can reasonably be obtained for the land.

18. Achieving best consideration will also ensure that the council is not caught by the European Commission's State Aid rules.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	There are no direct impacts from this report
Health, social and economic impact	There are no direct impacts from this report

Consideration	Details of any implications and proposed measures to address:
Crime and disorder	There are no direct impacts from this report
Children and adults safeguarding	There are no direct impacts from this report
Environmental impact	There are no direct impacts from this report

Risk management

Risk	Consequence	Controls required
A change in the level of market interest. Rising construction costs in particular could affect the market.	Reduced capital receipts	Bidwells have provided a market commentary for the various uses of land. Further updates to this work at the detailed business case stage will be required to ensure the risks are known and managed.
Reputational risk from development or disposal of land	Impact on reputation of council	Each site will be subject to further cabinet approval and any necessary public consultation.

Other options considered

19. This report is to endorse initial phase 1 work on the development pipeline and therefore no other options were considered.

Reasons for the decision/recommendation

20. Cabinet is asked to note the progress to date and to approve the sites identified in the exempt appendix to proceed to phase 2. This will allow further detailed feasibility work can be carried out and inform further reports to cabinet to recommend the preferred option on individual sites.

Background papers: None

Appendices: Exempt

Contact officer:

Name: Andrew Turnbull

Telephone number: 01603 989607

Email address:

IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

NORWICH City Council

Item 13

Committee name: Cabinet

Committee date: 14/12/2022

Report title: Compulsory purchase of 238A Dereham Rd (site of former Earl of Leicester Pub) and land adjoining Lime Kiln Mews

Portfolio: Councillor Stonard, Cabinet member for inclusive and sustainable growth

Councillor Waters, Leader of the council

Report from: Executive director of development and city services

Wards: Nelson Ward and Mile Cross Ward

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To obtain delegated authority to acquire two sites via separate Compulsory Purchase Orders (CPO's). The sites are:

1. Former site of Earl of Leicester pub, 238A Dereham Road, Norwich
2. Land adjoining Lime Kiln Mews, Drayton Road, Norwich

Recommendation:

That Cabinet approves:

1. Making a CPO under the Acquisition of Land Act 1981 and section 17(1)(a) of the Housing Act 1985, for the acquisition of the Former site of Earl of Leicester pub, 238A Dereham Road as registered under title number NK120838 and as identified on the plan in Appendix 1 for the purposes of the provision of housing accommodation.

2. Making a CPO under the Acquisition of Land Act 1981 and section 17(1)(a) of the Housing Act 1985, for the acquisition of the Land at Lime Kiln Mews, Drayton Road as registered under title number NK294086 and as identified on the plan in Appendix 2 for the purposes of the provision of housing accommodation.

3. Delegating authority to the executive director of development and city services, in consultation with the executive director of corporate and commercial services, the leader of the Council, the portfolio holder for resources, and the portfolio holder for sustainable and inclusive growth, in relation to the two sites to:

a. take all necessary steps to secure the making, confirmation and implementation of the CPOs including the publication and service of notices and all other associated procedural steps.
b. acquire the two sites whether by voluntary agreement or compulsorily using the statutory powers Acquisition of Land Act 1981 and section 17(1)(a) of the Housing Act 1985
c. develop a scheme for development of the two sites for residential use if required (including any necessary site investigations) and to submit planning applications for the proposals.
d. once acquired (and following securing of planning consent as appropriate), dispose of the two sites to an appropriate developer partner who shall develop the sites for residential use, subject to all due diligence. In the event that this cannot be achieved, and subject to the judgement of the executive head of development and city services, to sell the site on the open market with a condition of sale that it is developed and used for residential development within a specified timeframe.
e. issue and serve any warrants to obtain possession of the two sites once acquired by the Council following the execution of a General Vesting Declaration or service of a notice of entry if it is necessary to obtain vacant possession
f. suspend or abandon the CPO proceedings or withdraw an order for either of the two sites on being satisfied that one or both sites will be satisfactorily developed and occupied in a reasonable timescale.
g. take necessary action to deal with all matters relating to the payment of statutory compensation including, where required, instituting or defending proceedings
h. take all other necessary action to give effect to these recommendations.

4. Delegating authority to the executive director of development and city services, in consultation with the executive director of corporate and commercial services, the leader of the Council, portfolio holder for resources, and the portfolio holder for sustainable and inclusive growth, to approve the use the Council's powers under of Section 203 of the Housing and Planning Act 2016 to appropriate land for planning purposes and override the existing rights and covenants within or on the two sites that would be infringed by or impede the construction, operation or maintenance of the development of residential property.

Policy framework

The council has five corporate priorities, which are:

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

This report meets the ‘Norwich has the infrastructure and housing it needs to be a successful city’ corporate priority

This report addresses the ‘provide and encourage others to provide new homes, open spaces, and infrastructure for residents’ and the ‘secure and manage funds from a range of sources to invest in the city’ priority or action in the Corporate Plan

This report helps to meet housing strategy adopted policy of the Council

This report helps to meet the housing, regeneration, and development objective of the COVID-19 Recovery Plan

Background

1. In 2020 the Council acquired the former site of the Kings Arms public house at 100 Mile Cross Road through the Compulsory Purchase process. The site had lain derelict for a number of years and had become an eyesore and a magnet for anti-social behaviour. Construction of five houses for social rent was completed in November 2022, the success of this project led to the Council seeking to replicate it on other stalled sites.

2. In 2021 the Council received £4.9m of capital and £0.5m of revenue funding for its Revolving Fund, which operates within Norwich City Council's Towns Deal programme. The Revolving Fund has the objective of unlocking long-term stalled or distressed brownfield sites and will enable the delivery of residential and mixed-use development to meet the needs of a growing and dynamic city economy and support regeneration. The Revolving Fund allows the Council to bring forward derelict, vacant and unused sites to improve Norwich, bring forward much needed new housing, attract further investment and address problem sites that blight their neighbourhoods.

