

<b>Report to</b>	Cabinet
<b>Report of</b>	Chief finance officer (Section 151 Officer)
<b>Subject</b>	Q2 Budget Monitoring 2020/21 and Medium Term Financial Strategy update

Item

5

## Purpose

To update Cabinet on the Q2 forecast financial position, proposed adjustments to the capital programme and approach to reviewing the Medium Term Financial Strategy.

## Recommendations

To:

- 1) note the forecast outturn for the 2020/21 General Fund, HRA and capital programme;
- 2) note the consequential forecast of the General Fund and Housing Revenue Account balances;
- 3) note the current MTFS projections and approach to updating key assumptions;
- 4) approve the creation of an HRA tenancy & estate management system earmarked reserve, as detailed in paragraph 21;
- 5) recommend to full council the approval of additions to the General Fund capital programme, as detailed in paragraph 27;
- 6) approve delegation authority to the director of strategy, communications and culture, in consultation with the resources portfolio holder to award a contract to purchase new laptops, as detailed in paragraph 29;
- 7) note the decision taken by the S.151 officer, in consultation with the Leader and Portfolio Holder for Resources, in respect of the 2021/22 Business Rates Pool, as detailed in paragraphs 30-34;
- 8) note the decision taken by the Chief Executive, in consultation with the Leader and resources portfolio holder, for the council to enter into a loan agreement to provide Norwich City Services Ltd £0.2m of working capital finance to facilitate the depot roof works in 2020/21. Detailed in paragraphs 35 & 36.

## Corporate and service priorities

The report helps to meet the corporate priorities A healthy organisation, Great neighbourhoods, housing and environment, Inclusive economy and People living well

## Financial implications

The report is of a financial nature with the financial implications detailed throughout the report.

**Ward/s:** All Wards

**Cabinet member:** Councillor Kendrick - Resources

**Contact officers**

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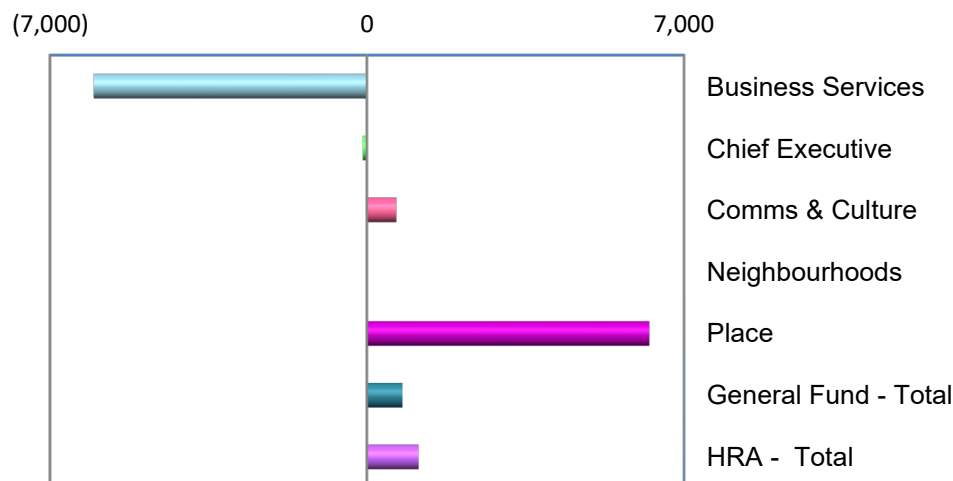
**Background documents**

None

## Financial Position - Period 6 – 2020/21 Figures in 000s

General Fund	Current budget	Forecast outturn	Forecast variance
Expenditure	143,295	192,900	49,605
Income	(54,931)	(47,696)	7,234
Grants and subsidies	(88,365)	(144,419)	(56,054)
<b>Total</b>	<b>0</b>	<b>785</b>	<b>785</b>

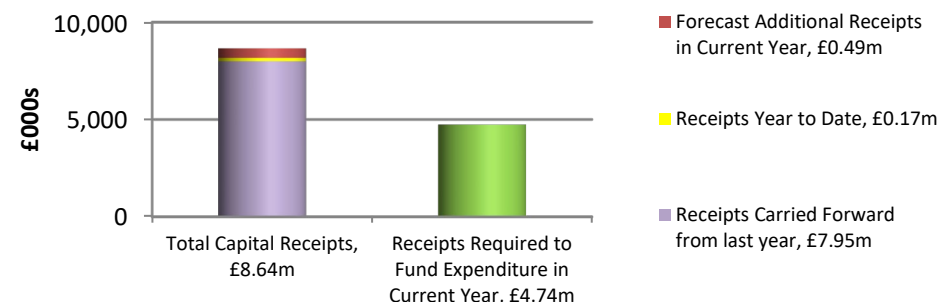
### Forecast variances by service area (under) and overspends (£000s)



Housing Revenue Account	Current budget	Forecast outturn	Forecast variance
Expenditure	68,580	66,864	(1,716)
Income	(68,580)	(65,722)	2,859
<b>Total</b>	<b>0</b>	<b>1,142</b>	<b>1,142</b>

Capital programme	Current budget	Forecast outturn	Forecast variance
General Fund	36,563	8,007	(28,555)
Housing Revenue Account	48,348	28,689	(19,660)

### Non-Housing Capital Receipts



- The General Fund revenue budget is forecast to overspend by £0.785m, mainly arising from reduced income from car park and invest properties, partially offset by lower than budgeted external borrowing costs, in-year budget savings and forecast government income reimbursement grant
- The HRA is forecast to overspend by £1.142m mainly due to anticipated increase in bad debt provision relating to dwelling rent income, partially offset by savings in the HRA dwellings repair budget
- The General Fund capital programme is forecast to underspend by £28.555m. It is anticipated that there will be no investment property purchases in 2020/21. Also, there are Covid-19 related delays in a number of workstreams including CIL and general upgrade works
- The Housing Revenue Account capital programme is forecast to underspend by £19.660m, largely due to Covid-19 related disruption to planned work on HRA stock and forecast in-year underspend relating to the new build opportunities fund, based on current progress.
- Both the General Fund and HRA reserves are expected to exceed their respective prudent minimum balances.

## **General Fund Revenue Budget**

### **Covid-19 Impacts**

1. The Covid-19 pandemic has had a significant impact on the 2020/21 general fund budget; this is due to a combination of increased costs (e.g. housing the homeless, investment in IT to allow staff to work from home, food costs for vulnerable people, higher recycling costs) and lost income (e.g. from car parks, commercial rents, planning fees, licensing, event bookings).
2. A number of forecasts are based on assumptions as to how income streams will be impacted by the Covid-19 situation. The performance is dependent on how lockdown restrictions are eased and the recovery of the economy in general.

### **Government Funding**

3. The council has been awarded Covid-19 funding of £1.800m to assist in dealing with the crisis which is recognised in the budget forecasts. A further £0.960m was confirmed on 22<sup>nd</sup> October (Tranche 4). If no further budget pressures are identified, this additional funding combined with all the positive short term actions the council took to reduce spend will result in an overall general fund underspend. The financial risks associated with Covid-19 will continue to significantly impact the council in 2020/21 and also in future years. It is vital that the council remains resilient to the future risks and therefore the in-year savings will continue to be delivered and any improved financial position set aside to manage the future risks.

### **Income Reimbursement Scheme**

4. An income reimbursement scheme has been created to assist with lost income due to Covid-19. The new income loss scheme will involve a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with the government compensating councils for 75p in every pound of relevant loss thereafter. By introducing a 5% deductible the government is accounting for an acceptable level of volatility, whilst seeking to shield authorities from the worst losses.

To help guide authorities in ensuring claims are reasonable, and in line with government's intention, the department has detailed a set of principles which will be used to define relevant claims under the announced support scheme. Income from commercial revenues, including rental amounts are not considered relevant losses and will not be compensated for under this scheme.

The first claim covering the 4 month period from April –July was submitted at the end of September. The claim was for £1.2m for the General Fund and £0.4m on behalf of Norfolk County Council to cover lost income in relation to the parking agreement. The P6 forecasts include an estimate of income from the scheme of £3.1m for the full financial year.

