ANNEX A

NORWICH
City Council

Committee Name: Cabinet

Committee Date: 11/02/2026

Report Title: The council's 2026-2027 budget and medium-term financial strategy

Portfolio:	**Councillor Harper, Cabinet Member for Finance and Major Projects**
Report from:	Interim Director of finance (S151)
Wards:	All Wards

OPEN PUBLIC ITEM

Purpose

To consider proposals for the council's 2026-2027 budget (general fund, HRA and capital programme) and updated medium-term financial position including the outcomes of the budget consultation and any recommendations from the Scrutiny Committee. Final budget proposals will be submitted to Full Council on 24 February 2026.

Recommendation:

Cabinet is asked to:

a) Note the latest financial information, the budget strategy incorporated into the report and the budget proposals, which enable the Council to set a balanced budget for 2026-2027 and Medium-Term Financial Strategy for the period to 2030-2031.

b) Note the Section 25 report of the chief finance officer on the robustness of the budget estimates, the adequacy of reserves, and the key financial risks to the council.

c) Note that the Council Tax resolution for 2026-2027, prepared in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, will be calculated, and presented to Council for approval on 24 February 2026, once Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk have agreed the precepts for 2026-2027.

Recommend to Council to approve:

General Fund

i. The council's net revenue budget requirement as £24,250,000 for the financial

year 2026-2027 including the budget allocations to services shown in and the growth proposals set out in Section 2.

ii. An increase to Norwich City Council's element of the council tax of 2.99%, meaning that that the Band D council tax will be set at £315.26 (Section 2, paragraph 2.14) with the impact of the increase for all bands shown in Section 2, Appendix 2 (D).

iii. The prudent minimum level of reserves for the council as £5,500,000 (Section 2, paragraph 2.29).

iv. Delegation to the chief finance officer (S151 Officer) in consultation with the portfolio holder for Finance and Major Projects inclusion of any minor changes consequent on the final local government settlement or additional grant allocations.

v. Delegate to the chief finance officer (S151 Officer) the approval of technical virements for general fund, housing revenue account and capital budgets, to make budget transfers where there is no underlying change in the budget intention.

Housing Revenue Account

i. The proposed Housing Revenue Account gross expenditure budget of £78,014,000 and gross income budgets of £80,392,000 for 2026-2027 (Section 3, paragraph 14).

ii. A 4.8% increase in dwelling rents for 2026-2027, in accordance with the government's Rent Standard. This will result in an average weekly rent increase of £4.80 for Norwich social housing tenants (Section 3, paragraphs 15 to 22).

iii. That garage rents increase by 4.8%, based on CPI in September 2025 plus 1% (Section 3, paragraph 20).

iv. That the setting of tenants' service charges is delegated to the Executive Director of Communities and Housing in consultation with the portfolio holder for Housing after engagement with tenant representatives (Section 3, paragraph 21)

v. The prudent minimum level of Housing Revenue Account reserves as £4,848,000 (Section 3, paragraph 38 and table 3.4).

Capital and Commercial Strategy

xviii. The proposed general fund capital programme 2026-2027 to 2030-2031 (2026-2027: £22,408,000; 5 years: £57,526,000) and its method of funding as set out in Section 4, table 4.2, table 4.4 and Appendix 4 (B).

xix. The proposed HRA capital programme 2026-2027 to 2030-2031 (2026-2027: £67,483,000; 5 years: £260,576,000) and its method of funding as set out in Section 4, table 4.2, table 4.5 and Appendix 4 (B).

xx. The capital strategy, as required by CIPFA's Prudential Code.

xxi. Delegating to Cabinet, approval to include in the capital programme, additional capital schemes funded wholly by grant where it meets the Council's aims.

Treasury Management Strategy

xxiii. The borrowing strategy 2026-2027 through to 2030-2031 (Section 5, paragraphs 5.19 to 5.27).

xxiv. The capital and treasury prudential indicators and limits for 2026-2027 through to 2030-2031 contained within Section 5 including the Authorised Borrowing Limit for the council.

xxv. The Minimum Revenue Provision (MRP) policy statement contained in Appendix 5 (Section 5)

xxvi. The (financial) Investment Strategy 2026-2027 including changes to counterparty limits.

Summary of key financial indicators

xxvii. Indicators for 2026-2027 through to 2030-2031 as contained in section 5.

Policy Framework

The council has five corporate priorities, which are:

- An open and modern council
- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich

Report Details

Background

1. The 2026–2027 budget will focus on planning for the forthcoming Local Government Reorganisation (LGR). LGR is the Government's programme to simplify local government structures in two-tier areas of England by replacing county and district councils with unitary authorities. Under a unitary model, a single council is responsible for all local services in its area, including services currently delivered separately by county and district councils. The Government's stated objectives are to improve financial sustainability, service integration, clarity of accountability and operational efficiency.

2. Three alternative reorganisation models were submitted for Norfolk. The government is currently considering the proposals, with new authorities expected to be in operation from April 2028.

3. The 2026-2027 Financial strategy presented to Cabinet in December 2025 set out how Norwich City Council will focus on delivering local priorities, safeguard core services, and maintain stability while preparing for the transition to a new unitary authority through the LGR process. It reflects the Council's commitment to responsible financial management, open and transparent decision-making, and investment in outcomes that matter to residents.

4. Like most local authorities, Norwich City Council continues to face substantial financial challenges including, but not limited to:

    - increasing service demand for statutory services such as homelessness support, with escalating costs for temporary accommodation and increasing pressure on frontline housing services; and the ongoing pressure of building new homes;
    - volatile income streams in key areas such as fees, charges, and commercial assets;
    - inflation continuing to run at relatively high levels, driving up the cost of contracts, utilities and employee costs;
    - new regulatory burdens, such as the *Procurement Act 2023* and *Building Safety Act*, which introduce higher compliance costs and legal responsibilities;
    - national environmental expectations, including the need for significant investment in climate adaptation, carbon reduction, and energy efficiency to meet local and statutory goals;
    - the uncertainty of broader economic factors arising from global events.

5. The Government-led structural reforms to local government funding, scheduled for implementation from 2026-2027 onwards, were announced in the autumn. The Government consulted on the proposals, which included updates to the funding formula (commonly referred to as "Fair Funding Review 2.0") and the delivery of a more robust, evidence-based method for assessing local need. Funding details were announced in December 2025, which provided a provisional three-year financial settlement, effective from April 2026. This provides greater funding certainty and will support the

council's medium term financial planning. Final figures are expected to be confirmed before the end of the 2025-2026 financial year.

Summary

6. This report sets out 2026-2027 budget proposals across the General Fund, the Housing Revenue Account, and the Capital Programme along with medium term expenditure and financing plans.

7. This report provides an update on the implications from the provisional local government financial settlement and any other related announcements for local authority finances.

General Fund

8. The Provisional Local Government Finance Settlement 2026–2027 confirms that 2026–2027 is the first year of a three-year settlement (to 2028–2029). This introduces a re-based distribution of core funding and the first full reset of the Business Rates Retention System from 1 April 2026, alongside multi-year allocations. Compared to 2025–2026's one-year roll-over, the major change in 2026–2027 is the new needs/resources-driven methodology and grant simplification..

9. The Provisional Local Government Finance Settlement rolls some grants up into the RSG, whilst others are reduced. A full review of grant income budgets has been undertaken, with historic unrequired budgets removed and anticipated 2026-2027 added to the base budget. A number of grants are fully matched by in-year expenditure, so their removal has no net impact on the budget position. The Provisional Local Government Finance Settlement confirmed the previous assumption that the referendum level for Council tax increases will remain at 'up to 3%. Inflation remains a challenge, having increased in December 2025, following a reduction in November. Forecasts continue to anticipate a reduction over the medium term. Bank base rates are also anticipated to fall in the medium term, with a recent drop to 3.75% which impacts upon both the rate of return on investments as well as the cost of borrowing.

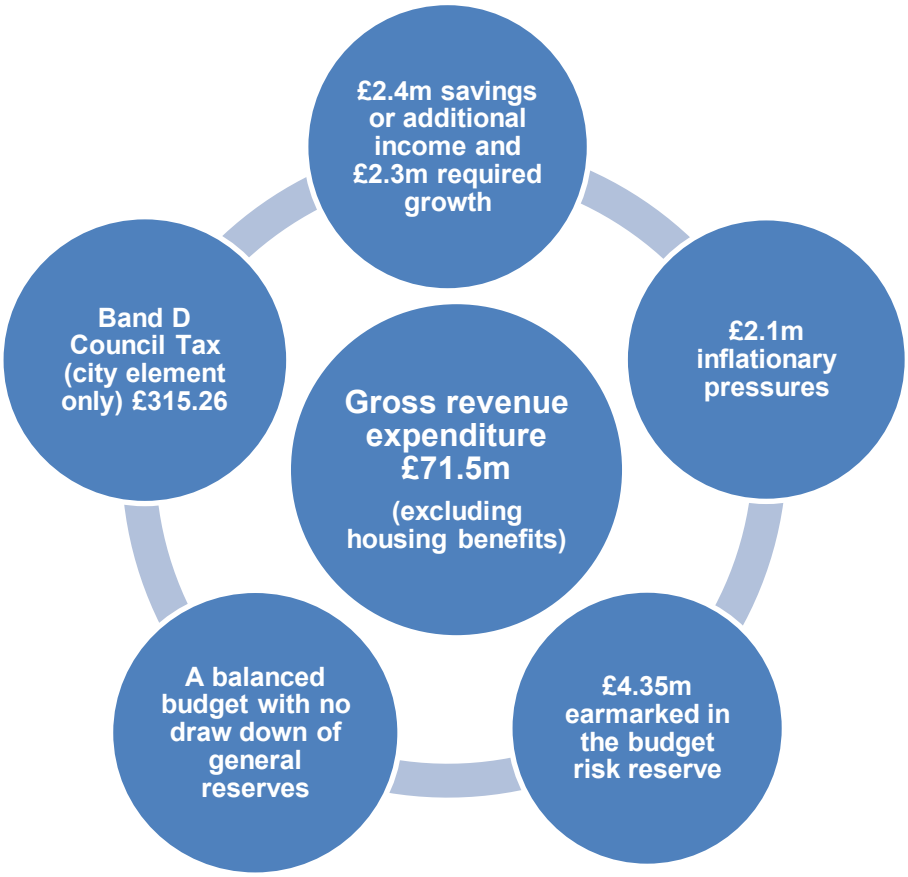
10. The pressure of the current inflationary levels is continuing to have an impact on council budgets, recognising that the headline Consumer Price Index and Retail Price Index rates represent a basket of items, which don't always reflect the specific market pressures impacting the delivery of local authority services. The possibility that global events and broader economic factors could impact local costs remains a risk that needs to be kept under review.