3. This is to be achieved through the acquisition of stalled sites with the intention of then selling them on for development. The Revolving Fund provides the resources to cover the costs and risks associated with these site acquisitions, whether through negotiation with the landowners or through Compulsory Purchase Orders (CPOs). It also covers the costs of securing a deliverable planning consent, where required.

4. The risks associated are managed via a thorough site selection process, assessing sites for suitability against strict criteria, prior to any decision on acquisition. The Council's decision-making is supported throughout by expert advice from a multi-disciplinary property consultancy, who lead on examination and assessment of sites and engagement with their owners.

5. In November 2021 Cabinet agreed to the appointment of an external property advisor to support the Council in identifying appropriate sites, engaging with their owners and advising on and undertaking preparation for CPO activity.

6. Where negotiation with owners appears unsuccessful and sufficient justification exists for acquisition of sites via a Compulsory Purchase Order, Cabinet approval to undertake all steps required to prepare and serve a CPO is required. This is the subject of this report.

7. The Council and its property advisor are working to secure a delivery partner to ensure timely development on each site.

8. In February 2022 Cabinet agreed to delegate authority to the executive director of development & city services (in consultation with the leader of the Council, portfolio holder for resources, portfolio holder for sustainable and inclusive growth and S151 Officer) to negotiate and purchase sites using the Revolving Fund.

9. In June 2022 the executive director of development & city services recorded an officer decision as follows:

- To authorise the council's property advisor to explicitly refer to CPO in negotiations with the owners of identified phase 1 sites.
- To approve in principle the use of the Council's compulsory purchase powers to acquire third party rights and interests for sites identified in phase 1, subject to further due diligence and recognising that ultimately, a decision to CPO a property will require a formal approval process.
- To progress any other preparatory work prior the making of any compulsory purchase order including appropriate land referencing work, as necessary to deliver the principles of the Norwich Revolving Fund.

10. Following appointment in December 2021, the Council's property advisor assessed a candidate list of sites for potential acquisition by the Revolving Fund. Owners were contacted in order to establish their intentions regarding site development and potential delivery routes considered. The Council's advisor undertook valuation work on all candidate sites, these formed the basis of offers to the owners to acquire the two sites considered within this report. Financial offers have been made in line with the statutory Compensation Code

Former site of Earl of Leicester pub, 238A Dereham Road

11. 238A Dereham Rd has been subject to historic planning permissions which have failed to be implemented or have seen formal implementation of a consent followed by long periods of inactivity. Details of the planning history follows.

Planning history
2007 - planning consent approved (06/01039/F) for development of 12 flats with associated parking and communal areas 2010 - time to implement permission extended to May 2013 (10/00285/D) 2013 - pre commencement conditions discharged (13/00285/D) Permission 13/00285/D has since lapsed November 2022 – New planning application 22/01471/F for 9 dwellings received and validated

12. In 2018 (following an award of funding from the Norfolk Business Rates Pool) consultants were appointed to engage directly with the owners of a number of stalled sites including 238A Dereham Road and the former Kings Arms site referred to in paragraph 1 above. The objective was to identify the blocks to site development and the owners' appetite for taking these forward.

13. Correspondence with the site owners was ongoing between 2018 and 2020 but did not result in submission of a new planning application. During development work on the Revolving Fund programme the site was therefore identified as a candidate site for unlocking through acquisition by the Council.

14. Following commencement of the Revolving Fund programme, the Council's property advisor undertook a valuation of the site in March 2022 and subsequently contacted the site owner in order to discuss options for development.

15. In August 2022 (under the delegated authority referred to in paragraph 8) the council made an offer for the site in line with the most recent valuation, this was declined. Details are supplied in the exempt appendix.

16. In November 2022 a new, full planning application for 9 properties on the site was received and validated. This will be determined in line with the timescales and approach required to resolve the issue of nutrient neutrality currently affecting all new development in Norwich.

17. A meeting took place between the site owners and the council on 30 November 2022 at which the owners and their agent expressed willingness to progress development of the site as soon as possible. It should be noted that considerable resource appears to have been committed into bringing forward the planning application. At the meeting officers were assured that they would be provided with a timetable for the scheme to be developed subject to both planning approval and resolution of the nutrient neutrality issue.

Justification for CPO – 238A Dereham Rd

18. It is the Council's intention that subject to a satisfactory timetable being agreed, the Compulsory Purchase Order would not be made, *provided* the developer is making reasonable efforts to comply with the timetable. Nevertheless, having a Cabinet resolution in place to enable the CPO to be made if necessary is considered a helpful step.

19. The site has been vacant for a considerable number of years. It is therefore appropriate to use CPO so that a mechanism is in place to ensure the benefits of redevelopment can be realised within a reasonable timescale in the event the owner does not develop the site in line with the most recent application for planning permission. The LPA would be expected to impose appropriate conditions on the development timescale in the event that the recent planning application is approved.

20. The Council has sought pre-application advice from the LPA on development constraints on the site in order to demonstrate that appropriate development is deliverable. Advice was sought on a scheme which had been subject to appraisal by the Council's property advisor and demonstrated to be commercially viable.

21. In recent months all new development in Norwich has been subject to significant potential delay in determination due to the issue of nutrient neutrality. This concerns the need to identify appropriate mitigation for discharge of nutrient pollution to the sensitive environment of the Norfolk Broads and affects all new development in Norwich. The issue does not however prevent developers from submitting planning applications and undertaking associated work.

Land adjoining Lime Kiln Mews, Drayton Road

22. This land has been subject to historic planning permissions which have failed to be implemented or have seen formal implementation of a consent followed by long periods of inactivity. Details of the planning history follows.

Planning history
2006 - planning consent approved (04/01112/O) comprising 18 flats and 15

houses with associated car parking, garages, access road and site works

2012 - planning consent approved (11/02000/F) for nursing and dementia care home

2015 - planning consent approved (15/00024/F) for 29 residential units and associated landscaping and highways

2019 - application (19/00837/F) for 29 residential units – awaiting determination (delay due to absence of information from applicant to allow determination)

23. The site has a history of planning consents which have not been implemented, most recently in 2015. Planning application 19/00837/F remains undetermined, since agreement has not been reached on provision of affordable housing.