## Track & Trace Support Payments

5. In total, the UK Government will provide £50 million to local authorities for the Test and Trace Support payments and corresponding discretionary payments. This will cover the full four months of the scheme until 31 January 2021 and includes:
  - £25 million for programme costs (costs of payments to applicants), excluding discretionary payments.
  - £10 million for administration costs.
  - £15 million for discretionary payments.
6. The £25 million programme costs will be subject to reconciliation, which could mean an authority may need to return funding if the number of payments made is less than their allocation. The £10 million for administrative cost is not subject to a reconciliation process. Additional funding may be provided as necessary, informed by the experience of the programme. Each local authority will receive £20,000 from the £10 million for administration costs. The £15 million for discretionary payments is a fixed four-month envelope that will not be topped up or subject to a reconciliation process.
7. Details of the allocations for Norwich along with other unbudgeted grants are set out in paragraph 11 with narrative about the proposed uses.

## General Fund Forecast

8. The forecast is a £0.785m overspend. This equates to 0.5% of the gross expenditure budget. This forecast overspend will need to be met from general fund reserves.

In the early stages of the financial year we had a forecast overspend of around £7m. This factored in the increased spending costs on housing rough sleepers, providing food for vulnerable people, and enabling council staff to work efficiently from home – combined with a loss of income from car parks and commercial rents. While keeping up with the changing demands of the pandemic, and providing key services, a lot of work has been done to review spending commitments and identify savings. This has included cancelling some of the key events we host, and savings on recruitment, training, travel and supplies. This quick action has enabled the council to reduce spend by over £3m with when combined with the additional government support has helped to significantly improve the forecast position.

The general fund forecast overspend has decreased by £0.513m since Q1. The main reasons for these changes are shown in the table below:

**Table 1**

<b>Area</b>	<b>Movement in forecast from Q1 (£000)</b>	<b>Comments</b>
Housing Benefits	207	Reduction in housing benefit subsidy recovery rates, reduction in overpayments identified and increase in HB write-offs
Corporate Management	150	Unbudgeted contribution to the Norfolk Strategic Fund to assist with regional economic recovery.
Licensing	171	Forecast reduction in budgeted income relating to licenses – taxis & liquor
Planning	101	Reduced income from planning fees based on current and anticipated applications
Financial Arrangements	(383)	Reduction in forecast borrowing costs; linked to pausing of investment property purchases programme in 2020/21
Homelessness & Rough Sleeping	(223)	The council has been successful in securing additional grant funding for its rough sleeping work with partners. This includes the Government's next steps programme which includes grant for additional staffing; the allocation of funds for winter working and balances for our general rough sleeping activity and contribution to Pathways.
Multi-Storey Car Parks	(173)	Improved income position since Q1 based on current usage and projections
Business Rates	(116)	Latest position of business rates pool pilot shows an improved net position compared to Q1
Revenue Contribution to Capital	(100)	Reduction in revenue contribution to the capital programme due to reduction in housing improvement agency team work caused by Covid-19 enforced delays.
Integrated Waste Management	(98)	Reduction in forecast additional Covid-19 costs from Norse Environmental Waste Services relating to increased labour, disposal and PPE costs
Other movement	(49)	Net of other minor movements
<b>Total movement</b>	<b>513</b>	

9. **Car parking income:** A number of scenarios relating to car park usage have been modelled. The outcomes of these models showed a forecast loss of between £2.8m and £3.8m relating to daily usage. For forecasting purposes the average of these figures has been used. These models will be regularly assessed and updated, taking into account the most recent available usage figures. At the end of September, daily usage income from car parks was lower than budgeted by £1.6m.
10. **Investment property income:** There is an ongoing review of income from investment properties, with each case being individually assessed. This is based on current rent discounts and deferred rental payments. Based on this review, the current forecast net loss of income from existing properties is £1.5m. In a number of cases it is assumed rent will be recovered in the future financial years. In addition to losses relating to current tenants, budgeted income from new acquisitions is also unlikely to be achieved, leading to a £0.690m forecast income loss.

11. **Council Tax Hardship Fund:** The council was awarded £2.037m of grant to provide a Council Tax Hardship Fund. The council has developed a scheme to determine how this fund should be distributed to those currently part of the council tax reduction scheme. In addition to the Government directive of awarding £150 to working age customers in receipt of a partial CTR award, the council decided to award additional funds to reduce their liability for 2020/21 to zero. The same principle has been applied to pensionable age customers. As a result of significant increases in partial CTR claimants we are currently forecasting that the cost will go above the current hardship allocation – the current additional cost of £50k has been included in the Q2 forecasts. There remains a significant risk that this additional cost increases further in particular if there are rises in CTR claimants following the end of the furlough scheme.
12. **Norfolk Environmental Waste Service (NEWS):** NEWS are reviewing the impacts of the changing recycling market and a preliminary assessment suggests that an increased in fees may be required. Discussions are ongoing across the Norfolk authorities but there is risk of further budget pressure as well as increased costs in future years.
13. The forecast budget variances by directorate are shown in the tables below. Further breakdown is also provided in **Appendix 1**.

**Table 2: Total General Fund by directorate**

<b>Budget (£000)</b>		<b>Forecast Outturn (£000)</b>	<b>Forecast Variance (£000)</b>
(9,266)	Business Services	(15,299)	(6,033)
489	Chief Executive	400	(89)
1,745	Customers, Communications and Culture	2,396	650
12,781	People & Neighbourhoods	12,803	23
(5,749)	Place	486	6,235
0	<b>Total General Fund</b>	<b>785</b>	<b>785</b>

**Table 3: Business Services Directorate**

<b>Budget (£000)</b>		<b>Forecast Outturn (£000)</b>	<b>Forecast Variance (£000)</b>
4,801	Business Services	5,620	819
333	Democratic Services	290	(43)
(14,400)	Corporate Finance	(21,131)	(6,731)
0	Human Resources	(78)	(78)
0	Procurement & Service Improvement	0	0
<b>(9,266)</b>	<b>Total Business Services Directorate</b>	<b>(15,299)</b>	<b>(6,033)</b>
<b>Key variances:</b>			
<b>Savings/increased income</b>			
Central government emergency Covid-19 grant income – a proportion of the funding was allocated directly to homelessness and rough sleeping			(1,702)
Estimated payment from government income reimbursement scheme			(3,100)
Lower than budgeted net borrowing costs due to internal, rather than external, borrowing			(2,155)
Reduction in revenue contribution to the capital programme due to reduction in housing improvement agency team work caused by Covid-19 enforced delays.			(300)
No contribution to commercial property earmarked reserve anticipated in 2020/21.			(418)
Lower than budgeted minimum revenue provision requirement due to timing of investment acquisitions.			(122)
Other minor variances			(26)
<b>Budget pressures – overspends/loss of income</b>			
Lower than anticipated housing benefit subsidy recovery rates & lower overpayments identified			1,100
Vacancy factor overspend against this service with offsetting underspends shown within service areas			400
Lower net GF interest earned from invested funds, partly due to internal, rather than external, borrowing			140
Unbudgeted contribution to the Norfolk Strategic Fund to assist with economic recovery in the region.			150
<b>Total forecast variance</b>			<b>(6,033)</b>



**Table 4: Chief Executive Directorate**

<b>Budget (£000)</b>		<b>Forecast Outturn (£000)</b>	<b>Forecast Variance (£000)</b>
0	Chief Executive	(9)	(9)
489	Strategy and Programme Management	409	(80)
<b>489</b>	<b>Total Chief Executive Directorate</b>	<b>400</b>	<b>(89)</b>
<b>Key variances:</b>			
<b>Savings/increased income</b>			
Staff vacancies			(89)
<b>Total forecast variance</b>			<b>(89)</b>

**Table 5: Customers, Communications and Culture Directorate**

<b>Budget (£000)</b>		<b>Forecast Outturn (£000)</b>	<b>Forecast Variance (£000)</b>
1,839	Communications & Culture	2,391	552
(94)	Customer Contact	(130)	(36)
0	IT Services	135	135
<b>1,745</b>	<b>Total Customers, Communications and Culture Directorate</b>	<b>2,396</b>	<b>650</b>
<b>Key variances:</b>			
<b>Savings/increased income</b>			
Net forecast underspend relating to cancellation of key events i.e. Lord Mayor's Procession			(220)
Other minor variances			(71)
<b>Budget pressures – overspends/loss of income</b>			
Anticipated cost of support payment to Riverside Leisure Centre management			425
Additional IT costs relating to Covid-19 expenditure – Citrix licences and equipment to enable homeworking			140
Net forecast reduction in St Andrews Hall income – assumes 85% of budgeted income budget			126
Net forecast reduction in Norman Centre income - assumes 63% budgeted income			119
Net forecast reduction in income from Tourist Information Centre			59
Forecast reduction in Riverside Leisure Centre management fee income			72
<b>Total forecast variance</b>			<b>650</b>