11. To balance the provisional general fund budget for 2026-2027, £2,400,000 of savings and additional income proposals have been identified, the full detail of which is provided in Section 2 of the report.

12. The Medium Term Financial Strategy (MTFS) model has been updated to include figures provided as part of the provisional local government finance settlement. Once the figures are confirmed for the 3 years of the settlement, we will be in a position to fully model the impact of the changes. This will involve a full review of the implications relating to grant changes and the projected retained business rates income. The model currently shows minor cumulative savings (£264,000) are required over the life of the model, however this does not include growth relating to potentially arising specific service pressures, so it is imperative we continue to actively identify savings,

reduce costs and maximise income generation.

Chart 1 - *Key figures in 2026-2027 proposed general fund revenue budget*



Growth

13. Growth has been focused upon pressures that support the delivery of statutory duties and contractual commitments whilst establishing a sustainable basis for service delivery and improvement. In total these represent an increase of £2,400,000, with an additional investment of £2,100,000 addressing inflation driven budget pressures. This has been achieved without the need to draw down general reserves, maintaining a strong level of General Fund reserves whilst providing earmarked reserves to support the future review of opportunities for service development and/or offsetting strategic risks. Further details of the specific growth items are included within Section 2

Savings

14. Savings or additional income totalling £2,400,000 have been identified as a consequence of a rigorous review of existing budgets to identify cashable efficiency savings that don't impact upon service delivery and that both deliverable and sustainable. These proposals have been developed in conjunction with services to ensure that they are fully understood and deliverable, recognising the critical importance of maintaining effective financial control and working collaboratively to ensure that the budget

remains the financial reflection of service delivery. Further details of the proposals can be found in Section 2.

Income – Fees and Charges

15. A full review of all council fees and charges is currently underway; the outcome of which will be reported during 2026-2027. A number of budgeted income streams have been amended for 2026-2027 based on anticipated levels. Achieving budgeted levels of car park income remains a challenge and the 2026-2027 budgets will be adjusted to reflect this. . Further details are available within Section 2.

Asset Management (incl. Commercial Rental Income)

16. The Council has used its asset base to generate around £5,000,000 per annum in investment returns. Through carefully managing its existing estate it is anticipated to maintain similar income streams over the next five years/

17. The Council will continue to actively manage and review its asset portfolio to ensure that benefits are maximised and that appropriate and strategic decisions are made about future investments and/or disposals. Capital receipts support the Council to minimise its borrowing, since they provide a potential source of funding for capital programme schemes, which in turn reduces the potential level of debt financing required to be funded from the General Fund

Corporate Items: Capital Financing

18. The council continues to actively manage its Treasury arrangements. Due to higher cash balances and higher interest rates than previously forecast, treasury management activity is forecast to achieve over £4,500,000 in investment interest returns in 2025-2026. However, cash balances are due to reduce significantly when a £50,000,000 PWLB Loan in respect of the HRA is repaid in late March 2026. Forecasts for interest rates show they will continue to stay relatively high over the Medium-Term resulting in a significantly higher interest rates if the loan is refinanced immediately. The Treasury Management strategy (TMS) in section 5 details how the loan maturity will be managed and options for refinancing if required. The council continues to work with its newly appointed treasury advisors (Arlingclose) to reflect the anticipated impacts of the TMS for the council across the MTFS timeframe. This position will be kept under regular review to ensure that any changes in circumstances are reflected within both performance monitoring and any updates to the MTFS.

19. The council reviewed its approach to the minimum revenue provision (MRP) during 2023-2024; MRP is used to secure resources to repay debt. The MRP is not only prudent, but an important part of the effective governance and risk management associated with the council's finances. After reviewing the MRP Policy again for 2025-2026, with advice from the council's treasury advisors (Link), the policy wording has been amended and this approach has been approved by the Treasury Management Committee and Cabinet (January 2025) in light of the recent changes to MRP regulations. The policy will continue to be reviewed in line with regulation and the council will also look to

make additional voluntary revenue provision charges to ensure that the charge will always remain affordable and sustainable in budgetary terms.

Overall approach to balancing the General Fund

20. The council has undertaken a comprehensive review of existing budgets, reflective of service commitments, the requirement to reflect the impact of external factors, such as pay awards, inflation, statutory responsibilities and the need to maintain a sustainable service delivery and governance structure. To this end, there was a clear focus upon developing proposals that had been challenged internally, both to ensure that estimates for budgets are robust and support the Council's ambitions for both the next financial year and in the context of the changing outlook for local government finances.

Housing Revenue Account (HRA)

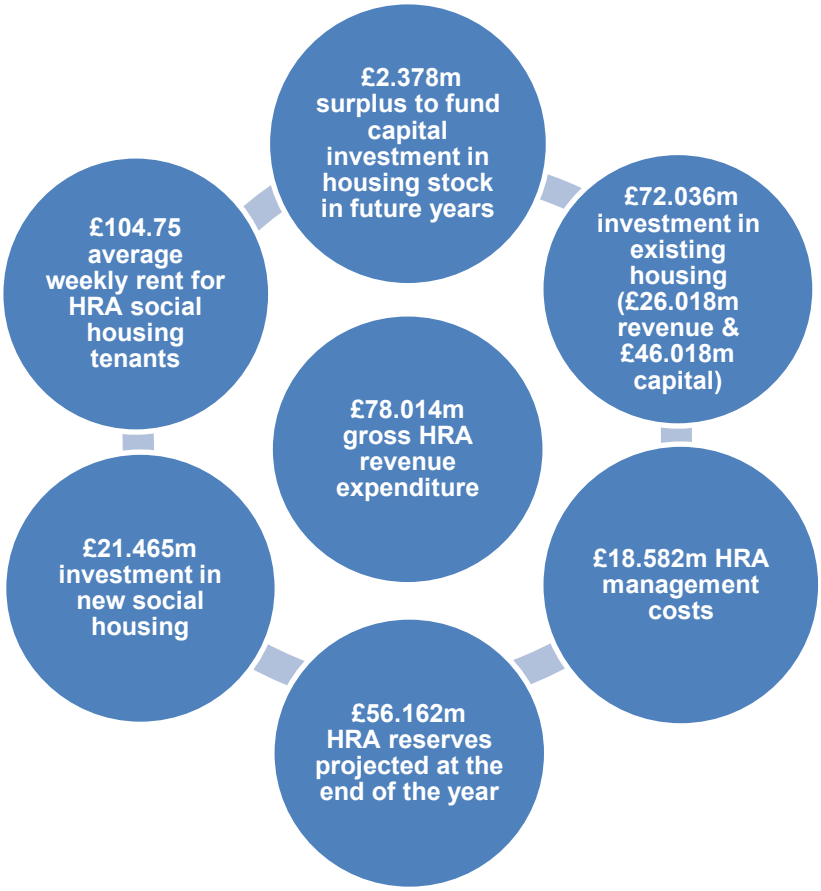
21. The council's HRA comprises expenditure and income plans related to the ownership and management of the council's social housing stock.

22. 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 from the government's enforced four-year rent reduction enacted in the Welfare Reform and Work Act 2016 and historic lower than average rent levels.

23. The HRA is forecast to make a surplus of income over expenditure of £2,378,000 in 2026-2027 and it is proposed to retain this within HRA reserves to support the provision of new homes in future years.

24. The government's Rent Standard enables authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. In September 2025, CPI increased by 3.8% which results in a proposed rent increase of 4.8%. An increase of 4.8% will result in the average HRA rent increasing by £4.80. 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 and decarbonise existing homes.

Chart 2: Key figures in 2026-2027 proposed HRA budget



Capital Programme

25. Across the General Fund and the HRA the council's proposed capital investment programme for 2026-2027 is £89,892,000, with £318,102,000 to be invested over the five years of the programme. An illustration of some of the key projects and programmes can be found in Appendix 4 (B).

26. The proposed financing of the capital programme is also summarised in (Section 4) Tables 4.4 and 4.5 for the General Fund and HRA respectively.