24. Following commencement of the Revolving Fund programme, the Council's property advisor undertook a valuation of the site in March 2022 and subsequently made contact with the site owner in order to discuss options for development.

25. In August 2022 the Council made an offer for the site in line with the recent valuation, this was rejected in October. Details are supplied in the exempt appendix.

Justification for CPO – land adjoining Lime Kiln Mews

26. The site has been vacant for a considerable number of years. Based on past history and on the failure to adequately resolve the most recent planning application, the Council has limited confidence in the owner's commitment to bringing it forward within the foreseeable future.

27. Recent attempts to discuss acquisition of the site at a realistic value have been unsuccessful, therefore it is appropriate to use the CPO route if necessary. This ensures that a mechanism is in place to ensure the benefits of redevelopment can be realised within a reasonable timescale.

28. Ultimately the Council wishes the site to come forward, whether this be with the assistance of the Revolving Fund or through the existing owner. If the owner demonstrates a commitment to developing the site themselves and works to ensure a deliverable planning consent is in place, the Local Planning Authority (LPA) would be expected to impose requirements to ensure timely development takes place.

29. The Council has sought pre-application advice from the LPA on development constraints on the site in order to demonstrate that appropriate development is deliverable. Advice was sought on a scheme which had been subject to appraisal by the Council's property advisor and demonstrated to be commercially viable.

30. In recent months all new development in Norwich has been subject to significant potential delay in determination due to the issue of nutrient neutrality. This concerns the need to identify appropriate mitigation for discharge of nutrient pollution to the sensitive environment of the Norfolk Broads and affects all new development in Norwich. The issue does not however prevent developers from submitting planning applications and undertaking associated work.

The CPO Process

31. A CPO allows a local authority to acquire land compulsorily. It must be progressed concurrently with a strategy to acquire the land voluntarily. A CPO is viewed as a serious interference with private property rights, is a complex process and should only be used following careful consideration of other options. Preparation of a CPO requires attention to detail and strict adherence to statutory requirements. Making the Order does not give the Council the power to acquire the land – this power arises only when the Order is confirmed by the Council, the Planning Inspectorate or by the Secretary of State. A confirmed Order gives the Council the power to implement the CPO by general vesting declaration or via the notice to treat/ notice of entry process and transfer the land into Council ownership.

32. Once acquired the council may need to resolve the issue of rights and covenants, the use of Section 203 of the Housing and Planning Act 2016 would be necessary to override rights and covenants on the titles.

33. Following making of the CPO, the Council must notify the qualifying persons that the CPO has been made, notice is also published twice in a local newspaper and affixed on site. The made Order is submitted to the Secretary of State for confirmation. The Council will prepare a Statement of Reasons to be submitted to the Secretary of state and which will also be served on qualifying persons

34. Interested parties have the opportunity to object to the Secretary of State. If no one objects, the Secretary of State is likely to invite the Council to confirm the CPO itself, following which, the Council has the power to exercise the CPO and acquire the land.

35. Where there are objections, the Secretary of State will appoint an inspector to examine the CPO, via written representations, a public hearing or a public inquiry into the CPO. The inspector's report will summarise the evidence and come to a view as to whether there is compelling case in the public interest for the confirmation of the CPO. Considering the nature of the case the inspector is likely to constitute the decision maker, however in some cases the Secretary of State makes the decision in light of an inspector's recommendations.

36. If the CPO is not confirmed, the Council may have the option of bringing a judicial review to challenge the legality of the decision-making process. If and when the CPO is confirmed there is a 6-week window during which affected parties may bring a High Court challenge to the legality of the decision-making.

37. As per DLUHC Guidance on Compulsory Purchase process and the *Crichel Down Rules* (July 2019) on the use of CPO, the Council has been and will continue to seek to reach a negotiated settlement. Implementation of a confirmed CPO will only arise where agreement cannot be reached on reasonable terms and in a reasonable timeframe. The authority given in this report assists the Council by making it clear to the land interests that the Council intends to deliver the scheme and is willing to secure and exercise a confirmed CPO, if required.

38. As part of the CPO process the Council needs to demonstrate that funding is in the place to acquire the land and property interests, as well as to complete the development of the site.

39. Under section 203(1) of the Housing and Planning Act 2016 Act a local authority can enable the overriding of rights and interests affecting land and breaching a restriction as to use of land arising by virtue of contract in order to "carry out building or maintenance work" where such rights would impede the development. Such work is defined in s.205(1) as meaning "the erection, construction, carrying out or maintenance of any building or work.

40. The effect of section 203 is to enable the development to proceed and authorises the interference with those rights without the possibility of legal injunction.

41. There are statutory criteria that are required to be in place for the use of Section 203 as below: -

    a. Planning permission has been granted for the development.
    b. The land must be acquired or appropriated by a local authority for planning purposes
    c. A local authority could (if not already the owner) acquire the site compulsorily for the purposes of carrying out the works (including construction and maintenance works) or for the use of the land permitted by the planning consent
    d. The work or use in question relates to the purposes for which the land was appropriated or acquired.

42. Use of this power Section 203 would be subject to the payment of compensation via Section 204 of the Housing and Planning Act 2016, should any party be able to demonstrate loss as a consequence of the implementation of the proposal. Section 204(2) confirms that compensation should be calculated on the same basis as compensation payable under section 7 and 10 of the Compulsory Purchase Act 1965. The amount of compensation payable is the diminution in the value of the affected interest. Any dispute about compensation payable may be referred or determined by the Upper Tribunal.

43. The decision to engage section 203 of the Housing and Planning Act 2016 should only be made where it is necessary, there is a compelling case in the public interest and the Council should be sure that the purposes for which the powers are being exercised justify interfering with the human rights of those whose interests will be affected.

Delivery of development

44. The Council has explored potential delivery options with local Registered Providers of social housing and the Council's own development company. Work is ongoing to secure the delivery route for the sites, to ensure that both will be taken forward for housing development if the CPO is confirmed and exercised. The council has in place the Revolving Fund budget and officers committed to working on acquisition and disposal of the sites. All necessary resources are therefore in place to ensure delivery of development on the sites within a reasonable timescale.