**Table 6: People & Neighbourhoods Directorate**

<b>Budget (£000)</b>		<b>Forecast Outturn (£000)</b>	<b>Forecast Variance (£000)</b>
10,542	Citywide Services	10,634	92
1,560	Neighbourhood Housing	1,568	7
678	Neighbourhood Services	601	(77)
<b>12,781</b>	<b>Total People &amp; Neighbourhoods Directorate</b>	<b>12,803</b>	<b>23</b>
<b>Key variances:</b>			
<b>Savings/increased income</b>			
Forecast underspend on salaries due to vacant posts within Neighbourhood Operations and recruitment put on hold			(233)
Homelessness - The council has been successful in securing additional grant funding for its rough sleeping work with partners. This includes the Government's next steps programme which includes grant for additional staffing; the allocation of funds for winter working and balances for our general rough sleeping activity and contribution to Pathways.			(212)
Additional income forecast in respect of recycling credits			(100)
<b>Budget pressures – overspends/loss of income</b>			
Forecast additional Covid-19 costs for recycling relating to increased labour, disposal and PPE costs			165
Forecast reduction in budgeted income relating to licenses – taxis & liquor			150
Reduction in private sector leasing rental income due to assumed 10% reduction in collectable income			182
Other minor variances			71
<b>Total forecast variance</b>			<b>23</b>

**Table 7: Place Directorate**

<b>Budget (£000)</b>		<b>Forecast Outturn (£000)</b>	<b>Forecast Variance (£000)</b>
(8,244)	City Development	(2,242)	6,002
0	Environmental Strategy	(13)	(13)
0	Executive Head of Regeneration & Development	(4)	(4)
1,479	Planning	1,878	398
1,015	Property Services	866	(149)
<b>(5,749)</b>	<b>Total Place Directorate</b>	<b>486</b>	<b>6,235</b>
<b>Key variances:</b>			
<b>Savings/increased income</b>			
Forecast underspend on general repairs and maintenance due to revised prioritisation of works			(178)
<b>Budget pressures – overspends/loss of income</b>			
Total net reduction in forecast car park income			3,528
Forecast net reduction in rental income from investment properties			2,164
Net overspend against planning mainly due to reduced income in respect of planning fees			398
Reduction in net forecast rental income from the market			190
Other minor variances			133
<b>Total forecast variance</b>			<b>6,235</b>

Further detail is set out in **Appendix 1**.

## Grant Income

14. The following unbudgeted grants have been received in 2020/21:

**Table 8**

<b>Grant</b>	<b>Value</b>	<b>Details</b>
New burdens grant for administration of BEIS grants	(170,000)	Government grant designed to assist with additional costs associated with the distribution of BEIS grants
Covid-19 emergency funding	(2,778,177)	Covid-19 funding designed to support local authorities in dealing with challenges arising from Covid-19. Includes the fourth tranche of £960k announced on 22 <sup>nd</sup> October.
Rough sleeper initiative grant	(434,767)	Additional funding announced after the deadline for inclusion in the 2020/21 budgets
HB unbudgeted New Burdens	(51,633)	Additional new burdens grant relating to administering housing benefit
Tourism support grant	(494,000)	To be spent on supporting the tourism industry deal with the challenges brought about by Covid-19. This will fund some revenue activity and some capital projects
Next Steps Accommodation	(217,000)	To be used to fund emergency accommodation
Norfolk Local Outbreak Control Plan funding	(100,000)	Funding for environmental health officers to deal with Covid-19 related issues (£60k) and to provide support to high risk individuals & communities (£40k).
Compliance & Enforcement grant	(85,896)	Funding to support local authority compliance and enforcement activity, including Covid-19 secure marshals or equivalents
Safer Streets grant	(187,000)	Capital funding to assist with community safer measures – to be included in the HRA capital programme as detailed in paragraph 21
Norfolk Strategic Fund	(427,000)	To support projects involving the Good Economy Commission, Norwich market and the development of East Norwich.
Track & Trace admin costs	(30,639)	Funding to support the administration of Track & Trace Payments

Additional grants have been received where council has acted as the distributor of funding. These do not impact on the overall financing of the council.

**Table 9**

<b>Grant</b>	<b>Value</b>	<b>Details</b>
BEIS support grant payment	(40,640,000)	Small business and retail & hospitality grants to be paid out – if the full amount of the grant is not distributed, the balance will be returned to central government
BEIS discretionary grant	(2,032,000)	The council has developed a scheme to determine how this fund should be distributed
BID support grant	(44,470)	Grant received by the council and dispersed to the Business Improvement Districts in order to assist with Covid-19 related issues
Covid-19 hardship fund	(2,036,930)	The council has developed a scheme to determine how this fund should be distributed to those currently part of the council tax reduction scheme
Track & Trace Support	(71,500)	Test and Trace Support payments
Track & Trace Support Discretionary Payments	(42,976)	Test and Trace Discretionary Support payments

In addition:

- income of £3.1m has been forecast in relation to the income reimbursement grant detailed in paragraphs 4;
- a claim has been made for £0.066m from the “re-opening the high street fund”;
- funding of £100m has been announced designed to support the leisure industry. Individual authority allocations have not yet been announced.
- £49.243m additional section 31 grant will be received to compensate the council for additional business rate reliefs announced.

## **Collection Fund**

15. The Collection Fund includes all income generated from council tax and business rates that is due in the year from council taxpayers and ratepayers. The impact of the Covid-19 pandemic on the collection rates of the two tax streams continues to be an involving picture.
16. Any shortfall in tax receipts (compared to expected levels) will result in a deficit position on the collection fund. In this scenario, billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year. The government have confirmed that repayments to meet collection fund deficits in 2020-21 will instead be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets.

## **Council Tax**

17. The council tax forecasts have been updated to reflect the estimated changes in the taxbase, level of council tax reduction support and collection levels. These are evolving estimates and much will depend on how the economy and employment levels perform in the coming months.

**Table 10**

	<b>Budget £000s</b>	<b>Forecast £000s</b>	<b>(Surplus) / deficit £000s</b>
Total Council Tax Collection Fund Income	(72,117)	(71,346)	771
Norwich City Council Share	(9,968)	(9,861)	107

**Business Rates**

18. The Government announced an extension of the retail hospitality and leisure rate relief scheme to cover 100% of the business rates due in 2020/21. The current value of this additional relief given to businesses is £43m. This will result in lower cash being collected from business rates payers, with the lost income being compensated separately from central government via a Section 31 grant. The council therefore does not lose out on income as a result of the extra reliefs provided.

Despite the reliefs, Covid-19 is expected to impact on the level of business rates collected as companies struggle with cash flow or cease trading. The forecasts have been updated to reflect the estimated changes in the taxbase, reliefs and collection rates. These are evolving estimates and much will depend on how the economy and employment levels perform in the coming months. The forecast also takes into account the additional S31 grant and lower forecast levy payment to the Norfolk Business Rates Pool.

**Table 11**

	<b>Budget £000s</b>	<b>Forecast £000s</b>	<b>(Surplus) / deficit £000s</b>
Norwich City Council Retained Income Share	(6,539)	(6,084)	454

**Housing Revenue Account Budget****Covid-19 Impacts**

19. The Covid-19 pandemic has had a significant impact on the 2020/21 housing revenue account budget; this is mainly due to the projected loss of income in relation to housing rent and service charges, although this has been slightly offset by a forecast underspend on repairs work due to reduced works, caused by Covid-19 restrictions.

20. Net expenditure on the HRA is forecast to be £1.142m overspent. The key forecast budget variances are set out below in Table 13. Further detail is set out in Appendix 1.