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

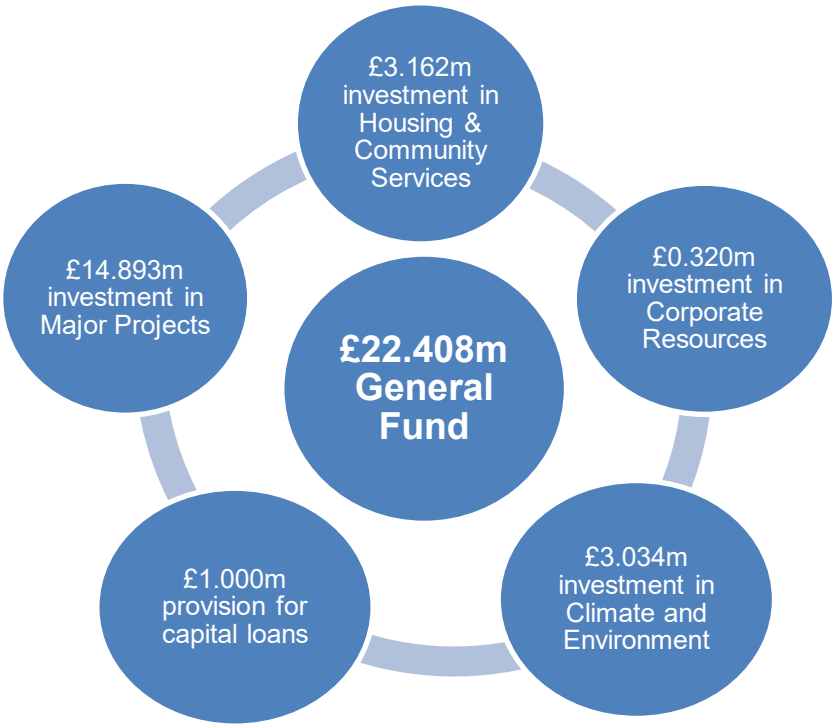
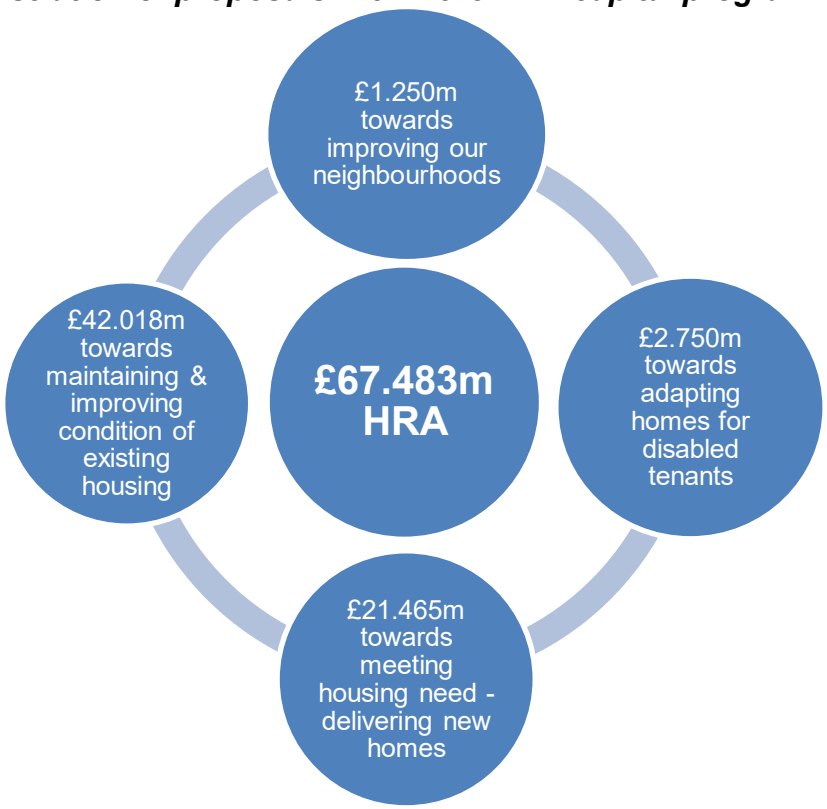


Chart 4: Illustration of proposals within the HRA capital programme



Equality Impact of budget proposals

27. 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.

28. An overall Equality Impact Assessment is contained in Section 8. 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.

29. 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.

The council's approach to financial planning

30. The council's approach to financial planning and budgeting across all its activities is underpinned by the following key principles:

- A prudent rather than optimistic assessment of future resources and unfunded cost pressures.
- An approach which identifies and funds pressures in priority services alongside the identification of opportunities for savings and increased investment and makes resources available to invest in services which require it.
- A prudent and planned use of general reserves to fund expenditure and an annual risk-based assessment of the minimum amount of reserves the council should hold (minimum prudent level).
- The setting aside, where viable, some of the net income arising from commercial property investment into an earmarked reserve to mitigate against the risks inherent in holding these assets.
- A prudent approach to the amount of reserves held from Collection Fund surpluses given the inherently volatile nature of business rate and council tax collection rates.
- A prudent approach in estimating future income from business rates and council tax, and the growth in the tax bases, given that changes to the local government funding regime could impact on the former, and both taxes may be affected by uncertainties surrounding the country's macro-economic position and its potential impact on the local economy.
- A maximisation of external funding that meets the council's priorities.
- The holding of relevant contingency budgets at the corporate level to help ensure the council does not overspend in any one year.
- The full integration of revenue, capital, and treasury management decision making processes to ensure,
    a. the revenue implications of capital projects are accurately reflected in the MTFS and the annual budget, and
    b. the authorised borrowing limit is sufficient to fund the council's capital plans whilst being prudent, affordable, and sustainable.
- The inclusion of the costs of internal/external borrowing to fund capital projects (interest and Minimum Revenue Provision costs) into the revenue budget, even if in practice the expenditure is temporarily funded from

internal borrowing (use of the council's cash holdings).

Contents of this budget report

31. The council's budget and finances are increasingly complex and to understand the full picture Members and key stakeholders need to appreciate the distinctions between revenue and capital expenditure, general fund and the Housing Revenue Account, and the different funding sources and constraints for each, whilst at the same time recognising that they all interconnect and impact on the council's balance sheet position, its cash flows and future borrowing requirements.

32. In addition, regulatory codes of practice require Members to form views on the council's proposed approach to commercial investments, its lending to third parties including its wholly owned subsidiary companies, and its equity investments whilst understanding financial indicators showing the risks, proportionality and affordability of the commercial activities being proposed.

33. This report comprises a series of interlinked and comprehensive papers setting out proposals for the 2026-2027 budget along with medium term expenditure and financing plans across the whole of the city council's activities. Where appropriate, figures have been rounded to the nearest thousand or million, for ease of reference. Members may wish to consider each section in turn. A brief explanation of the contents is shown below.

1: Local Government Finance – Economic & Statutory Context

This gives a summary of the provisional local government finance settlement and an overall economic and statutory context.

2: General Fund 2026-2027 budget and MTFS

This sets out the proposed general fund revenue budget and its financing for 2026-2027, including the proposed Council Tax for 2026-2027, along with a forecast of the medium-term position.

3: Housing Revenue Account 2026-2027 Budget

Contains expenditure and income proposals that relate to the ownership and management of the council's social housing stock, including 2026-2027 rental charges for tenants.

4: Capital and Commercial Strategy (including capital programme)

A requirement of CIPFA's Prudential Code, the Strategy sets out the council's budget and preliminary plan for capital expenditure over the next five years along with how it will be financed and delivered.

5: Treasury Management Strategy
The strategy sets out proposals and indicators required for the effective management of the City's borrowing, investments and cash flows, its banking, money market and capital market transactions; and the effective control of the risks associated with those activities. This section also provides various indices, required under the Prudential and Treasury Management codes, that allow Members to come to a judgement on the proportionality, affordability, and the extent of its potential risk exposure through the budget proposals, those contained within the capital strategy and the non-financial investments strategy.

6: Chief Finance Officer's Statement
This is a requirement of section 25 of the Local Government Act 2003. It covers the key financial risks facing the council and the chief finance officer's opinion on the robustness of the estimates and the adequacy of the council's reserves.

7: Financial glossary
The budget papers by their very nature contain technical financial terms and concepts. The glossary seeks to provide a list of terms and definitions to explain these.

8: EQIA
The initial cumulative impact of the budget proposals are considered in this section prior to individual consultations and impact assessments being undertaken where necessary and before implementation.

Public Consultation and next steps

34. A public consultation took place between 4th December 2025 and 18th January 2026. The responses to the consultation are included at Appendix 2(F) of the report.

35. There will be engagement about this year's rent proposals that will explain the rent increase of 4.8% for next year and the rationale for this. There will be communication and discussion with the Tenant Involvement Panel representatives both in writing and in person. We will also use the Housing Hub to inform and engage all residents in January. The impact on both tenants and the long-term viability of the HRA will be discussed, the rationale for the increase is recognising that increases are necessary to maintain the level of investment in existing homes and delivery of the decarbonisation programme.

36. 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

37. 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 and Budget.

38. This report including the separate report sections, presents the council's proposed 2026-2027 budget across all its activities along with its medium-term financial strategy. The financial implications of these proposals are given throughout the report.

Legal

39. 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.

40. The Council has a legal duty to set a balanced budget before the statutory deadline. 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

41. The proposed budget 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.

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 8.
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.
Environmental Impact	The proposed capital investment strategy will provide for improvements to the council's assets and the surrounding environment.

Risk Management

42. The budget papers clearly outline several financial risks to the council, some of which have increased, considering changes to the wider economic

environment. The Council maintains a Corporate Risk Register and Risk CORP01 refers to MTFS risks and setting a balanced budget

43. 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 the delivery of the 2025-2026 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 companies reserve to mitigate financial risks resulting from the Liquidation of Lion Homes.

b) The maintenance of a Prudent Minimum Level of General Fund reserve to cover unforeseen events.

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

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

Appendices:

- Section 1: Local Government Finance – Economic and Statutory Context
- Section 2: General Fund – MTFS and 2026-2027 Budget
- Section 3: HRA 2026-2027 Budget
- Section 4: Capital Programme and Capital and Commercial Strategy
- Section 5: Treasury Management Strategy & Key Financial Indicators
- Section 6: Chief Finance Officer's statement
- Section 7: Financial Glossary
- Section 8: Equality Impact Assessment

Contact

Name: Isabel Brittain, Interim Director of finance & S151 Officer

Telephone number: 01603 989551

Email address: isabelbrittain@norwich.gov.uk

1. Local Government Finance – Economic & Statutory Context

Autumn Statement & Wider Economy

1. The Autumn Budget set out the Government's financial plans for the country, including some indications of reform planned for local government funding and broader economic goals. The subsequent publishing of the Local Government Finance Policy Statement and the Provisional Local Government Finance Settlement prior to Christmas 2025, alongside broader policy announcements in relation to prioritising growth, house building, planning reform and devolution has set out a vision where local government will be at the heart of the Government's plans for improving the economic prospects of the UK.
2. The Government led structural reforms to local government funding scheduled for implementation from 2026-2027 onwards were announced in the autumn. These reforms are now under active consultation and include updates to the funding formula (commonly referred to as "Fair Funding Review 2.0").
3. The Government also announced a return to multi-year settlements and the delivery of a more robust, evidence-based method for assessing local need. As a result, the council has received a provisional three-year financial settlement, effective from April 2026. This provides greater funding certainty and will support the Council's medium term financial planning.
4. The direction of reform aligns with the Government's consultation on future funding distribution from 2026–2027 and the broader commitment to implement Fair Funding Review 2.0. These reforms could include changes to council tax equalisation, business rates retention, and grant distribution mechanisms.
5. Inflation has fallen from the peak reached in 2023 but has stayed stubbornly high compared to the Bank of England target rate of 2%. During 2025 the headline rate of inflation (CPI) has fluctuated above 3%, with the year to December 2025 rate at 3.4%.
6. The Bank of England base interest rate is a significant route by which the Bank seeks to influence inflation. The interest base rate was cut in December by 0.25% and currently stands at 3.75%. Financial markets are forecasting further cuts in the interest rate in 2026, however the rate of reductions will remain slow especially if inflation remains well above the 2% target.