45. Set out below is an indicative project programme, based upon proceeding immediately to making of a CPO on both sites. As noted in paragraphs 18 and 28 , this would be deferred if the owner is clearly working to bring the site forward. The precise timings will depend on whether there is a public inquiry or if

agreement can be reached to acquire the site through a negotiated route. Date of inquiry / decision are approximate as this will be determined by the Inspectorate/ Secretary of State, and may be subject to delay as a result of Covid-19 or other factors.

Cabinet authorisation to proceed with CPOs	14 December 2022
CPO notices served	9 January 2023
Objection period	Throughout Jan 2023
Serve confirmation of CPO notice	December 2023
Serve General vesting Declaration	December 2023
Take possession of sites (assuming no enquiry)	February 2024
Take possession of site (in event of enquiry)	May-June 2024

(date of enquiry not predictable, but is assumed to add c4 months to programme)

Consultation

46. Member consultation on both sites to date is as follows:

- All-Member briefing covering the objectives of the Revolving Fund and providing an overview of candidate sites identified to date – 4 February 2022. Members were supportive and expressed interest in being kept informed of developments within their ward.

- Ward Members for Mile Cross and Nelson Ward were contacted to inform them of the Council's intention to contact site owners in order to open negotiations on the two sites.

- In line with delegation arrangements agreed in February 2022, consultation was undertaken with the following in July 2022 concerning the Council's intention to make offers for the sites:
  - Leader of the Council
  - Portfolio Holder for Inclusive and Sustainable Growth
  - Portfolio Holder for Resources

All the above were supportive of the approach taken to negotiation

- Portfolio Holders' briefing (23 November 2022). Cabinet member for inclusive and sustainable growth understands and is supportive of the recommended approach.

47. Public consultation has been limited to Land Referencing work on the two sites, undertaken during September-October 2022 in preparation for CPO. This process includes making contact with all owners adjoining the two sites, some of whom expressed support that the Council was looking to intervene to ensure development took place.

Implications

Financial and resources

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

49. Funding for acquisition of both sites is available from the Council's Revolving Fund. This operates within Norwich City Council's Towns Deal programme and

has received £4.9 million capital with the objective of unlocking long-term stalled or distressed brownfield sites. Further detail is supplied in the exempt appendix to this report.

50. It should be noted that while recent valuations give an indication of the potential value that could be paid as CPO compensation there can be no guarantee that any figure from a current valuation will remain the same at the vesting date. The value for CPO compensation purposes is the value at the date of vesting and as this is a future date this will be dependent on market conditions at that time.

51. The principle of the revolving fund means that on acquisition action will be taken to bring development to the site and the subsequent realisation of value to replenish the revolving fund. Depending on acquisition and disposal values and any consequential costs incurred, there will be variations between the total costs incurred and recovered following replenishment of the revolving fund. There are no general restrictions on the use of those resources (other than that they are likely to be capital in nature) and it is proposed that in the short term any such resources are maintained in an earmarked reserve.

Legal

The legal case for CPO

52. By virtue of section of s.17(1)(a) of the Housing Act 1985 the Council has the power to acquire compulsorily, subject to confirmation by the Secretary of State, land for the erection of houses. Compulsory purchase powers should only be used where there is a compelling case in the public interest and where the Council has been unable to acquire the site through negotiations within a reasonable timeframe or budget. The Council has already taken various steps to seek to see development undertaken or acquire the relevant land by private treaty and at this stage there is no certainty over whether the land can be acquired within a reasonable timeframe or budget, resulting in the Council choosing to exercise its compulsory purchase powers

53. A Local Housing Authority is authorised to acquire land or property for housing if it is likely to be required for those purposes within 10 years from the date of confirmation of any compulsory purchase order.

54. The proposal for the Council to acquire the sites for delivery by its partners will achieve the following key benefits:

- Regeneration - Both sites were cleared some time ago and have lain undeveloped for over 10 years. The Revolving Fund will bring the sites into use and send a message to other owners in control of inactive sites that the Council wishes to see these developed and is willing to use its CPO powers if necessary.

- Delivering new housing - The Greater Norwich Local Housing Needs Assessment (June 2021) forecasts a total of 7,020 new households forming in Norwich during the period 2018-2038, of which 30% will be unable to afford market rates and will be in need of affordable housing. The Revolving Fund seeks to bring stalled land into productive use for housing for both the affordable and market sectors. As such the acquisition of the Two Sites via the CPO process will bring about both a quantitative and qualitative housing gain.

55. Section 17(a)(2) provides that the power conferred by section 17(a)(1) includes the power to acquire land for the purpose of disposing of houses provided, or to be provided, on the land or of disposing of the land to a person who intends to provide housing accommodation on it but in so doing so the Council must be mindful that it is acting in its capacity as the trustee of public assets.

56. Otherwise, the power to dispose of the land held for the provision of housing accommodation is provided under section 32 of the Housing Act 1985. However, such disposal shall not be made without the consent of the Secretary of State. The General Housing Consents 2013 allow certain disposals to be made without the specific consent of the Secretary of State provided such disposals are at market value. In the case of vacant land, it can be disposed of at a price determined by the Council but again in so doing so the Council must be mindful that it is acting in its capacity as the trustee of public assets.

Equality Duties

57. The Two Sites are currently unoccupied and do not provide their owners with an income, and do not constitute a home. The Council considers that the owners and their agents have the capacity to understand and deal with the Council over a voluntary purchase and the CPO process and are not therefore disadvantaged by that process. Furthermore, the Council has offered to acquire the sites on a basis which reflects the Statutory Compensation Code. The Code requires landowners to be put back in the position they were prior to the acquisition so far as money can. The Council will keep its duty under the Equality Act under review and report further as required.