The HRA forecast overspend has reduced by £2.359m since Q1. The main reasons for these changes are shown in the table below:

**Table 12**

Area	Movement in forecast from Q1 (£000)	Comments
Provision for Bad Debts	(2,477)	Reduction in anticipated lost HRA dwelling rental and service charge income after Q2 review. The current forecast is a £2.189m loss of income, as shown in Table 11
HRA Repairs	(345)	Contract for drainage repairs currently under retendering process, so will be some delays. Slight increase in Covid-19 related delays to other workstreams
Dwelling & garage rents	154	Current void rate for dwellings and garages is higher than anticipated
Other movements	309	Net of other movements
<b>Total movement</b>	<b>(2,359)</b>	

**Table 13: Housing Revenue Account**

Budget (£000)		Forecast Outturn (£000)	Forecast Variance (£000)
13,899	Repairs & Maintenance	13,044	(855)
5,858	Rents, Rates, & Other Property Costs	5,379	(479)
13,224	General Management	12,963	(260)
4,949	Special Services	4,792	(157)
23,264	Depreciation & Impairment	23,282	19
202	Provision for Bad Debts	2,391	2,189
(57,545)	Dwelling Rents	(57,431)	113
(2,098)	Garage & Other Property Rents	(1,960)	139
(7,888)	Service Charges - General	(7,624)	264
(82)	Miscellaneous Income	(41)	41
6,631	Adjustments & Financing Items	6,631	0
(204)	Amenities shared by whole community	(204)	0
(210)	Interest Received	(80)	130
<b>0</b>	<b>Total Housing Revenue Account</b>	<b>1,142</b>	<b>1,142</b>

<b>Key variances:</b>	
<b>Savings/increased income</b>	
Repairs: Underspend mainly caused by delays in non-essential repair work, due to Covid-19 related restrictions and retendering of some contracts	(842)
Property Costs: Lower than budgeted water costs relating to tenants' supply, partly offset by lower than budgeted service charge income in current financial year	(479)
General Management: Forecast underspend on legal expenses due to temporary suspension of recovery action.	(75)
General Management: Forecast underspend on decoration allowances due to lockdown	(38)
Special Services: Sheltered housing alarm maintenance costs now included within repairs budget	(140)
<b>Budget pressures – overspends/loss of income</b>	
Provision for bad debts: Based on current recovery rates and the anticipated trend going forward, an in-year recovery rate of 96% has been assumed. Although the full income due will be raised, there is a requirement to calculate a provision for those debts considered to be at risk. Some of this may be recovered in future years but provision for the full amount will be required in 2020/21. The figure shown relates to both rental and service charge income.	2,189
Service charges: Forecast reduced income from water charge service charge income offset by lower water payment costs against Rents, Rates, & Other Property Costs	172
Service charges: Lower than budgeted recharge income from leaseholders based on actual costs	92
Interest income: reduced interest income from the general fund based on anticipated in-year balances	130
Net HRA cost of additional pay award	72
Other minor variances	61
<b>Total forecast variance</b>	<b>1,142</b>

Further detail is set out in **Appendix 1**

21. Cabinet are asked to approve the creation of an earmarked reserve from 2020/21 HRA revenue underspend (£0.415m) in order to fund ongoing revenue costs in relation to the tenancy & estate management system implementation in 2021/22.



22. The prudent minimum level of General Fund reserves has been assessed as £4.232m. The budgeted and forecast outturn's impact on the 31 March 2020 balance brought forward is as follows:

**Table 14**

Item	£000s
Balance as at 1 April 2020	(9,464)
Budgeted contribution to reserves 2020/21	(517)
Forecast outturn as at 31 March 2021	785
<b>Forecast balance as at 31 March 2021</b>	<b>(9,196)</b>

The General Fund balance is, therefore, expected to continue to exceed the prudent minimum balance.

Table 14 assumes the current forecast overspend will impact General Fund reserves, but a review is required to determine whether an element should be funded from other earmarked reserves e.g. commercial property reserve.

23. The prudent minimum level of HRA reserves has been assessed as £5.844m. The budgeted and forecast outturn's impact on the 31 March 2020 balance brought forward is as follows:

**Table 15**

Item	£000s
Balance as at 1 April 2020	(33,968)
Budgeted contribution to reserves 2020/21	(4,570)
Forecast outturn as at 31 March 2021	1,142
<b>Forecast balance as at 31 March 2021</b>	<b>(37,396)</b>

The Housing Revenue Account balance is, therefore, expected to continue to exceed the prudent minimum balance.

## Capital Programme

24. Project managers and NPS colleagues have participated in a review of the 2020/21 capital programme to assess the impact that the Covid-19 pandemic will have on the delivery of individual projects. Consideration was also given to the financial uncertainty that the pandemic has created and where practical expenditure planned for 2020/21 has been deferred.

The general fund capital programme is forecast to underspend by £28.555m and the HRA capital programme is forecast to underspend by £19.660m in this financial year.

**Table 16: Capital programme budget variances**

Programme	Project	Current Budget (£000)	Forecast Outturn (£000)	Forecast Variance (£000)	Description and Commentary
GF Capital Expenditure Programme	AH1000 City Hall heating system	315	0	(315)	City Hall heating system upgrade deferred until 2021/22.
	AL1000 City Hall chamber benches conservation	44	0	(44)	Refurbishment deferred due to Covid-19 pandemic.
	AA1037 Earlham Cemetery gates refurbishment	28	0	(28)	Earlham cemetery railings and gates work to extend into 2021/22.
	AB1037 Earlham Cemetery railings replacement	142	45	(97)	Earlham cemetery railings and gates work to extend into 2021/22.
	AA1204 Traveller Site	18	0	(18)	Expenditure deferred until 2021/22 due to Covid-19 pandemic.
	AA1632 2 Upper King Street roof and windows upgrade	29	0	(29)	Impact of Covid-19 has reduced available resource to progress this project. Deferred until 2021/22.
	AA1911 Riverbank stabilisation	15	0	(15)	Impact of Covid-19 has reduced available resource to progress this project. Condition survey deferred until 2021/22.
	AA1912 Riverside Leisure Centre Plant	22	0	(22)	Work delayed as centre closed since March due to Covid-19 pandemic; deferred until 2021/22
	AV0000 Multi storey car parks structural lifecare survey	33	0	(33)	Survey deferred until 21/22 due to Covid-19 pandemic.
	<b>Total GF Capital Expenditure Programme forecast variance</b>			<b>(600)</b>	

Programme	Project	Current Budget (£000)	Forecast Outturn (£000)	Forecast Variance (£000)	Description and Commentary
GF Capital Section 106/GNGP/CIL	FJ5201 St Georges open space & play	88	0	(88)	The disruption caused by the Covid-19 pandemic has delayed the progress and implementation of many S106/GNGP/CIL funded projects in 20/21. The affected projects are being rescheduled for delivery and completion in 21/22
	FK5201 Wensum Park Play Area	62	0	(62)	
	FF5201 S.106 Bowthorpe To Clover Hill	68	12	(56)	
	FG5201 St Stephens Towers Public Realm	63	1	(62)	
	FL5201 Bunkers Hill - Entrance & path	59	25	(34)	
	EV5201 S106 Castle Green Play	70	50	(20)	
	AO5200 Yare - Wensum Green Infrastructure	95	28	(67)	
	AA5202 CIL GNGB Castle Gardens	150	100	(50)	
	AD5202 CIL GNGB Riverside Walk	172	5	(167)	
	AG5202 UEA to Eaton boardwalk	29	2	(27)	
	AM5202 GNGB Comm Access 20 Acre Wood	57	0	(57)	
	ZZ8039 CIL Neighbourhood Projects	200	120	(80)	
	AW0000 Transforming Cities Fund	162	0	(162)	
	Other minor variances	0	0	(10)	
	<b>Total GF S106/GNGP/CIL Programme forecast variance</b>			<b>(941)</b>	

Programme	Project	Current Budget (£000)	Forecast Outturn (£000)	Forecast Variance (£000)	Description and Commentary
GF Not Controlled By NCC	AY5204 CCAG2 Wayfinding	30	0	(30)	Funds now reallocated to a different project.
	AE5200 CIL Contribution Strategic	1,568	661	(907)	CIL Strategic Pool Contribution is anticipated to be significantly reduced in 20/21 due to the impact of the Covid-19 pandemic
	AA5207 Disabled Facilities Grant	1,250	760	(490)	Disabled Facilities grants have been difficult to progress following post lockdown mobilisation. Business case to be presented to County Council on behalf of the seven districts to enable unspent BCF allocation to carried forward into 2021/22
	AK0000 Private Sector Leasing – Empty homes	69	0	(69)	Project deferred until 21/22
	AB5207 HIA - Housing Assistance	250	112	(138)	Housing Assistance Grants have been difficult to progress following post lockdown mobilisation. Business case to be presented to County Council on behalf of the seven districts to enable unspent BCF allocation to carried forward into 2021/22
	Other minor variances	0	0	(30)	
	<b>Total GF Not Controlled By NCC</b>			<b>(1,664)</b>	