Impacts for Local Government

7. **Council Tax.** The Local Government Finance Policy Statement published in December 2025 confirmed that the Council Tax increase referendum threshold for 2026-2027 would remain at 3%.

8. **Provisional Local Government Finance Settlement.** The provisional local government finance settlement was published by the Ministry for Housing, Communities and Local Government (MHCLG) on 17th December 2025. This set out the details of the funding available to support local government in 2026-2027 alongside some of the assumptions

underpinning the settlement. The final settlement will be published in the near future following the completion of the public consultation period on 14th January 2026. There is currently nothing to indicate that there will be any material changes to the settlement as a consequence of the consultation.

9. **Core Spending Power.** This measures the maximum level of funding available to a local authority, assuming that the maximum increase to Council Tax is adopted by each individual local authority. As such, this is an indicator only, rather than a guarantee, of the resources available. The Government will often refer to the Core Spending Power (CSP) when talking about the resources made available, as distinct from the decisions made locally by individual local authorities in setting Council Tax levels.
10. According to government figures, the core spending power for the council will increase from £23,500,000 in 2025-2026 to £25,000,000 in 2026-2027. This includes grants changes, business rates baseline reset and assumed increase in council tax income.
11. **A number of grants have been rolled into the Revenue Support Grant (RSG)**. This change sees a £4,500,000 increase from April 2026, partly offset be grant reductions elsewhere.
12. **Other Local Government Grant Funding.** The Recovery Grant remains in place for the 3 years of the settlement.
13. **Business Rates.** From 1 April 2026 the Government will implement a full national reset of the Business Rates Retention System as part of the Fair Funding Review. This will recalculate the Council's business rates baseline and funding position, redistributing historic business rates growth across the local government sector in line with updated assessments of relative need. While transitional protections will apply to manage year-on-year volatility, the reset is expected to reduce the level of locally retained business rates funding compared with the current position, reflecting the loss of historic growth retained since 2013.
14. The reset will coincide with the 2026 business rates revaluation and the introduction of new business rates multipliers, increasing uncertainty and volatility in income forecasts for 2026-2027. These changes have been reflected in the Council's medium-term financial assumptions, with a prudent approach taken to business rates income beyond 2026-2027. The projected retained income for Norwich is £6,600,000 in 2026-2027, a reduction of £1,670,000 from the 2025-2026 budgeted income.
15. In the context of the national reforms planned for local government over the remainder of this parliament, the medium term outlook remains challenging, requiring on-going efficiencies and effective financial control and management.
16. The 2026-2027 financial year will be defined by one of the most far-reaching transformations in the Council's history: the transition to a new unitary authority under Local Government Reorganisation (LGR). While the final model for reorganisation – whether a single, two or three unitary authority structure – is yet to be confirmed by government, what is certain is that the transition itself will dominate the strategic, operational, and financial landscape for Norwich City Council throughout the year.

17. Norwich City Council remains in a relatively much healthier position than many local authorities around the country currently, whilst there are some reasons for greater optimism, such as the outlook for Anglia Square redevelopment alongside other opportunities to support economic growth and house building within the city.

2. GENERAL FUND 2026-2027 BUDGET AND MTFS

Forecast 2025-2026 Outturn

2.1 The latest estimated outturn position on the General Fund, shows a forecast underspend of £84,000. Further detail of the position, including specific variances at Q3 2025-2026, can be found in the "2025-2026 Quarter 3 Budget Monitoring Report".

2.2 The outlook remains challenging as a consequence of the large number of variable factors over the lifetime of the Medium-Term Financial Strategy (MTFS), including the demand for services and the potentially significant impacts of the Devolution proposals, as well as the potential macro-economic impact of global events upon the UK's broader economy.

2.3 Continued tight financial management will be required in 2026-2027 and throughout the life of the MTFS to effectively contain these variable factors and their impact. The proposals within this report are a fundamental part of that financial control, providing a sustainable foundation for service delivery and improvement alongside appropriate provision to guard against future events and to maintain the intrinsic health of the Council's finances.

Proposed 2026 - 2027 Revenue Budget

Fairer funding review

2.4 The Government's Fair Funding Review 2.0, due for implementation from April 2026, represents a significant reform of local government finance. It introduces updated needs-based formulas, adjustments for local cost variations, and a clearer link between funding and councils' ability to raise resources. The review consolidates multiple grants into a simplified core settlement and aligns business rate baselines with the aim of ensuring fairness and transparency. This reform should provide greater stability, equity, and predictability in funding, enabling councils to plan services more effectively.

The 2026-2027 Local Government Finance Settlement marks the implementation of Fair Funding Review 2.0, replacing Norwich's legacy funding arrangements with a new Fair Funding Allocation of £11,710,000. This includes a Baseline Funding Level of £6,580,000 and Revenue Support Grant of £5,130,000, compared to £9,490,000 under the previous Legacy Funding Assessment in 2025–2026, which comprised retained business rates and legacy grant funding.

As a result of the reform, Norwich's total government funding increases from £12,970,000 in 2025–2026 to £13,950,000 in 2026–2027, an increase of £980,000, reflecting the city's relative need, deprivation and limited council tax-raising capacity. The settlement also provides increased medium-term certainty, with the Fair Funding Allocation rising to £13,060,000 in 2027–2028 and £14,390,000 in 2028–2029, although specific grants such as homelessness funding reduce in 2026-2027, underscoring the continued importance of managing funding risk within the Council's medium-term financial strategy. The settlement is provisional, with final figures expected to be confirmed before the end of the 2025-2026 financial year.

Within the resources element of the MTFS, council tax income, retained business rates and revenue support grant (RSG) are shown. Due to the nature of the settlement, with a number of elements being rolled into the RSG, the RSG has increased by £4,500,000, which is partly offset by reductions elsewhere. Although the current resources shown are correct, the increase should be reviewed with caution. As the MTFS is reviewed and updated through 2026-2027, the presentation of the resources will be reviewed.

Local Government Re-organisation

2.5 Local Government Reorganisation (LGR) is the Government's programme to simplify local government structures in two-tier areas of England by replacing county and district councils with unitary authorities. Under a unitary model, a single council is responsible for all local services in its area, including services currently delivered separately by county and district councils. The Government's stated objectives are to improve financial sustainability, service integration, clarity of accountability and operational efficiency

2.6 Three alternative reorganisation models were submitted for Norfolk. The government is currently considering the proposals, with new authorities expected to be in operation from April 2028.

2.7 While the detailed shape and timing of LGR in Norfolk has yet to be confirmed, the potential transition to a reorganised local government structure would result in one-off implementation costs, including programme management, ICT systems, workforce restructuring, harmonisation of pay and conditions, and redundancy or pension strain costs. At present, there is no guarantee that all such costs will be fully funded by government, creating a risk that Norwich may need to meet part of the transition costs from existing resources or reserves. With this in mind, the budget proposals include a £1,000,000 provision to deal with in-year budget pressures (see paragraph 2.22) and LGR implementation.

Savings, growth and investment

2.8 Permanent savings and additional income of £2,400,000 have been identified in 2026-2027. However, in the later years of the plan there is a minor cumulative gap indicated. Given the upcoming local government reform proposals and the remaining areas of uncertainty around the final settlement figures, savings and efficiencies should continue to be identified and growth limited

2.9 The proposed 2026-2027 budget currently includes provision for £2,400,000 of budget growth (i.e. increases to the budget not arising from inflationary factors). The permanent growth proposed has been identified after an internal review of budgets pressures underpinned by an assessment of the relative priority, which included an assessment of statutory duties, contractual responsibilities and business critical factors alongside the benefits and implications arising as a consequence. Further details relating to these proposals can be seen at Appendix 2 (E) below.

Inflation

2.10 There are £2,100,000 of inflationary pressures included within the 2026-2027 budget, the majority of which relates to salary costs. UK inflation remains above target but is expected to ease over the medium term. CPI inflation stood at 3.4% in December 2025, reflecting some short-term upward pressures, while underlying (core) inflation remains elevated at 3.2%. The Bank of England expects inflation to fall gradually through 2026, as energy and regulated price effects unwind and wage growth moderates, with inflation moving closer to the 2% target during the year. While near-term volatility remains, the overall outlook supports assumptions of easing inflationary pressure over the medium term, albeit with continued risk.

2.11 The Council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The 2025-2026 national pay award has been agreed at an equivalent 3.2%, compared to a 2.5% assumption included within the 2025-2026 budget, resulting in an under-provision carried into future years. The 2026-2027 budget, therefore, includes an adjustment to reflect this variance, together with an additional assumption of 3.2% payroll inflation for 2026-2027. As pay costs form a significant proportion of the Council's overall expenditure, this approach recognises both the compounding impact of national pay awards and the inherent uncertainty associated with future settlements.

2.12 Many of the council's contracts have inflationary increases incorporated within them and therefore any increase in the Consumer Price Index (CPI) and Retail Price Index (RPI) measures potentially creates a pressure on the budget position. Inflationary increases have been applied across the council's main contracts, although there remains a risk that further cost pressures emerge as contracts come up for re-tender.

Council Tax & Business Rates

2.13 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 2026-2027.

2.14 A 2.99% increase to the Band D rate is proposed in the 2026-2027 budget figures (£560,000 additional income including changes to the taxbase). The proposed 2026-2027 Band D rate is therefore £315.26 compared to the current year rate of £306.11 – an increase of £9.15.

2.15 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 (D) shows the proposed increases (for Norwich City Council only) by each Council Tax band.

2.16 The figures shown will be reduced, for qualifying council taxpayers, by the council's Council Tax Reduction Scheme (CTRS).

2.17 The current estimate of the Council Tax base is 39,807 which combined with the Band D rate gives an expected income of £12,550,000 in 2026-2027.