Human Rights

58. Section 6 of the Human Rights Act 1998 prohibits public authorities from acting in a way that is incompatible with the European Convention on Human Rights. The Convention rights likely to be relevant to the CPO are:

    a. First Protocol Article 1: Peaceful enjoyment of possessions. This right includes the right to peaceful enjoyment of property and is subject to the State's right to enforce such laws as it deems necessary to control the use of property in accordance with the general interest.

    b. Article 6: Entitlement to a fair and public hearing in the determination of a person's civil and political rights. This includes property rights and can include opportunities to be heard in the consultation process.

    c. Article 8: protects the right of the individual to respect for private and family life

59. The European Court has recognised that "regard must be had to the fair balance that has to be struck between the competing interests of the individual and of the community as a whole". Both public and private interests are to be taken into account in the exercise of the Council's powers and duties. Any interference with a Convention right must be necessary and proportionate.

60. The Council must consider whether its actions would infringe the human rights of anyone affected by the making of the CPO. So, it must carefully consider the balance to be struck between individual rights and the wider public interest.

61. In this case it is considered that there is little interference with article 8, the order land consisting of vacant commercial sites. With respect to article 1 the public interest is served by removing the amenity / environmental harm arising from the site’s disuse and its development of the site with housing to meet housing need. It is considered that these public benefits outweigh the necessary interference with the private rights and interests and in the absence of a voluntary acquisition creates a compelling case in the public interest for a CPO.

62. In addition, the individuals affected by the order have the right to object and have their objection heard at a public inquiry and, additionally, appropriate compensation will be available to those entitled to claim it under the relevant provisions of the CPO Statutory Compensation Code. These rights have been held by the courts as compliant with article 6.

63. Therefore, it is considered that in making the CPO the Council has struck a fair and proportionate balance between the interests of those whose Convention rights will be affected and the wider public interest.

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	The need for a formal equality impact assessment will be considered as decisions to proceed with the CPO process are progressed. However, it is not considered that this decision alone has a direct impact.
Health, social and economic impact	Positive effect - Provision of housing on site (including affordable housing) improves access to decent housing. Construction of housing provides support to local business, supply chains and creates employment opportunities.
Crime and disorder	Vacant sites provide opportunities for fly-tipping and anti-social behavior and may also increase fear of crime among local residents. A well-designed housing development on the site eliminates this.

Consideration	Details of any implications and proposed measures to address:
Children and adults safeguarding	The project will have minimal impact in this area.
Environmental impact	Neutral effect Regeneration of eyesore site will have a positive impact on perception of the locality and Redevelopment will inevitably have some negative impact on energy and climate change. Impacts on both energy use and embodied energy will be minimised as far as possible through design (through planning and building control process. The two sites are sustainable located, with excellent access to local services and the city centre by foot, cycle and bus. Redevelopment could have an impact on waterborne pollution; however this should be mitigated through addressing the Nutrient Neutrality issue

Risk management

Risk	Consequence	Controls required
CPO contested on one or both sites	This is likely to introduce a delay of several months into the process, and will incur additional legal costs	Potential additional legal costs in the event of a contested CPO have been estimated and are detailed in the exempt appendix
Market risk – cost increases in construction sector	Preferred delivery routes for the sites may be influenced by movement in construction costs. However, note that cost increases may make development less attractive the site owner, making disposal via negotiation more attractive.	Various delivery routes are under consideration, with different approached to transferring / sharing risk.
Reputational risk to council – CPO challenges private property rights provokes strong responses	The Council could be perceived as heavy-handed in dealing with private businesses.	An agreed Communication strategy is in place. There is demonstrable public support for the Council taking robust action to ensure stalled sites are developed for housing.

Other options considered

64. A 'do nothing' option was considered. Without the Council's intervention it is possible that the sites will remain derelict for years to come, will remain a blight and will provide no benefit to the community.

65. Preferred option - The Council has the option of acquiring the sites through CPOs and selling them on to delivery partners who would develop them. It should be noted that this provides an additional route to delivery, besides that of allowing the owner to develop the site. This approach may prove unnecessary in the event the owners demonstrate a commitment to timely development.

Reasons for the decision/recommendation

66. The two sites have lain undeveloped for many years, with several planning permissions unimplemented. Each site has been assessed by the Council's appointed property / CPO expert and deemed deliverable, the barrier in each case being the owner's disinclination to develop their asset.

67. Acquisition by the Council (through the Revolving Fund) would address this block to development. CPO in each case is deemed justifiable and likely to succeed.

68. CPO provides an alternative route for the sites in the event that the owners fail to develop them, Cabinet are therefore recommended to approve use of this route.

Background papers:

None

Contact officer:

Name: Tony Jones, senior development officer

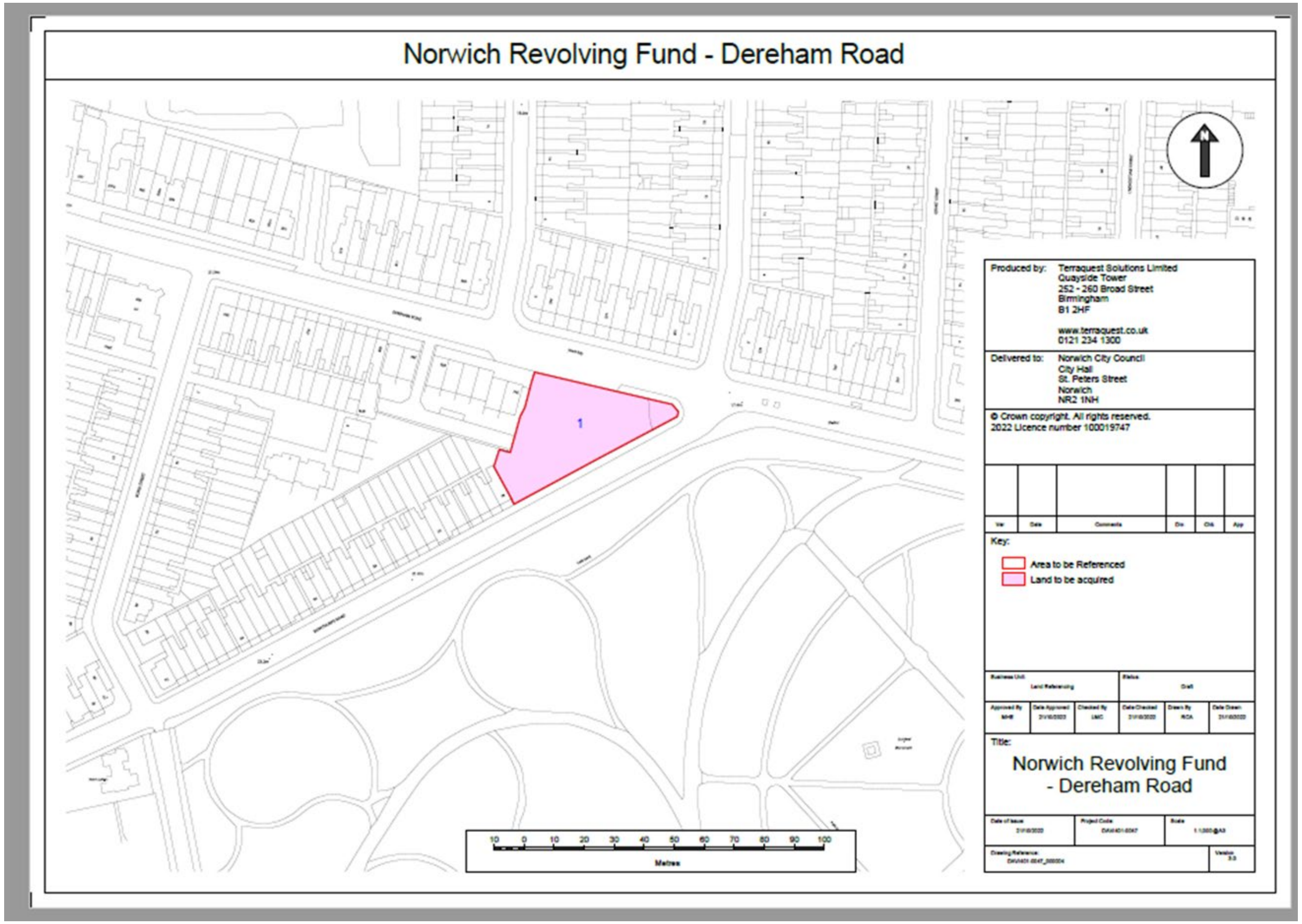
Telephone number: 01603 989443

Email address: tonyjones@norwich.gov.uk

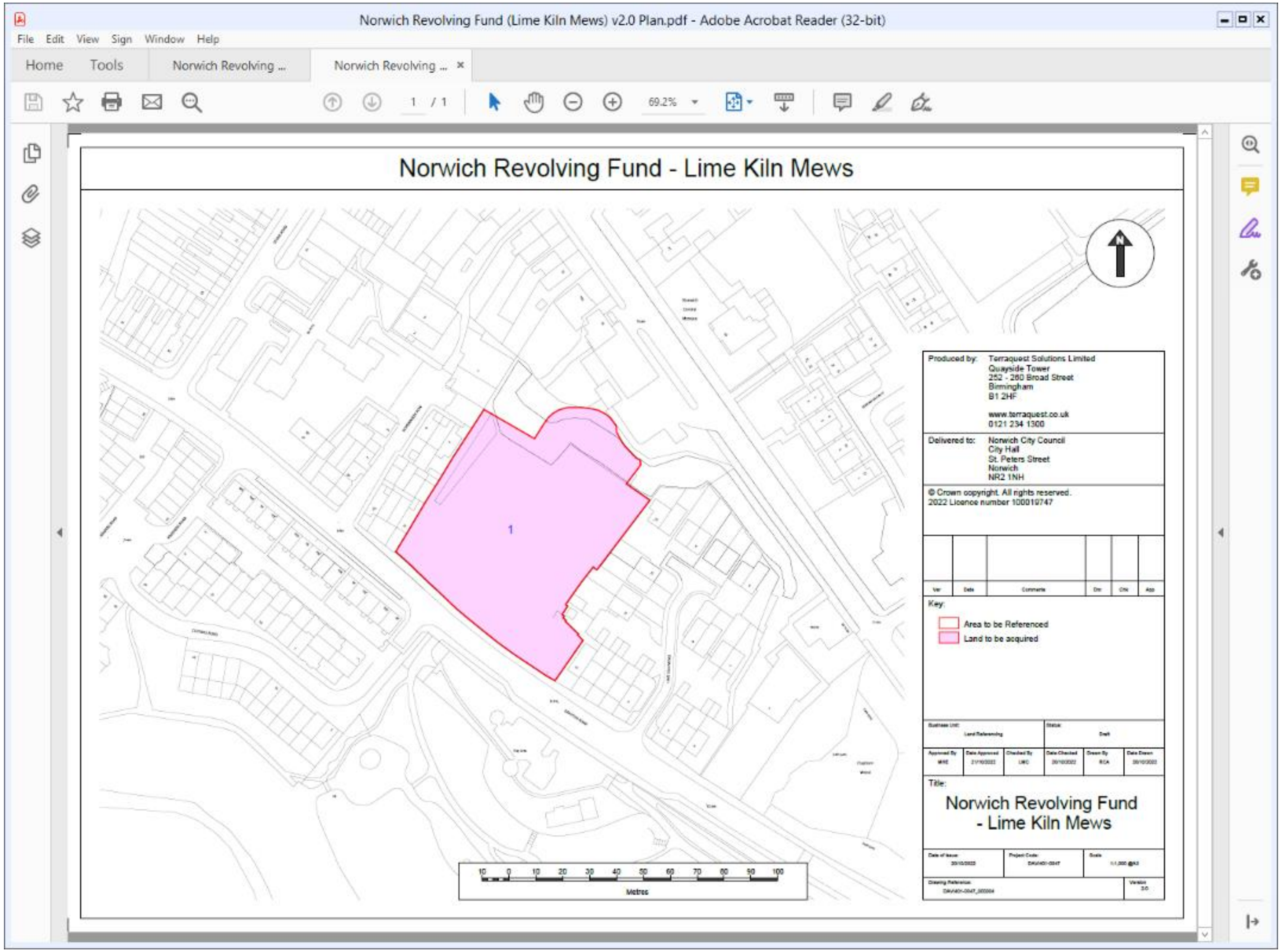
IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Appendices:

Appendix 1 - Former site of Earl of Leicester pub, 238A Dereham Road, Norwich



Appendix 2 - Land adjoining Lime Kiln Mews, Drayton Road, Norwich



Item 14

Committee name: Cabinet

Committee date: 14/12/2022

Report title: Norwich Regeneration Ltd Business Plan 2023-2030

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Executive director of development and city services

Wards: All

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To consider the Norwich Regeneration Limited (NRL) Business Plan for 2023/30, which the company is required to produce annually under its articles of association and to make a recommendation to Council that appropriate provision is made within the Council's budget for 23/24 to deliver the plan in that year.