Programme	Project	Current Budget (£000)	Forecast Outturn (£000)	Forecast Variance (£000)	Description and Commentary
HRA Capital Expenditure Programme	AG5206 Tenancy & Estate Management	767	629	(138)	Revised forecast reflects re-allocation of licence & maintenance costs to revenue.
	AB5100 New Build Opportunities	8,498	2,663	(5,834)	Based on the current pipeline of approved acquisitions and progress made with ongoing negotiations over the acquisition of potential development sites but opportunities have been limited due to Covid-19 pandemic
	AD5100 New Build –Goldsmith St	980	750	(230)	Currently negotiating Goldsmith St final settlement
	AJ5100 LANB - Northumberland Street	689	0	(689)	Northumberland Street development now very unlikely to come forward in 2020/21
	AO5100 Affordable Housing Opportunities - Oak St	150	0	(150)	Oak Street development now unlikely to be completed by developer due to affordability issues
	AB1005 Mile Cross Depot Site	180	360	180	Business Rate Pool funded increase in budget is pending Council approval.
	5120 Whole House Imprvmnts	1,332	1,032	(300)	Disruption to the delivery of the HRA stock upgrade programme caused by the Covid-19 pandemic is expected generate the following forecast underspends in 2020/21
	5121 Kitchen Upgrades	1,435	1,035	(400)	
	5122 Bathroom Upgrades	2,050	1,550	(500)	
	5130 Boilers - Communal	3,177	984	(2,193)	
	5131 Boilers - Domestic	2,562	1,262	(1,300)	
	5140 Insulation	102	26	(76)	
	5150 Windows - Programme	3,126	656	(2,470)	
	5151 Composite Doors	1,076	726	(350)	
	5160 Comm Safe - DES	676	737	60	
	5163 HRA Shops	461	328	(133)	
	5180 Planned Maint - Roofing	1,281	531	(750)	
	5181 Planned Maint - Structural	5,105	3,196	(1,909)	
	5182 Tower Block Regeneration	1,627	1,039	(588)	
	5190 Dis Ad - Misc	717	517	(200)	
	5191 Dis Ad - Stairlifts	51	121	70	
	5192 Dis Ad - Comms	190	136	(54)	
	AM0000 Capital Grants to Housing	3,827	2,118	(1,709)	Registered Housing Provider (RP) developments delayed by Covid-19 and RPs taking advantage of Homes England higher grant rate has resulted in fewer grants awarded
	Other minor variances			2	
	<b>Total HRA Capital Programme forecast variance</b>			<b>(19,660)</b>	

Programme	Project	Current Budget (£000)	Forecast Outturn (£000)	Forecast Variance (£000)	Description and Commentary
GF Capital Asset Investment Programme	AB0000 Asset investment for income	25,000	0	(25,000)	Asset Investment for Income programme of acquisitions paused pending outcome of PWLB funding consultation
	<b>Total GF Capital Asset Investment Programme</b>			<b>(25,000)</b>	
GF Equity Investment	AA1916 Equity Investment	3,500	3,150	(350)	Forecast Norwich Regeneration Ltd equity investment requirement for 2020/21 with remainder to be invested in 2021/22
	<b>Total GF Financing For NRL forecast variance</b>			<b>(350)</b>	

Further detail is set out in **Appendix 2**

25. In June 2020, in light of the Covid-19 pandemic, the MHCLG temporarily relaxed the rules governing the use of Retained RTB Receipts until 31<sup>st</sup> December 2020, with the intention of allowing authorities to catch-up with their new social housing spending plans. However, despite a number of schemes progressing, the pandemic continues to impact on the ability to invest in new social housing. Unless the MHCLG extend this period beyond the end of the year, it will be necessary to pay over between £4.092m and £6.592m of Retained RTB Receipts along with between £0.552m and £0.890m of interest, which is an HRA revenue cost, by the end of this financial year.
26. The council is yet to learn the outcome of the funding bid for £25m of Towns' Fund; the potential liability detailed in paragraph 19 may impact on the delivery of this project.
27. Cabinet are asked to recommend to council the approval of the following additions to the General Fund capital programme:
  - Heigham Park Pavilion - £0.175m to be added to GF capital programme to enable rebuilding following fire damage, to be funded from £0.125m insurance claim and £0.050m insurance reserve
  - Additional £0.500m to be added to GF capital programme to cover cost of new laptops to be funded from RCCO / capital receipts (see paragraph 29).
  - £0.253m Tourism grant to be added to GF capital programme. £0.494m has been received from Norfolk County Council for the Tourism Support Package. The most recent analysis of the projected spend requests £0.253m is built into the capital programme to cover the capital aspect of the project. This includes street furniture improvements (£0.168m), alternative cycling routes (£0.02m) and traffic road blocks (£0.065m)
  - Towns' Fund : Total funding is £1m. After allowing for the Towns Fund funded expenditure that was already in the 2020/21 capital programme, the GF capital programme will need to be increased by £0.608m to facilitate completion of the projects included in the bid. Detail is shown in the table below:

**Table 17:**

<b>Towns' Fund works detail</b>	<b>Total requirement £000s</b>	<b>Included in current programme £000s</b>	<b>To be added to capital programme £000s</b>
Digital Hub- Townsend House EPC improvements	75		75
Local centre shops EPC improvements- 1-2 Earlham West Centre	90	90	
Norwich Halls improvements	224	224	
Memorial Gardens undercroft improvements and Norwich Guildhall	189		189
Chapelfield gardens - improvements for events	50		50
Tennis courts improvements	67		67
Play improvement	80		80
Installation of expanded toilet / washing facilities in parks	157	78	79
Programme contingency	68		68
	<b>1,000</b>	<b>392</b>	<b>608</b>

28. Cabinet are asked to note the following virement in the HRA capital programme which has been approved by CLT in line with the financial procedure delegations. The virement of £0.198m is to facilitate the utilisation of a Safer Streets Fund grant to install secure door entry systems at Clifton Close and Midland Walk. The virement is being taken from the structural works budget which is currently forecasting an underspend of £1.9m against the approved £5m budget in 2020/21. The underspend is due to delays in the process of consultation with leaseholders over the planned structural works.
29. The proposed addition of £0.500m to the capital programme for IT equipment is to provide investment in flexible working with the provision of laptops council wide for all users. These laptops will replace the current estate of desktop personal computers. This investment is in line with the IT digital strategy and will support agile working as well as resilience during the covid-19 pandemic. An initial pilot of 20 laptops is currently being rolled out and the final specification will incorporate the feedback from the user testing. It is estimated that in total 750 laptops will be required to cover existing staff and additional spare devices for resilience. In total, it is estimated that the cost of the laptops will be in the region of £0.750m. Existing approved IT capital budgets will be used to cover £0.250m alongside the request to increase the budget by £0.500m. This report also requests Cabinet approval to delegate authority to the director of strategy, communications and culture, in consultation with the resources portfolio holder to award a contract to purchase new laptops following a procurement exercise.

## **Business Rates Pool**

30. Norwich City Council has been a member of the Norfolk Business Rates Pool since it joined in 2015/16. By 2018/19 the pool included all seven districts in Norfolk as well as the County Council. The key benefit of the pooling arrangement is that rather than pay a levy to government on business rates growth above the baseline, the income is retained locally in the Norfolk economic development fund. There are also financial risks associated with pooling. Under the terms of the Governance Agreement, the Norfolk Pool operates a safety net guarantee; this ensures that each pool member receives as a minimum 92.5% of their baseline funding.
31. MHCLG issued an invitation to form business rate pools in 2021/22 with a deadline for pooling proposals of 23 October 2020.
32. There remains an ongoing risk over an appeal by NHS Trusts against the High Court ruling that they should not benefit from charitable status for the purposes of business rates. If the decision is overturned, this could result in a substantial backdated cost for all local authorities nationally as the claims go back to 2010 in some instances. Whilst acknowledging the risk, the decision was taken to continue to pool for 2021/22.
33. In the response the Norfolk authorities noted:
- That there are materially different risks in relation to Business Rates income and, as a result, any decisions about the opportunity to pool compared to previous years, principally due to the impact of the COVID-19 pandemic. In this context, early announcements about any changes in policy or business rates support in 2021/22 will be critical to inform local decision-making.
  - They strongly encourage MHCLG to consider offering a guarantee, no detriment clause, or similar arrangement to mitigate against the potential impact of COVID-19 on 2021/22 pooling decisions.
  - They consider that the ongoing NHS Trust appeal remains an area of significant risk, which could result in a significant reduction in Norfolk rates income which would eliminate growth achieved in the pool area.
34. Notwithstanding the deadline of 23 October, the Local Government Finance Act 1988 confirms that members of a pool have a period of 28 days from the date of publication of the provisional local government finance settlement to make a request to revoke a pool – in this case the only option would be to dissolve the pool entirely, not alter the membership.