2.18 From 1 April 2026 the Government will implement a full national reset of the Business Rates Retention System as part of the Fair Funding Review. This will recalculate the Council's business rates baseline and funding position, redistributing historic business rates growth across the local government sector in line with updated assessments of relative need. While transitional protections will apply to manage year-on-year volatility, the reset is expected to reduce the level of locally retained business rates funding compared with the current position, reflecting the loss of historic growth retained since 2013. The reset will coincide with the 2026 business rates revaluation and the introduction of new business rates multipliers, increasing uncertainty and volatility in income forecasts for 2026-2027. These changes have been reflected in the Council's medium-term financial assumptions, with a prudent approach taken to business rates income beyond 2026-2027. The projected retained income for Norwich is £6,600,000 in 2026-2027, a reduction of £1,670,000 from the 2025-2026 budgeted income.

Grants

2.19 The provisional local government finance settlement rolls some grants up into the RSG, whilst others are reduced. A full review of grant income budgets has been undertaken, with historic unrequired budgets removed and anticipated 2026-2027 grants added to the base budget. A number of grants are fully matched by in-year expenditure, so their removal has no net impact on the budget position.

From 2025–2026 onwards, local authorities receive funding linked to the introduction of the Extended Producer Responsibility (EPR) for packaging regime, which transfers a greater proportion of the cost of managing household packaging waste from councils to producers. The Packaging Responsibility Grant is intended to provide funding in respect of the net additional costs of collection, treatment and disposal of household packaging waste, including administration, communications and data reporting. £2,280,000 has been allocated to Norwich for 2025-2026, with a similar amount expected for 2026-2027. Approximately £400,000 of the grant was built into the base budget from 2025-2026 onwards, for utilisation in-year. The remainder of the grant will be added to the grants earmarked reserve, whilst a strategy for utilisation of the grant is formed.

Budget Risks

2.20 To achieve our objectives in a fast-changing environment, Norwich City Council is adopting a new budget approach for 2026-2027. Traditionally, councils set an annual budget once a year and then attempt to stick to it with minimal changes, relying on assumptions made many months in advance. However, in the current context of economic volatility and uncertainty, a static once-a-year approach can be too inflexible – it may not allow the Council to respond swiftly to emerging challenges or opportunities. The new budget approach, by contrast, introduces a continuous, more adaptive cycle of financial planning and management. In simple terms, it means we can more quickly adjust our budget during the financial year in response to real-time evidence

2.21 At this stage, the combination of uncertainty over the wider economic conditions means the level of risk associated with the provisional budget remains relatively high. Some of the key risks are outlined below which will continue to be closely monitored. The council holds a budget risk reserve (expected balance at the start of 2026-2027 of £4,500,000) to provide resilience against emerging pressures and delays in the delivery of savings and other unforeseen events.

2.22 In-line with this approach, the budget proposals include £1,000,000 provision to deal with in-year budget pressures and LGR implementation.

2.23 A number of Labour Group proposed changes have been put forward for consideration. These proposals include community clean-up activities, improvements to bin refuge areas and increase in hours for political assistants. Although not built into the base budget, the use of contingency in-year for 2026-2027 is proposed to cover one-year costs (approximately £300,000), with any permanent growth to be considered as part of the 2027-2028 budget setting process.

2.24 **Savings delivery & cost of change.** The budget includes £2,400,000 of savings and income proposals for delivery in 2026-2027. This is a significant undertaking and will require close monitoring of delivery.

Inflation. The volatility in inflation continues to pose a risk, which will need to be kept under review. Recent experience of impacts upon inflation driven by international events suggests that there may be a risk of some further volatility in the short-term.

Housing Benefit. In recent years the council has seen reducing level of Housing Benefit 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 that are subject to punitive subsidy rules. The pressure in relation to exempt accommodation is projected to grow further over the life of the MTFS. Along with increased demand and rental market pressures, councils are therefore seeing increased subsidy loss.

Additional costs have been identified in relation to private sector leasing and changes in Housing Benefit subsidy, including the one-off use of existing housing related earmarked reserves within the 2026-2027 budget. Housing Benefit subsidy income has been reduced to reflect the current forecast position, with a corresponding reduction in expenditure also applied. This realignment is the primary reason for the reduction in gross expenditure and the increase in gross income between years, as shown in Appendix 2(B). A full in year review will be undertaken to identify opportunities to partially reduce ongoing costs, with provision made for any remaining cost pressures within the 2027–2028 budget.

Overall, Norwich City Council enters 2026-2027 with greater funding

certainty than in previous years, but with material exposure to pay inflation, funding redistribution, housing pressures and income volatility. Active in year monitoring, prudent reserve management and early identification of savings opportunities will be essential to maintaining financial sustainability.

Chart 2.1: 2026-2027 Provisional General Fund Gross Expenditure Budget (excluding housing benefit)

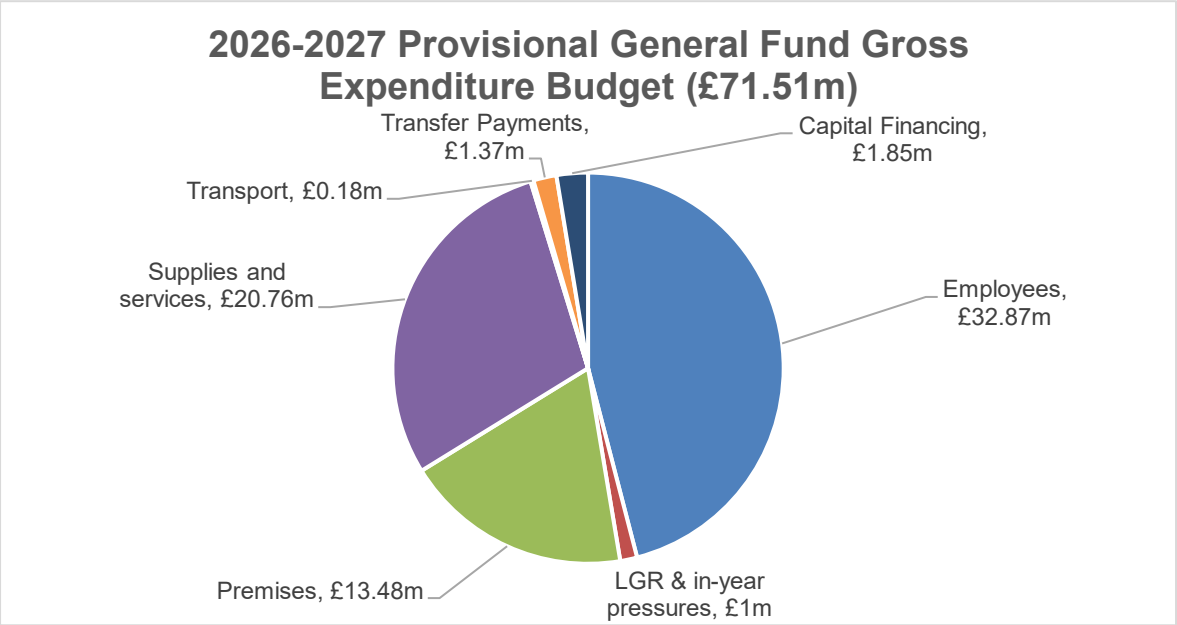
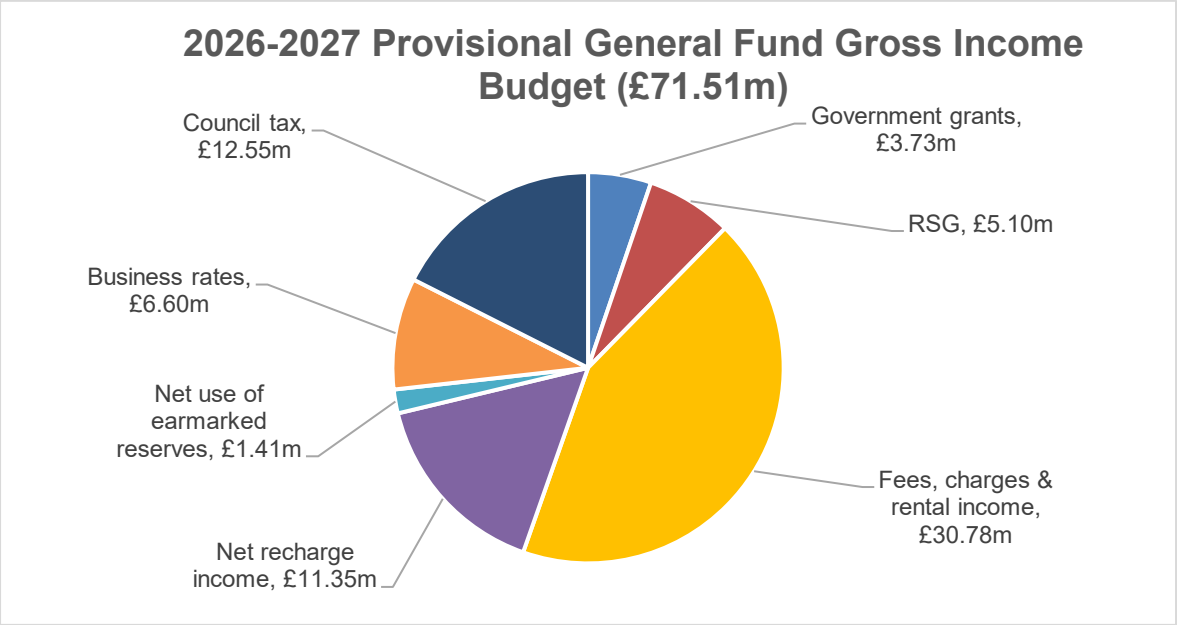


Chart 2.2: 2026-2027 Provisional General Fund Gross Income Budget (excluding housing benefit)



Medium Term Financial Strategy (MTFS)

2.25 The MTFS is a forecast of the estimated cost of delivering current services over the next four to 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.

2.26 The MTFS model has been updated to include figures provided as part of the provisional local government finance settlement. Once the figures are confirmed for the 3 years of the settlement, we will be in a position to fully model the impact of the changes. This will involve a full review of the implications relating to grant changes and the projected retained business rates income. The model currently shows minor cumulative savings (£264,000) are required over the life of the model, however this does not include growth relating to potentially arising specific service pressures, so it is imperative we continue to actively identify savings, reduce costs and maximise income generation.