Recommendation:

For Cabinet to:

a) Thank the company and its directors for their efforts and impressive performance over financial years FY 2021/2022 and FY 2022/2023

b) Endorse the NRL Business Plan on behalf of the shareholder

c) Note that any individual business cases for developments and the disposal of sites to facilitate development will be subject to approval by Cabinet prior to moving to construction phase.

d) Invite NRL to undertake work on business case development for investment in phase 4a of Threescore and a further residential development site as outlined in the exempt appendix for consideration at Cabinet during 2023/24; and

e) Invite RL to undertake work on an outline Business Plan for the establishment of a new company primarily aimed at holding assets in the private rented sector for presentation to the Council in 2023/24.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.

- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report addresses all the above priorities but especially the “Norwich has the infrastructure and housing it needs to be a successful city” and the “Norwich City Council is in good shape to serve the city “ corporate priorities.

This report addresses the ‘provide and encourage others to provide new homes, open spaces, and infrastructure for residents’ and the ‘secure and manage funds from a range of sources to invest in the city’ priority actions in the Corporate Plan

This report helps to meet housing strategy adopted policy of the Council

This report helps to meet the housing, regeneration, and development objective of the COVID-19 Recovery Plan

Background

1. Prior to making any investments in housing sites, Norwich Regeneration Limited (NRL) is required to bring a business plan to the Council, as its shareholder, for approval. This report provides the context to the NRL business plan, through setting out the current financial and operation of the company, and the details of the business plan itself which is recommended for endorsement.

2. Throughout FY 2022/23 to date NRL has delivered well against the previous business plan (agreed by Cabinet in January 2022). This has involved a continued focus on stabilising the company's financial position, improving its governance and interactions with the Council, and building the skills and expertise within the operational team of the Company. Noticeable steps taken by the company in the past year include:

   - Further strengthening of the board of directors with one of the non-executive directors taking over the role of Chair of the company during the year further strengthening the expertise to assist the company grow as a housing developer and to offer greater support and challenge to the managing director;
   - Reporting of progress against the current business plan on a quarterly basis through the Shareholder Panel. This included the panel receiving a presentation on the emerging business plan. The panel endorsed the principles of the business plan at it's meeting on 25 November 2022 which the Chair and Managing Director attended (although the Panel have not commented on the detail of the Business Plan):
   - Recruitment and development of the housing delivery team. The team supports both the company's activities (the costs of which are recharged to the company) and the Council's own housebuilding programme. It is now established and stable with specialist expertise in aspects of residential construction from pre-construction through to finishing and sales.

3. This has led the company to set out a longer-term vision within the business plan. The plan not only addresses the 23/24 financial year but also sets out a longer-term pipeline of possible residential development sites that could be developed over the period up to 2030.

4. Separately on Cabinet's agenda is a report on the development of a pipeline of sites. Whilst this may serve to demonstrate the continued potential of NRL's business plan, it must be emphasised that any decision to dispose of sites to NRL to progress for housing development remains with the Cabinet to make independently of this NRL business plan.

5. The company also reports progress in relation to delivering the approved 22/23 business plan. It is on track to deliver outturns better than those set out in the approved business plan.

Activity in 2022/23

6. Key activities in the current year have focussed on delivery of the next phase (Phase 3) of development at the Threescore site in Bowthorpe. Following the strong sales of the Trinity Meadows in phase 2 of the development the company commenced the construction of 24 dwellings alongside development being conducted by the HRA on a new parcel of land to the west of Saxoncoate

avenue. Construction is progressing well with completion scheduled for April - December 2023.

7. The company has also progressed a development of 9 homes at Ber Street. A planning application was submitted over the summer which is awaiting determination due to the issue of nutrient neutrality. This represents a development of the product of the company as it is a more dense “urban” style of development that the lower density “suburban” development that it has been successfully building at Bowthorpe. Whilst the townhouse led scheme represents a different design style the company remains committed to high environmental standards.

8. The financial accounts for 2021/22 are currently being finalised for lodgement by the end of December however, the current version highlights that the year ending 31 March 2022 ended with turnover of £9.8m and a loss of £0.753m.

9. For the current year there have been no sales as at the end of quarter 2 with income consisting of rental and other sources of income being in line with budget expectation. The budgeted position at the end of Q2 was for an in-year loss of £0.397m - the actual loss was £0.284m and this is projected to be maintained for the remainder of the year with a lower than budgeted loss. NRL holds no completed projects in stock at the end of Q2 although construction has commenced on the Trinity Meadows project.

The Business Plan 2023/30

10. The business plan for the company is contained in the attached exempt appendix. It sets out NRL’s vision, mission, values, objectives and business principles. It describes how financial performance and governance will be managed. It has been approved by the company’s board and is submitted to the Council for consideration.

11. The business plan is commercially confidential. It is ambitious document that suggests a number of significant changes to the way the company operates are under consideration. This ambition is welcome. A number of the significant element of the business plan are described at a high level and are response to below:

Housing Development

12. The business plan proposes a pipeline of sites to allow the company to achieve its financial objectives. The development of this thinking assists the company being able to demonstrate how longer term financial objectives will be delivered and how the phasing of developments can be adjusted in the light of market circumstances to reduce risk and maximise returns.