### **Working Capital Loan to Norwich City Services Ltd**

35. The Chief Executive has approved that Norwich City Council enters into a loan agreement to provide Norwich City Services Ltd a further £0.2m of working capital finance to facilitate the depot roof works in 2020/21. As an urgent decision was required, the decision was taken by the chief executive under powers set out in Appendix 2 (para 5.4) of the constitution. It was made with the agreement of the Leader of the Council and Portfolio Holder for Resources. The chair of scrutiny and the monitoring officer were also consulted and agreed that the decision was required to be made urgently outside the normal decision making framework. The deputy 151 officer acted as the 151 officer to avoid any potential conflicts of interest in relation to the wholly owned company.
36. This decision enabled the roof works to commence as quickly as possible helping to ensure the works are completed in time for depot handover at the end of February. Any further delays to the agreement of the works would have put the business critical path to delivering the depot at risk and could have resulted in additional financial costs.
37. The term of the loan will match the revised lease agreement which will provide a rent free period to compensate the company for incurring the costs that are the landlord's responsibility. The loan will be for a term of 5 years allowing annual repayments by Norwich City Services of £0.04m. Interest will be chargeable at a fixed rate of 1.1% (Bank of England base rate plus 1%) with payments due in arrears on a 6 monthly basis.

### **Medium Term Financial Strategy**

38. The Quarter 2 financial forecasts for 2020/21 show the unprecedented impact that Covid-19 is having on the council's financial position. It is increasingly clear that there will be much longer term impacts on the council's income and reserves.
39. The council has identified a range of in-year savings for 2020/21 to partly offset the impacts of Covid-19 but is still forecasting needing to utilise reserves fund the expected overspend. Whilst this is manageable in the short term, continuing to rely on council reserves will ultimately reduce the council's resilience going forward and put at risk its ability to make the up-front investment needed to drive forward longer term efficiency plans (for example using the Invest-to-Save reserve to drive digital transformation).
40. As part of the ongoing budget work, the council's Medium Term Financial Strategy (MTFS) continues to be updated and refined. This section outlines the key developments impacting on the MTFS, the estimated increase in the future savings challenge as well as the next steps for refining the MTFS and budget options for 2021/22.

### **Pre Covid-19 MTFS**

41. The MTFS presented to Council in February compared the estimated cost of delivering current services over the next five years, compared to the anticipated funding streams to support council services. By 2024/25 it showed a shortfall of £10m; which after assuming annual service-led growth pressures of £0.750m, left a gross savings target of £2.5m per year for the four-year period.

42. The approved MTFS maintained the previous approach of presenting a strategy to manage the savings requirements which utilised general reserves over the 3-year period to 2023/24 (down to around £5m) alongside a smoothed savings target. This retained general reserves above the prudent minimum level of reserves required to be held by the general fund of £4.3m.

### **Key developments impacting the MTFS**

#### **Covid-19 Impacts**

43. District Councils have been severely impacted by the COVID-19 pandemic. The Institute of Fiscal Studies reports that shire districts have faced combined pressures from additional costs and lost income averaging 23% of pre-crisis expenditure, compared with less than 15% on average for other council types, and that even with government grants and the income guarantee, an 8% shortfall will remain. Furthermore, districts are more affected proportionally by the impact of COVID due to their reliance on Sales, Fees and Charges income.
44. COVID-19 is expected to have a longer-term impact on council finances, far beyond the 2020/21 financial year. Customer behaviours have changed dramatically and may never return to 'pre-COVID' levels. City centre footfall is still well below normal levels and there are likely to be continued impacts on car park and rental income. The impact of social distancing requirements will also reduce the operation and income from cultural and leisure activities.
45. There are a wide-range of potential implications on council budgets in 2021/22 as well as further years of the MTFS, these include:
- Health of the city centre and associated Business Rates income
  - Commercial rent levels and other income streams (e.g. car parks)
  - Impacts on the council tax base and increased demand on the council tax reduction scheme
  - Ability to hold council-run events
  - Demand on services such as homelessness and benefits
46. This report shows a forecast overspend on the general fund of £0.785m. The recent announcement of a further £0.960m of covid-19 emergency grant funding will hopefully reduce this figure but a review will need to be undertaken during Q3 to consider further emerging cost and income pressures linked to the second wave of the pandemic. As detailed in paragraph 3, if no further budget pressures are identified, this additional funding combined with all the positive short term actions the council took to reduce spend will result in an overall general fund underspend. The financial risks associated with Covid-19 will continue to significantly impact the council in 2020/21 and also in future years. It is vital that the council remains resilient to the future risks and therefore the in-year savings will continue to be delivered and any improved financial position set aside to manage the future risks.
47. If there is an overspend at the end of the 2020/21 year, this will need to be met from reserves and therefore impact on the forward financial planning.

## Funding

48. As the country attempts to navigate through the longer-term impacts of COVID-19, District Councils have a vital role to play in community and economic recovery. In order to do this District Councils need sustainable, sufficient funding and the flexibility to plan their finances in a way that suits their local circumstances and needs.
49. District Councils are planning now for their 2021/22 budget and updating Medium Term Financial Plans, but this is extremely difficult without knowledge of the Spending Review outcome. The council has received central government support during 2020/21 through both un-ringfenced and ring-fenced grants as well as a scheme to partly compensate for lost fees and charges income. At this stage no additional central government grant or income support has been announced and therefore for planning purposes the council will have to assess and estimate the ongoing pressures on both its costs and income from covid-19 into the next financial year.
50. Provisionally the Autumn Spending Review had been due to set spending totals for three years, and capital budgets for a further year. HM Treasury have now confirmed that there will be a 1-year Spending Review to set 2021/22 departmental budgets.
51. MHCLG have confirmed a further one-year delay in the proposed longer term local government financial reforms, including:
- 75% business rates retention with the aim of ensuring local authorities have more control over the money they raise and incentives to grow and reinvest in their local economies;
  - introducing reforms to the business rates retention system to increase stability and certainty; and
  - reviewing the funding formula that determines funding allocations through the annual local government finance settlement (Fairer Funding Review).

The further delay in the fairer funding review provides a higher degree of certainty over the business rates income that the council will be able to keep in 2021/22 but does nothing to address the longer-term uncertainty over funding from April 2022.

52. In 2020/21 the council will receive £0.7m in New Homes Bonus grant. There has been no confirmation of whether this key grant stream will continue and if so in what format.

## Commercialisation

53. In March 2020 the government commenced a consultation on the Public Works Loan Board (PWLB) future funding terms. The proposals, if implemented, would mean that the Public Works Loan Board would not be a source of lending to local authorities investing in commercial properties primarily to generate income. This would limit the ability of local authorities to generate income and will require councils to look at further service reductions to balance the loss of income.

54. The 2020/21 budget included a target of £0.500m additional net income from commercial properties. The council has halted further new acquisitions, therefore will not be able to achieve around £0.130m of this net income on a recurring basis and this will need to be adjusted in the MTFS assumptions. The outcome of the consultation is likely to reduce the future options for generating purely commercial income to support the wider services deliver by the council, and will be factored into the budget process for 2021/22.

### **Current updates key assumptions & MTFS**

55. The MTFS has been updated to reflect key areas where there is improved information available. The key changes incorporated into the model include:

- the latest forecast overspend from 2020/21 being taken from general reserves;
- Adjust the Housing Benefit budgets to reflect current overpayment income levels and subsidy recovery rate;
- Update payroll assumptions to include the 2020/21 agreed award and a further 2.75% in 2021/22 and 2022/23. Afterwards the assumption reverts to the previous 2%.
- Remove unachieved new net rental income (includes an adjustment to MRP and borrowing) following the commencement of the PWLB consultation;
- Add a further 1-year RSG allocation of £0.220m based on a roll-forward settlement;
- Include the undistributed business rates surplus from 2019/20 of £0.162m alongside the existing assumptions for deficits from 2020/21.

56. These adjustments have had a significant adverse impact on the MTFS. Table 15 shows the gap between the budget requirement and budget resources in 2024/25 increases up to £12.4m (£10m in the February MTFS), primarily driven by the lost HB overpayment income and increased payroll costs.

57. Table 16 shows that the increase in saving requirement is coupled with reserves reducing at a faster level as a result of the forecast overspend in 2020/21. Table 17 shows the resulting annual savings requirement has increased to £3.150m over the next three years, falling slightly to £2.950m by 2024/25.

58. It should be noted that there are a number of key assumptions that are continuing to be updated in the model to reflect the latest estimates of the longer-term impacts of Covid-19 on the council's finances. Work will continue on this in the coming months and the final update provided to Cabinet and Council as part of the budget papers in February 2021.