2.27 The model extends into 2030-2031, which is after the expected date of local government reorganisation but in order to analyse the full medium-term position, it is important to include the full 5 years at this stage.

2.28 The table below provides a broad estimate of how the medium-term position could develop, based on the information currently available:

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

Medium Term Financial Strategy	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000	2030-31 £000
Total Resources	24,250	26,054	27,979	28,813	29,674
Base Budget Requirement b/fwd	20,850	24,250	26,157	27,618	28,864
Potential net growth	3,400	1,907	1,461	1,246	1,283
Revised base budget requirement	24,250	26,157	27,618	28,864	30,147
Required Efficiencies	(0)	(102)	361	(51)	(473)
Required Efficiencies (cumulative)	**0**	**(102)**	**259**	**208**	**(264)**

General Fund Reserves Position

General Fund Unallocated Reserve

2.29 The prudent minimum level for the General Fund reserve is set at £5,500,000. The General Fund unallocated reserve, is expected to remain at £8,249,000 over the life of the Medium-Term Financial Strategy, which remains above the prudent minimum level.

General Fund Earmarked Reserves

2.30 On the basis that provisional options have been identified to significantly close the budgetary shortfall in the years 2025-2026 to 2029-2030 no further drawdowns from general reserves are currently forecast to be

required, although given the uncertainty over funding levels further work will be required to address this and any remaining funding shortfalls once financial planning totals become available.

2.31 The General Fund currently 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, in particular at the financial year end, as part of the preparation of the statements of accounts the balances reflected within the Balance Sheet will be reconciled including to the final General Fund outturn position. The key reserves and their current balances are summarised in Table 2.2, reflective of the proposed changes detailed above.

Budget Risk Reserve: To manage the financial risks associated the delivery of the budget savings identified.

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.

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.

Insurance Reserve: This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.

Lion Homes Reserve: Originally established to smooth any fluctuations in net income received by the Council from lending to Lion Homes. The reserve level was increased to mitigate against any potential future Minimum Revenue Provision charges required to cover for estimated non-recovery of the loan balance. Additionally, the reserve is being used to support the Member Voluntary Liquidation process of the company.

Collection Fund Equalisation Reserve: Unutilised balance of S31 grant monies received in prior years from Central Government to fund Business Rates reliefs.

This will be used to manage the volatility in Collection Fund movements due to timing issues of Section 31 Grants and weakening of the business rate base over the early period of the Medium-Term Financial Strategy.

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.

General Fund Repairs Reserve: To provide future funding for required maintenance on general fund properties.

Business Rates Pool Reserve: This reserve is to support future spend in line with the economic development objectives of the fund.

Feasibility Reserve: Created through transfer of £0.5m from the budget risk reserve, in order to fund the costs of exploring the feasibility of options

for strategic developments. As it stands, the full balance is expected to be utilised in 2025-2026, hence a zero balance showing in table 2.2.

Table 2.2: General Fund Earmarked Reserve Balances

General Fund Earmarked Reserves	Balance as at 31 March 2025 £000	Estimated Balance as at 1 April 2026 £000
Budget Risk	6,591	5,439
Revenue Grants Unexpended	3,662	3,077
Lion Homes	2,158	3,308
Business Change	547	774
General Fund (GF) Invest to Save	1,810	0
Commercial Property	1,513	1,513
S31 Earmarked Reserve	629	629
Neighbourhood CIL	400	341
Repairs	652	652
Insurance Reserve	224	64
Elections	113	113
Business Rates Pool	110	110
Mousehold Heath Conservators	54	54
Feasibility	0	0
Total (£000)	**18,463**	**16,074**

Appendix 2 (A): Movements from the approved 2025-2026 base budget

	£000
2025-2026 Budget Resources	**(20,849)**
Budget movements:	
Increase in council tax income	(560)
Removal of historic business rates income budget	8,271
Removal of historic revenue support grant	589
New business rates baseline income	(6,600)
New revenue support grant	(5,100)
2026-2027 Budget Resources	**(24,250)**

2025-2026 Budget Requirement	**20,849**
Budget movements	
Reversal of one-off items in the 25-26 budget, including ear-marked reserve utilisation & base budget adjustments	535
Additional ear-marked reserves movements	(1,408)
One-off expenditure of grants from ear-marked reserves	1,294
Salary inflation	1,875
Other inflation	237
Reduction in grant income	323
Other movements and recharges	(417)
Savings & additional income	(2,413)
Growth & reduction in income	2,374
Contingency: LGR & in-year pressures	1,000
2026-2027 Budget Requirement	**24,250**

Appendix 2 (B): 2026-2027 provisional budget by subjective group

Subjective group	Budget 2025-2026 £000	Budget 2026-2027 £000	Movement £000
Employees	31,257	32,872	1,615
Premises	13,140	13,478	339
Supplies & services	19,756	20,763	1,007
Transport	171	175	4
Transfer Payments	40,530	33,873	(6,657)
Capital financing	2,716	1,853	(862)
Gross expenditure	**107,570**	**103,015**	**(4,555)**
Government grants	(42,205)	(35,974)	6,231
Fees, charges & rental income	(32,966)	(31,036)	1,930
Net recharge income	(10,312)	(11,348)	(1,036)
Gross income	**(85,483)**	**(78,358)**	**7,125**
LGR & in-year budget pressures	0	1,000	1,000
Contribution from General Reserves	0	0	0
Contribution to/from Earmarked Reserves	(1,239)	(1,408)	(169)
Total Budgetary Requirement	**20,848**	**24,250**	**3,401**

Appendix 2 (C): 2026-2027 provisional General Fund budget by service

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Chief Executive	**266**	**0**	**266**
Corporate Financing	**(417)**	**(4,536)**	**(4,953)**
Environment Services	19,995	(14,369)	5,626
Planning & Regulatory Services	5,438	(2,447)	2,991
Climate & Environment Total	428	0	428
Climate & Environment Total	**25,861**	**(16,816)**	**9,044**
Property & Economic Development	8,633	(8,338)	296
Major Projects	299	0	299
Major Projects Total	**8,933**	**(8,338)**	**595**
Housing & Communities	9,465	(6,328)	3,137
Strategy, Engagement & Culture	3,752	(1,225)	2,528
Housing & Communities Total	**13,217**	**(7,553)**	**5,665**
Resources Management	779	0	779
Legal & Procurement	3,283	(1,454)	1,829
Customers, IT & Digital	8,507	(3,476)	5,031
Finance, Audit & Risk	3,030	(1,424)	1,605
Director of Finance	1,060	(308)	752
Revenues & Benefits	37,455	(34,138)	3,317
HR & Organisational Development	1,042	(316)	726
Resources Total	**55,156**	**(41,116)**	**14,039**

Total General Fund	**103,015**	**(78,358)**	**24,657**

LGR & in-year budget pressures	1,000	0	1,000
Earmarked Reserves movements	200	(1,608)	(1,408)
Budget Requirement	**104,215**	**(79,966)**	**24,250**

Revenue Support Grant		(5,100)	(5,100)
Business Rates Retained Income		(6,600)	(6,600)
Council Tax Income		(12,550)	(12,550)
Budget Resources		**(24,250)**	**(24,250)**

Appendix 2 (D): Council Tax

Proposed Norwich City Council tax increases 2025-2026 to 2026-2027, Bands A to H

Band	A	B	C	D	E	F	G	H
2025-2026	£204.07	£238.09	£272.10	£306.11	£374.13	£442.16	£510.18	£612.22
Increase	£6.10	£7.11	£8.13	£9.15	£11.19	£13.22	£15.25	£18.30
2026-2027	£210.17	£245.20	£280.23	315.26	£385.32	£455.38	£525.43	£630.52

Appendix 2 (E): Growth, Savings and Changes in Income excluding inflationary increases

Growth Items

Permanent growth Item	Amount £000
Net increase in costs due to changes in interest rates	573
Environment services savings removed, as no longer achievable	251
Greater Norwich Local Plan	200
Increased private sector housing employee resource	199
The Halls	75
Environment services cleansing contracts	70
Net increase in costs relating to temporary accommodation	63
Support package for UNIT 4	55
HR improvements	50
Health & wellbeing co-ordinator role	31
Cemetery memorial testing	30
	1,597

Net increase in costs due to changes in interest rates £573,000 due to lower interest income due to reduced cash balances and lower than anticipated interest rates, partially offset by reduced interest paid as a result of a loan repayment. The rates used in the calculations were correct at the budget setting stage but may be subject to change as 2026-2027 progresses. It is proposed to transfer any resulting underspend to the budget risk reserve to provide for potential future volatility in interest rates.

Environment services savings removed, as no longer achievable £251,000 target savings added to historic budgets. Due to contracts position and service demand, these cannot be achieved in 2026-2027.

Greater Norwich Local Plan £200,000 to enable plan to be drafted, contributing to the new Spatial Development Strategy for the devolved authorities of Norfolk and Suffolk and will set the strategic direction for a Norwich unitary Council. To be funded from ear-marked reserves in 2026-2027.

Increased private sector housing employee resource £199,000 for additional resource to assist with the introduction of The Renters Rights Act 2025 and increasing workload around licensing, inspections and enforcement. £100,000 grant funding is budgeted in respect of Renters Rights **Act 2025** pressures, which partially offsets the growth.

The Halls £75,000 net budget increase to support the re-opening of the Halls in 2026-2027.

Environment services cleansing contracts £70,000 to support various contracts requiring budget increases to maintain the current service level.

Net increase in costs relating to temporary accommodation £63,000 net increase due to increased demand and pressures on service provision.

Support package for UNIT 4 £55,000 for the provision of Unit 4 support in relation to maintenance and development of the system.

HR improvements £50,000 to align service provision with current demand and strategy.

Health & wellbeing co-ordinator role £31,000 expenditure for creation of a post to support the city's place based health partnership and associated workstreams as explicitly outlined in the Norwich Health & Wellbeing Partnership (NHWP) Strategic Plan 2023-2025. £31,000 represents 50% of the costs, with the other 50% showing within the HRA.