13. As stated above, through endorsement of the business plan the Council is not approving any of these sites or guaranteeing that the company will be able to develop them. Each individual development will need to be subject to a detailed business case for investment which will need to establish the case for investment.

14. A business case for further development at the Threescore site for phase 4a on land south of the tree belt is due to be submitted for the Council's consideration early in the next financial year. The business plan also proposes that a business case be submitted for a further site in Council ownership during the year.

15. With regard to housing development the business plan sets out the ambition to enhance the currently high environmental standards that it is building to. The aim is for the company to move towards being able to describe its developments as zero carbon. This is a laudable aim and is consistent with the Council's own stated objectives. The costs and benefits of being able to drive further environmental enhancements will vary on a site by site basis and will need to be examined in individual business cases. The Council is keen to see this analysis undertaken and is supportive of the direction of travel and is keen to see the evidence that further enhancing already high environmental standards will not reduce the profitability and undermine the business case for undertaking future developments.

16. The company also remains committed to delivering policy compliant levels of affordable housing within its developments. On larger sites the business case assume that the affordable element will be sold to HRA. It should be noted that in endorsing the business plan the Council is not necessarily agreeing to purchase the affordable housing in this manner. Such investments will need to the subject of separate business cases to ensure that this represents best value for the HRA and is in accordance with its own Business Plan.

17. In addition to satisfying itself in relation to individual business cases. It should be noted that the Council will also need to satisfy itself that the values obtained for any sites which are in Council ownership represents best consideration for the particular site.

18. The company has once again engaged independent expert analysis of the assumptions and forecasts in the business plan to provide for a greater degree of confidence in the plan. This analysis is attached as an appendix to the business plan and is available for councillors to review on request.

19. The production of this report gives assurance that the risks and rewards of each development proposed in the business plan have been thoroughly considered as part of its preparation. This increases the confidence in the commercial information, financial assumptions, forecasts, and risks identified in the business plan.

20. Notwithstanding the use of independent expert development advisors have worked alongside the company to examine such matters, this cannot eliminate risk. The recent financial turbulence, build cost inflation, increased interest rates and likelihood of entering a recession all pose increased risk to the company. However, it is considered that through such independent commercial advice the company has taken the appropriate steps to minimise risk and provide the council with assurance to inform any further investment in NRL and demonstrate that it has sought to minimise any further loss of shareholder value.

Other matters

21. In addition to its focus on the core housebuilding role of the company the Business Plan features a number of other significant matters.

22. It proposes that the company is rebranded during the next financial year. Details of the brand proposed and the timing of its launch are presently confidential. The creation of the right brand should help the recognition that the market places on both the quality of design and the high environmental standards that the company are delivering to. As the company diversifies into a different types of development it will be important to ensure that this diversification of product does not weaken any brand identity that is created.

23. The business plan also proposes further improvement to the governance of the company. In particular the recruitment of a further non-executive director is proposed and the establishment of two further internal committees to advise the board. One to address investments and to ensure greater scrutiny of emerging business cases and another to oversee audit and risk issues.

24. Elsewhere within the Business Plan two significant measures are mooted for the possible diversification of the company. These are in relation to the private rented sector and the decarbonisation of existing properties.

25. With regard to its involvement in the private rented sector this was one of the original objectives in establishing in NRL. The company still holds a limited number of properties for private rent and the Council can see potential significant advantages should the company be able to prepare a compelling business case for further investment in the private rented sector at scale. In respect of both measures identified in the plan, NRL and the Council recognise the need for further consideration of delivery options, and to understand how diversification of the company’s business would not compromise the core existing company activities.

Implications

Financial and resources

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

27. There have been no loan repayments during this year to date which is in accordance with previous business plans. The next planned loan request draw down is due in January 2023.

28. The current position is that the council has an equity investment of £3.42m in Norwich Regeneration Limited and the company has an outstanding loan balance of £6.15m with the council. This means the current debt to equity ratio equates to 64:36.

29. The delivery of the Norwich Regeneration Ltd Business Plan in 23/24 will not require any additional financial investment from the council over and above the currently agreed loan facility. Further lending may be necessary to support the company’s activities in2024/25.

30. If the proposals in the business plan are delivered as envisaged the business plan the company should be able to pay its debt in full by the end of 2030.

Legal

31. The company's Articles of Association require that any action it takes in respect of its activities must be undertaken within the parameters of the business plan agreed by the Council. The setting up and operation of the Council's companies is an executive function, however in line with the recommendations, the Council's funding for the business plan will need to be considered as part of the Council's budget for 2023/24.

Statutory considerations

Consideration	**Details of any implications and proposed measures to address:**
Equality and diversity	There are no direct impacts arising from this report.
Health, social and economic impact	There are no direct impacts arising from this report.
Crime and disorder	There are no direct impacts arising from this report.
Children and adults safeguarding	There are no direct impacts arising from this report.
Environmental impact	There are no direct impacts arising from this report.

Risk management

The Business Plan, particularly in sections 14 and 15 set out approach to risk management and mitigation options.

Risk	Consequence	Controls required
Financial risks	NRL not being able to repay or provide return on the investment.	See sensitivity testing in the business plan and the assurance report from Savills. Council continues to hold an earmarked reserve to help manage risk associated with the loan financing.
	Changes to the Minimum Revenue Provision guidance increases revenue costs associated with providing loan financing to NRL.	Continue to monitor the outcome of the government consultation.

Other options considered

32. To not adopt the business plan: if the Council does not adopt the business plan, then NRL will not be able to progress further development and the Council will need to consider the options for sites currently earmarked for development by NRL.

Reasons for the decision/recommendation

33. In the light of the above it is recommended that the business plan be endorsed so that the company can move forward with its implementation and the Council can make appropriate provision with its budgets of 2023/24.

Background papers: None

Appendices: Business Plan is attached as an exempt appendix

Contact officer:

Name: Graham Nelson, Executive Director, Development and City Services

Telephone number: 01603 989205

Email address: grahamnelson@norwich.gov.uk

IN TRAN communication for all	If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.