**Table 18**

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
Budget Requirement (no savings)	17,368	21,778	24,680	27,280	29,734
Budget Resources	(17,888)	(16,562)	(16,458)	(16,898)	(17,351)
<b>Budget Gap</b>	<b>(517)</b>	<b>5,216</b>	<b>8,222</b>	<b>10,382</b>	<b>12,383</b>
Funding the budget gap:					
Cumulative gross savings needed		(3,150)	(6,300)	(9,450)	(12,400)
Planned use of reserves		(2,066)	(1,922)	(932)	17

**Table 19**

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
<b>Opening Reserves Balance</b>	(9,464)	(9,196)	(7,130)	(5,208)	(4,276)
Planned transfer (to)/from reserves	(517)	2,066	1,922	932	(17)
Forecast outturn P6	785				
<b>Closing Reserves Balance</b>	<b>(9,196)</b>	<b>(7,130)</b>	<b>(5,208)</b>	<b>(4,276)</b>	<b>(4,293)</b>

**Table 20**

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
Assumed annual service growth		750	750	750	750
Gross saving requirement		(3,150)	(3,150)	(3,150)	(2,950)
Net annual saving requirement		<b>(2,400)</b>	<b>(2,400)</b>	<b>(2,400)</b>	<b>(2,200)</b>

### **Approach to full update of the MTFS**

59. Finance are continuing to review the MTFS model for 2021/22 and beyond in collaboration with the services across the council. It is vital that service areas input into the assumptions and modelling to ensure the MTFS is sufficiently robust and reflects the best estimates from the business. This will involve looking at all areas of the council's budgets, but with a particular focus on the key areas and specific risks outlined below:

- a) **Earmarked Reserves:** The leadership team will undertake a review of all earmarked reserves to ensure that there a clear rational for continuing to ringfence this funding. This consideration will include how reserves can be used to support budget pressures in relation to business rates, council tax and commercial property. This will impact on the available balances to support the MTFS.
- b) **Council Tax & Business Rates:** Finance will work with colleagues in revenues and benefits, planning and economic development to build up the assumptions for both tax streams by reviewing predictions for new build properties, council tax reduction scheme demand, reliefs and the business rates tax base.
- c) **Payroll & pensions:** Estimates to be updated for future payroll growth and living wage impacts as well as future pension contribution rates. Given the value of council payroll costs the MTFS output is very sensitive to changes in the salary inflation assumptions, and sensitivity analysis will be carried out around.
- d) **Income:** There are significant income streams that will continue to be reviewed with service managers to consider both historic levels and covid-19 impacts. These include car parks, commercial property rents, planning fees and events and leisure income.
- e) As part of the budget process, a fees and charges schedule will be collated draw together information on the basis of charges and recoverability of related costs.
- f) **Government Grants:** Assumptions about key grant income streams will be reviewed with service leads. Impacts from the Local Government Finance Settlement will be updated as information becomes available.
- g) **Capital financing and Borrowing Costs:** The work to develop the future capital programme is ongoing and this will inform the budget requirement for both revenue contributions to the funding of the capital programme and borrowing levels. The level of external borrowing will be reviewed in line with council's cash flow forecast.
- h) **Other key risks:** There are a number of other identified risks that need to be considered over the medium term.
- Specific identified cost pressures associated with leisure provision and recycling
  - The insourcing of the Norse joint venture arrangements and set-up of Norwich City Services Limited will impact on contract costs, profit shares, support services requirements and borrowing costs. The financial impacts will be closely monitored and assumptions updated as required.
  - The medium-term capital requirements for the asset portfolio and planned IT investment are continuing to be developed but are likely to involve significant investment during the course of the MTFS period. A review of the asset strategy and management plan will help to inform the financial requirements.

- Impacts of the planned government reforms to local government funding including the Fairer Funding Review and changes to the Business Rates system. It is difficult to forecast the impact of the fairer funding review on this council until government sets out the relative weightings of these indicators in the formula, and its damping (transitional) arrangements.

### **Budget Next Steps**

60. Key next steps in preparing budget options and updating the MTFS are shown below:

- Management continuing to develop and refine savings options, growth requirements and capital proposals - ongoing
- Government's 1-year Comprehensive Spending Review – Late November
- Draft budget options to Cabinet for consideration in December
- Consultation period for the proposed budget options in December/January
- Provisional Local Government Finance Settlement – Date to be confirmed (assuming December)
- Budget Scrutiny, Cabinet and Council in February 2021

## Integrated impact assessment



**NORWICH**  
City Council

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	11 November 2020
<b>Head of service:</b>	Director of Resources
<b>Report subject:</b>	Q2 Budget Monitoring 2020/21 and Medium Term Financial Strategy update
<b>Date assessed:</b>	03 November 2020
<b>Description:</b>	This is the integrated impact assessment for the Quarter two revenue and capital budget monitoring 2020/21 report



		Impact		
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The report shows that the council monitors its budgets, considers risks to achieving its budget objectives, reviews its balances position, and is therefore able to maintain its financial standing
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

<b>Risk management</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The report demonstrates that the council is aware of and monitors risks to the achievement of its financial strategy.
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Recommendations from impact assessment	
<b>Positive</b>	
None	
<b>Negative</b>	
None	
<b>Neutral</b>	
None	
<b>Issues</b>	
The council should continue to monitor its budget performance in the context of the financial risk environment within which it operates.	

**Revenue Budget Monitoring Summary Year: 2020/21 Period: 6  
(September) Figures in £000s**

**General Fund Summary**

Current budget		Forecast outturn	Forecast variance
4,801	Business Services	5,620	819
333	Democratic Services	290	(43)
(14,400)	Finance	(21,131)	(6,731)
0	Human Resources	(78)	(78)
0	Procurement & Service Improvement	(0)	(0)
<b>(9,266)</b>	<b>Total Business Services</b>	<b>(15,299)</b>	<b>(6,033)</b>
0	Chief Executive	(9)	(9)
489	Strategy & Programme Management	409	(80)
<b>489</b>	<b>Total Chief Executive</b>	<b>400</b>	<b>(89)</b>
1,839	Communications & Culture	2,391	552
(94)	Customer Contact	(130)	(36)
0	IT Services	135	135
<b>1,745</b>	<b>Total Customers, Comms &amp; Culture</b>	<b>2,396</b>	<b>650</b>
10,542	Citywide Services	10,634	92
1,560	Neighbourhood Housing	1,568	7
678	Neighbourhood Services	601	(77)
<b>12,781</b>	<b>Total Neighbourhoods</b>	<b>12,803</b>	<b>23</b>
(8,244)	City Development	(2,242)	6,002
0	Environmental Strategy	(13)	(13)
0	Executive Head of Regeneration &	(4)	(4)
1,479	Planning	1,878	398
1,015	Property Services	866	(149)
<b>(5,749)</b>	<b>Total Place</b>	<b>486</b>	<b>6,235</b>
<b>0</b>	<b>Total General Fund</b>	<b>785</b>	<b>785</b>

**Housing Revenue Account Summary**

Current budget		Forecast outturn	Forecast variance
13,899	Repairs & Maintenance	13,044	(855)
5,858	Rents, Rates, & Other Property Costs	5,379	(479)
13,224	General Management	12,963	(260)
4,949	Special Services	4,792	(157)
23,264	Depreciation & Impairment	23,282	19
202	Provision for Bad Debts	2,391	2,189
(57,545)	Dwelling Rents	(57,431)	113
(2,098)	Garage & Other Property Rents	(1,960)	139
(7,888)	Service Charges - General	(7,624)	264
(82)	Miscellaneous Income	(41)	41
6,631	Adjustments & Financing Items	6,631	0
(204)	Amenities shared by whole community	(204)	0
(210)	Interest Received	(80)	130
<b>0</b>	<b>Total Housing Revenue Account</b>	<b>1,142</b>	<b>1,142</b>

General Fund summary by type *Figures in £000s*

Current budget		Forecast outturn	Forecast variance
23,879	Employees	23,638	(241)
10,155	Premises	9,663	(493)
230	Transport	190	(40)
18,253	Supplies & Services	64,998	46,745
67,963	Housing Benefits & Business Rates Tariff	74,600	6,638
5,435	Capital Financing	2,593	(2,842)
1,300	Rev Contribs to Capital	1,000	(300)
(29,604)	Fees, charges and rental income	(22,203)	7,401
(88,365)	Government Grants	(144,419)	(56,054)
16,081	Recharge Expenditure	16,219	138
(25,326)	Recharge Income	(25,493)	(167)
<b>0</b>	<b>Total General Fund</b>	<b>785</b>	<b>785</b>