Cemetery memorial testing - Introduction of memorial testing in cemeteries, which is essential to ensure structural stability, preserve historical accuracy, and protect visitor safety.

Reduction in income **Item**	**Amount £000**
Reduced loan interest from council-owned companies	283
Reduced rental income due to asset disposals	269
Reduction in car parking income	122
	675

Reduced loan interest from council-owned companies £283,000 reduction due to the removal of the Lion Homes loan, and the reduction interest to be repaid by Norwich City Services Ltd (NCSL) due to their overall loan being partially repaid.

Reduced rental income due to asset disposals £269,000 reduction in projected rental income due to disposals, partly offset by anticipated improved income elsewhere in the asset portfolio.

Reduction in car parking income £122,000 reduction in budgeted car park income across the city. Current projections continue to show reduced income throughout 2025-2026.

Short-Term Growth

Short-term growth Item	Amount £000
Interim S151 officer	40
Recycling gate fee costs	40
Institution of Occupational Safety and Health training budget within Planning & regulatory services	22
	102

Interim S151 officer £40,000 additional costs over budgeted amount relating to interim S151 position.

Recycling gate fee costs £40,000 additional costs relating to recycling gate fee. Short-term growth, as position is reviewed annually.

Institution of Occupational Safety and Health training budget within Planning & regulatory services

Savings and Changes in Income

Item	Amount £000
Movement in pension deficit payments	(402)
Refinancing of loan	(304)
Care leaver income - Norfolk County Council contribution	(220)
Minor savings and additional income identified across all services	(164)
Element of finance restructuring costs no longer required	(160)
Reduce GF contingency budget	(152)
Planning & regulatory services removing unrequired employee budgets	(142)
Utility budgets adjusted to bring in-line with spend	(135)
IT savings on contracts	(134)
Strategy, engagement & culture removing unrequired employee budgets	(88)
Civica contract cost reduction	(65)
Additional market rental income	(60)
Short-term employee savings with strategy, engagement & culture due to secondment	(60)
Full recharge of project accountant to capital projects	(54)
Net increase income from parking in parks charges	(52)
Waste management deed of variation income	(50)
Historic unrequired recharge budgets removed	(49)
Revenues & benefits apprentice funding from Enforcement Agency	(33)
Riverside Leisure Centre reduction in contract costs	(30)
Rental income within property and economic development service	(21)
NCSL SLA fee in relation to finance costs	(21)
Parks - net additional income	(17)
	(2,413)

Movement in pension deficit payments £402,000 reduction in pension deficit payments as result of 2025 actuarial valuation. Overall saving is higher; £200,000 is to be added to ear-marked reserves to assist with any future increases.

Refinancing of loan £304,000 to be achieved in savings due to repaying and refinancing of loan.

Care leaver income - Norfolk County Council contribution £220,000 one off increase to contributions for care leaver income for 2026-2027 confirmed by Norfolk County Council.

Element of finance restructuring costs no longer required £160,000 previously set aside as part of the recent finance restructure no longer required as it has now been built into existing restructuring costs.

Reduce GF contingency budget £152,000 reduction in general fund contingency. Revised contingency £250,000.

Planning & regulatory services removing unrequired employee budgets £142,000 total reduction of costs in part consisting of; removal of a fixed-term post, removal of budget for Public Safety & Emergency Planning team which has been effectively outsourced to Norfolk County Council for efficiency reasons.

Utility budgets adjusted to bring in-line with recent costs £135,000 reduction in budget lines following review of current charges to more accurately capture actual costs.

IT savings on contracts £134,000 savings after review of current contracts; brings in line with expected spend.

Strategy, engagement & culture removing unrequired employee budgets £88,000 reduction in employee costs due to temporary posts ending.

Civica contract cost reduction £65,000 net reduction in contractual related costs due to new contract.

Additional market rental income £60,000 additional anticipated income from lease related charges, based on current occupancy levels.

Short-term employee savings with strategy, engagement & culture due to secondment £60,000 temporary saving due to secondment not being back-filled.

Net increase income from parking in parks charges £52,000 increased income due to greater demand for parking in parks than budgeted for.

Waste management deed of variation income £52,000 increased income based upon previous year's income change due to deed of variation, based on anticipated level of service provision.

Historic unrequired recharge budgets removed £49,000 reduction in budgeted expenditure due to historic duplication of internal recharge codes.

Revenues & benefits apprentice funding from Enforcement Agency £33,000 one-off increase in income due to funding received by the Enforcement Agency to support employee costs for Revenue & benefits apprentice post.

Riverside Leisure Centre reduction in contract costs £30,000 reduction in expected contractual costs to the council relating to the energy benchmarking clause, due to recent solar array installation mitigating energy related expenditure.

Rental income within property and economic development service £21,000 anticipated increase in rental income relating to projected occupancy levels of commercial properties.

NCSL SLA fee in relation to finance costs £21,000 increase in income due to increasing Service Level Agreement fees charged to NCSL based on current service provided.

Parks - net additional income £17,000 net overall increase in income from recreational activities, largely due to pitch and putt.

Appendix 2 (F): Consultation responses on the proposed budget for 2026 - 2027

NORWICH City Council

Budget 2026-2027: a citywide conversation

Overview

The 2026-2027 survey, which ran from 4 December 2025 to 18 January 2026, was hosted on the council's consultation and engagement website, 'Get Talking Norwich' (GTN).

To help inform people's views, key documents and other visuals were hosted on GTN including a reminder of how the budget will support the five priorities laid out in Norwich City Council's community-led plan, 'We Are Norwich' 2024-2029.

Visitors to the GTN site were also able to view the council's Financial Strategy 2026-2027 and the Equality Impact Assessment which underpins it.

This year's survey received **899 responses**, compared with a post-2019 average of **1,361**. While this represents a lower response level than in some previous years, the communications and engagement approach used for the 2026-2027 budget consultation was broadly consistent with last year. No specific factors have been identified to explain the variation in response rate.

The survey included sections on:

1. Delivering a balanced budget for 2026-2027 while continuing to deliver on 'We are Norwich' priorities.
2. The proposed real-time live budget for 2026-2027 allowing spending to be reviewed throughout the year in line with changing priorities.
3. The proposed Readiness Fund, a ring-fenced fund to manage in-year financial pressures, including costs associated with Local Government Reorganisation and inflation.
4. Reallocating resources to support LGR with planned service improvements continuing within existing budgets.
5. The proposed 2.99% increase in Norwich City Council's share of Council Tax to safeguard services, in addition to maintaining a Council Tax Reduction Scheme for residents on low incomes who qualify for the scheme.

Extensive promotion of the survey

Direct engagement was encouraged from colleagues, elected members, residents, partners/key stakeholders and wider service users using various channels and engagement methods, both internally and externally.

External engagement activities

- Text alerts sent to 120,000 residents/service users in two batches.
- Email via Gov.delivery to 2,442 people on 4 December and a weekly round up to 2,438 people on 5 December.
- Social media campaign.
- News article published on council's website.
- News release issued to local media.
- Targeted promotion of the online survey also took place through partner networks, including financial inclusion partners, inclusion and accessibility advocacy groups, VCSE partners and community groups, the business community and other key city stakeholders.

Internal engagement activities

- Direct email to all elected members following the launch of the survey.
- Council-wide email to colleagues.
- Intranet article on citynet.
- Viva Engage posts – the council's colleague-wide networking platform.

Key findings

- People love Norwich with 62% reporting that they were happy or very happy with Norwich as a place to live, work or visit.
- 49% of people agreed or strongly agreed with our proposed real-time approach to the budget.
- People told us the council's top three priorities should be streets and public spaces, housing and neighbourhoods, council efficiency and value for money.
- 25% of those who responded agreed or strongly agreed with reallocating some resources to support the Local Government Reorganisation (LGR) transition. 46% had no view and 28% disagreed or strongly disagreed.
- Nearly half of respondents were in favour of the council continuing to offer up to 100% Council Tax Reduction to those on low incomes who qualify for the scheme.
- 28% of respondents supported or strongly supported the council's proposal to increase its share of council tax by 2.99%.

Detailed survey results

The following section of the report breaks down the survey responses by question. A short paragraph supplements some of the graphs and tables provided to explain the results in simple terms.

All percentages throughout this report are rounded to the nearest whole number (e.g. 8.5% is presented as 9% and 19.4% is presented as 19%). Where rounding low figures down to the nearest whole number would result in 0%, this is presented as '<1%' to clearly indicate that the percentage is small but not zero.

These rounding practices do not affect data quality but may result in the percentages for some questions not totalling 100. Where this is the case, questions are marked with an asterisk.

Q1. Which of the following best describes you?

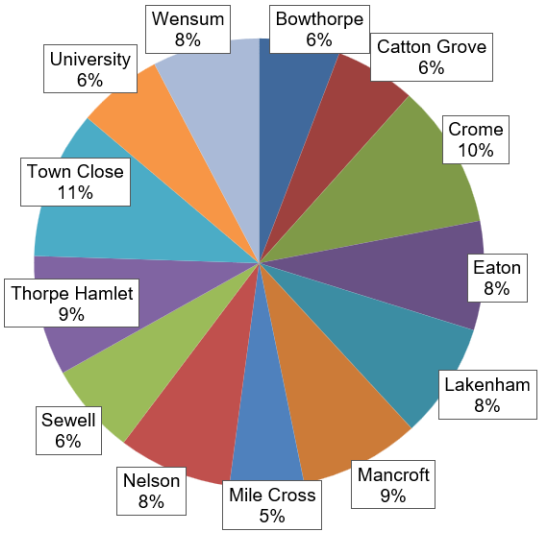
Category	Number of respondents	Percentage
I live in Norwich	822	91%
I work in Norwich but live elsewhere	34	4%
I visit Norwich	18	2%
I represent a business or organisation in Norwich	25	3%
Total responses	899	100%

Q2. If you live in Norwich, what is your postcode?*

Ward	Number of respondents	Percentage
Bowthorpe	37	6%
Catton Grove	37	6%
Crome	66	10%
Eaton	50	8%
Lakenham	53	8%
Mancroft	55	9%
Mile Cross	34	5%
Nelson	52	8%
Sewell	42	7%
Thorpe Hamlet	55	9%
Town Close	68	11%
University	39	6%
Wensum	49	8%
Total responses	637	101%

Due to rounding, percentages do not total 100%. Affected questions are marked with an asterisk.