## Housing Revenue Account summary by type

Current budget		Forecast outturn	Forecast variance
5,951	Employees	5,932	(19)
22,173	Premises	20,732	(1,441)
95	Transport	77	(18)
2,656	Supplies and Services	4,605	1,948
2	Third Party Payments	0	(2)
8,271	Recharge Expenditure	8,256	(14)
27,487	Capital Financing	27,505	19
(68,496)	Receipts	(67,826)	669
0	Government Grants	0	0
(287)	Recharge Income	(287)	0
2,148	Revenue Contribs to Capital	2,148	0
<b>0</b>	<b>Total Housing Revenue Account</b>	<b>1,142</b>	<b>1,142</b>

**Capital Budget Monitoring Summary Year: 2020/21**  
**Period: 6 (September) Figures in £000s**

GF Capital Expenditure Programme	Current Budget	Forecast Outturn	Variance
AA1000 Customer centre redesign	25	25	0
AH1000 City Hall heating system	315	0	(315)
AJ1000 City Hall Kitchens & Toilets	35	35	0
AL1000 City Hall chamber benches conservatio	44	0	(44)
AA1005 Mile Cross Depot Site	0	0	0
AA1009 Eaton Park path replacement	53	53	0
AB1009 Eaton Park changing room shower rep	17	17	0
AA1037 Earham Cemetery gates refurbishmen	28	0	(28)
AB1037 Earham Cemetery railings replacemer	142	45	(97)
AA1058 Norwich Parks tennis expansion	423	423	0
AA1064 Earham Park toilet replacement	79	79	0
AA1079 Wensum Park Stone Wall	20	19	(1)
AA1184 Community Centres - Upgrades	0	0	0
AA1204 Traveller Site	18	0	(18)
AA1255 St John Maddermarket retaining wall	70	70	0
AA1432 4 Exchange Street emergency lighting	7	7	0
AA1632 2 Upper King Street roof and windows	29	0	(29)
AA1791 Old Meeting House fire detection syste	11	11	0
AA1911 Riverbank stabilisation (River Yare &	15	0	(15)
AA1912 Riverside Leisure Centre - Plant	22	0	(22)
AA1959 St Andrew's Hall refurbishment	280	280	0
AA5205 CCTV replacement	8	8	0
AA5206 IT Investment Fund	567	567	0
AB5206 Finance System	51	51	0
AC5206 HR System	11	11	0
AF5206 IT Transformation - Digital platform	200	200	0
AB1021 Motor Cycle Park	11	11	0
AD0000 Parks Demolition	0	0	0
AF0000 Riverside Footpath District Lighting	21	21	0
AF1856 St Giles Suicide prev measures	10	10	0
AV0000 Multi storey car parks structural lifecare	33	0	(33)
AA2013 NCSL Establishment	639	639	0
<b>Total GF Capital Expenditure Programme</b>	<b>3,182</b>	<b>2,582</b>	<b>(600)</b>

GF Capital Section 106/GNGP/CIL	Current Budget	Forecast Outturn	Variance
EY5201 Play Sector 3 & 4 improvements	6	0	(6)
FJ5201 St Georges open space and play	88	0	(88)
FK5201 Wensum Park Play Area -	62	0	(62)
FF5201 S.106 Bowthorpe To Clover Hill	68	12	(56)
FG5201 St Stephens Towers Public Realm	63	1	(62)
FL5201 Bunkers Hill - Entrance & path	59	25	(34)
ES5201 S106 Mile Cross Gardens Play	0	0	0
EV5201 S106 Castle Green Play	70	50	(20)
EX5201 Bowthorpe Southern park	5	5	0
AO5200 Yare - Wensum Green Infrastructure	95	28	(67)
AA5202 CIL GNGB Castle Gardens	150	100	(50)
AB5202 CIL GNGB Football Pitch	40	40	0
AD5202 CIL GNGB Riverside Walk	172	5	(167)
AE5202 GNGB IIF Marriott Sloughbottom	0	0	0
AG5202 UEA to Eaton boardwalk extension	29	2	(27)
AI5202 Earham Millenium Green	10	6	(4)
AK5202 GNGP Bowthorpe Crossing	0	0	0
AM5202 GNGB Community Access Improveme	57	0	(57)
AN5202 GNGB Marriott's Way/Hellesdon Statio	36	36	0
AL5200 CIL Crowdfunding matched funding	12	12	0
AA5200 Co-CIL Nhood Ketts Heig	0	0	0
AB5200 CIL Nhood 20 Acre Wood	3	3	0
AD5200 CIL Nhood Community Enabling	6	5	(2)
ZZ8039 CIL Neighbourhood Projects	200	120	(80)
AW0000 Transforming Cities Fund	162	0	(162)
<b>Total GF S106/GNGP/CIL Programme</b>	<b>1,391</b>	<b>450</b>	<b>(941)</b>

<b>GF Not Controlled By NCC</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
AY5204 CCAG2 Wayfinding	30	0	(30)
AA5203 Cycle safety funding	0	0	0
AE1856 St Giles multi storey car park lighting up	104	100	(4)
AE5200 CIL Contribution Strategic	1,568	661	(907)
AK5200 CIL neighbourhood - Netherwood	28	15	(13)
AE5204 CCAG2 Fifers Lane/lves Rd/Heyford	20	20	0
AP5204 CCAG2 Wayfinding	12	0	(12)
AA5207 Disabled Facilities Grant	1,250	760	(490)
AK0000 Private Sector Leasing – Empty homes	69	-	(69)
AQ0000 DFG Residents Contribution	0	0	0
AR0000 Strong & Well	0	0	0
AB5207 HIA - Housing Assistance	250	112	(138)
<b>Total GF Not Controlled By NCC</b>	<b>3,332</b>	<b>1,668</b>	<b>(1,664)</b>
<b>GF Capital Asset Investment Programme</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
AB1429 Asset Acquisition 6	42	42	0
AA2010 Asset Acquisition 11	5	5	0
ZZ7438 144A King Street	0	0	0
AB0000 Asset investment for income (other	25,000	0	(25,000)
<b>Total GF Asset Investment Programme</b>	<b>25,047</b>	<b>47</b>	<b>(25,000)</b>
<b>GF Capital Expenditure Programme</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
AA1916 Equity Investment	3,500	3,150	(350)
<b>Total GF Financing For NRL</b>	<b>3,500</b>	<b>3,150</b>	<b>(350)</b>
<b>GF Capital Expenditure Programme</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
AH0000 Capital contingency	110	110	0
<b>Total GF Capital Contingency</b>	<b>110</b>	<b>110</b>	<b>0</b>
<b>Total General Fund Capital Programme</b>	<b>36,563</b>	<b>8,007</b>	<b>(28,555)</b>

<b>HRA Capital Expenditure Programme</b>	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
AG5206 Tenancy & Estate Management	767	629	(138)
AB5100 New Build Opportunities	8,498	2,663	(5,834)
AE521X Open Market Property Acquisitions	1,289	1,290	2
AE5100 Brazengate	-	-	0
AA5205 CCTV replacement	-	-	0
AD5100 New Build - Goldsmith Street	980	750	(230)
AJ5100 LANB - Northumberland Street	689	-	(689)
AI5100 LANB - Three Score Phase 3	1,490	1,490	0
AP5100 LANB Argyle Street	660	660	0
AO5100 Affordable Housing Opportunities - Oa	150	-	(150)
AB1005 Mile Cross Depot Site	180	360	180
5110 Electrical - Internal	3,126	3,126	0
5120 Whole House Improvements	1,332	1,032	(300)
5121 Kitchen Upgrades	1,435	1,035	(400)
5122 Bathroom Upgrades	2,050	1,550	(500)
5130 Boilers - Communal	3,177	984	(2,193)
5131 Boilers - Domestic	2,562	1,262	(1,300)
5140 Insulation	102	26	(76)
5141 Solar Thermal & Photovoltaic	564	564	0
5150 Windows - Programme	3,126	656	(2,470)
5151 Composite Doors	1,076	726	(350)
5160 Comm Safe - DES	676	737	60
5161 Estate Aesthetics	769	769	0
5163 HRA Shops	461	328	(133)
5171 Sheltered Housing Comm Facilities	113	113	0
5180 Planned Maint - Roofing	1,281	531	(750)
5181 Planned Maint - Structural	5,105	3,196	(1,909)
5182 Tower Block Regeneration	1,627	1,039	(588)
5183 Planned Maint - Lifts	154	154	0
5190 Dis Ad - Misc	717	517	(200)
5191 Dis Ad - Stairlifts	51	121	70
5192 Dis Ad - Comms	190	136	(54)
AM0000 Capital Grants to Housing	3,827	2,118	(1,709)
AA5100 Demolition & Site Maintenance	127	127	0
<b>Total HRA Capital Programme</b>	<b>48,348</b>	<b>28,689</b>	<b>(19,660)</b>