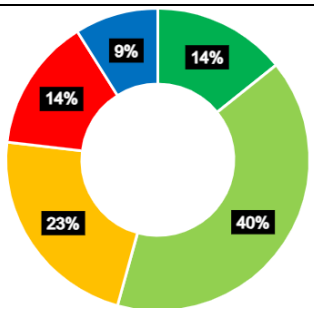
Postcode analysis by ward



Q3. Overall, how happy or unhappy are you with Norwich as a place to live, work or visit?

The majority of respondents (54%) were very happy or happy with Norwich as a place to live, work or visit. 23% of respondents neither felt happy nor unhappy, while 23% of respondents felt unhappy or very unhappy.

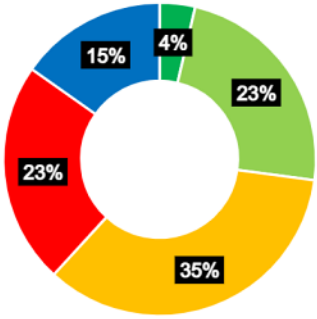
Overall, how happy or unhappy are you with Norwich as a place to live, work or visit?	
Very happy	128
Happy	360
Neutral	203
Unhappy	128
Very unhappy	80
Total responses	899



Q4. Overall, how happy or unhappy are you with how Norwich City Council delivers its services?

Over a quarter of respondents (27%) were very happy or happy with how Norwich City Council delivers its services. 35% of respondents were neutral, while 38% of respondents were unhappy or very unhappy.

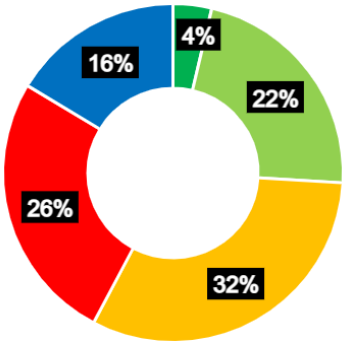
Overall, how happy or unhappy are you with how Norwich City Council delivers its services?	
Very happy	33
Happy	211
Neutral	312
Unhappy	206
Very unhappy	137
Total responses	899



Q5. Overall, how well do you think Norwich City Council keeps you informed about its services, projects and spending?

Over a quarter of respondents (26%) felt very well or well informed about services, projects and spending. 32% of respondents were neutral while 42% of respondents felt that Norwich City Council keeps them informed poorly or very poorly.

Overall, how well do you think Norwich City Council keeps you informed about its services, projects and spending?	
Very well	33
Well	200
Neutral	286
Poorly	233
Very poorly	147
Total responses	899

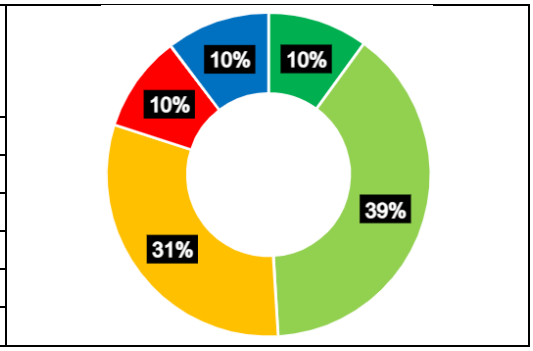


We are proposing a real-time live budget for 2026-2027. This means the council will review spending and priorities throughout the year, rather than setting everything at the start of the year.

Q6. Do you agree or disagree with the proposed real-time live budget approach for 2026-2027?

There was some support (49%) for the proposed real-time live budget approach for 2026-2027. 31% of respondents neither agreed nor disagreed with the proposal, while 20% of respondents disagreed or strongly disagreed with this approach.

Do you agree or disagree with the proposed real-time live budget approach for 2026-2027?	
Strongly agree	90
Agree	351
Neutral	278
Disagree	87
Strongly disagree	93
Total responses	899



Q7. How important is it to you that we continue to:
(Please rate each on a scale of 1-5, where 1= not important and 5 = very important).

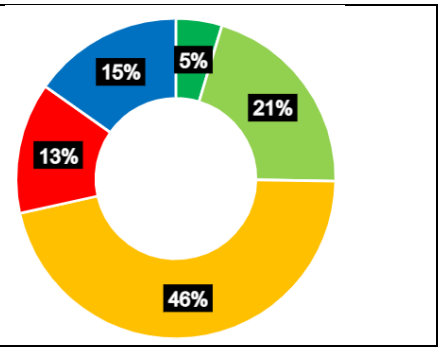
Priority	5	4	3	2	1
	Number of responses				
Invest in services residents value most	513	225	100	24	37
Continue major projects that improve the city	338	212	209	63	77
Reduce inequality and support vulnerable people	376	175	167	75	106
Tackle climate change and protect the environment	292	149	180	99	179
Maintain a modern, efficient and open council	380	232	176	58	53

As projects in the *We are Norwich* Business Plan are completed, we will reallocate some resources to support the LGR transition. Planned service improvements will continue within existing budgets.

Q8. Do you agree or disagree with this approach?

There was some support (26%) for this approach. 46% of respondents neither agreed nor disagreed, while 28% of respondents disagreed or strongly disagreed with the approach.

Do you agree with this approach?	
Strongly agree	42
Agree	185
Neutral	416
Disagree	119
Strongly disagree	137
Total responses	899

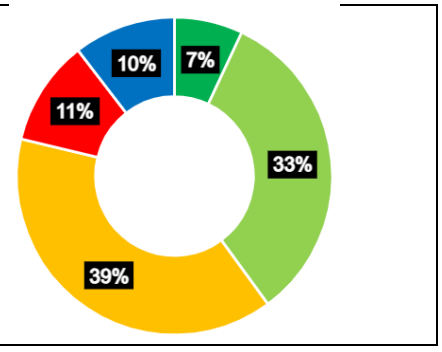


We propose creating a ring-fenced Readiness Fund to manage in-year pressures, including costs related to LGR and inflation.

Q9. Do you agree or disagree with this approach?

There was some support (40%) for this approach. 39% of respondents neither agreed nor disagreed, while 21% of respondents disagreed or strongly disagreed with the approach.

Do you agree or disagree with this approach?	
Strongly agree	63
Agree	296
Neutral	349
Disagree	97
Strongly disagree	94
Total responses	899

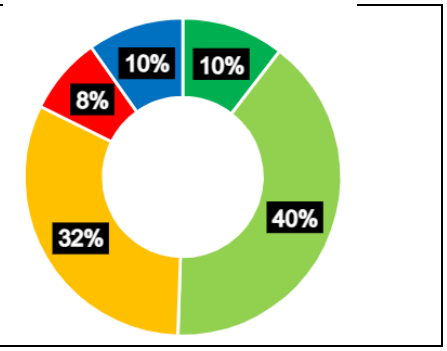


If the Government's Fair Funding Review provides additional funding, we plan to strengthen the Readiness Fund rather than create new ongoing spending commitments. This isn't 'extra money' – it will help Norwich respond responsibly to real needs and protect essential services.

Q10. Do you agree or disagree with this approach?

50% of respondents agreed or strongly agreed with this approach. 32% of respondents neither agreed nor disagreed, while 18% of respondents disagreed or strongly disagreed with the approach.

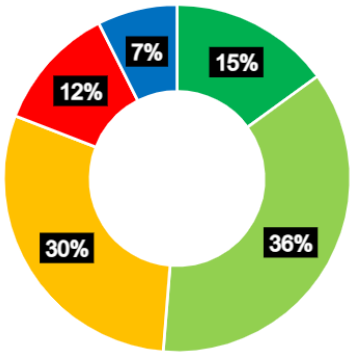
Do you agree or disagree with this approach?	
Strongly agree	94
Agree	360
Neutral	286
Disagree	71
Strongly disagree	88
Total responses	899



Q11. How important is it you that we continue investing in organisational change and improvement?

There was majority support (51%) for continuing to invest in organisational change and improvement. 30% of respondents neither considered this important nor unimportant, while 19% of respondents rated it as unimportant or very unimportant.

How important is it to you that we continue investing in organisational change and improvement?	
Very important	135
Important	326
Neutral	266
Unimportant	105
Very unimportant	67
Total responses	899



Q12. Which areas do you think should be the Council's top three priorities for improvement over the next year? (Select up to three)

Which areas do you think should be the Council's top three priorities for improvement over the next year?	
Streets and public spaces	525
Housing and neighbourhoods	488
Council efficiency and value for money	414
Jobs and business support	351
Community safety and inclusion	337
Environment and climate action	198
Other (please specify)	113
Customer service and digital access	99
Total responses	2,525

Q13. If you had £10,000 to spend in your neighbourhood, which area would you focus on first?*

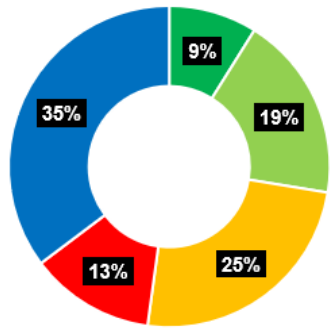
	Number of responses	Percentage
Cleaner, Greener Neighbourhoods: Planting trees and wildflowers, improving recycling, tackling litter and fly-tipping	268	30%
Homes and Places that Work for Everyone: Improving the look and feel of streets, small-scale housing repairs, or neighbourhood-based regeneration	190	21%
Safer, More Connected Communities: Supporting local community events, youth projects, or residents' groups to build a sense of belonging	172	19%
Opportunities for All: Projects that boost skills, volunteering, or small business activity in your area	98	11%
Open and Modern Council: Making it easier to access council services, report issues, and get things done digitally	68	8%
Fairer Access to Services: Expanding local advice, money or wellbeing support for residents who need it most	59	7%
Tackling Climate Change Locally: Installing small renewable energy schemes, supporting active travel, or community gardens	44	5%
Total responses	899	101%

Due to rounding, percentages do not total 100%. Affected questions are marked with an asterisk.

Q14. How much do you support or oppose increasing the city's share of council tax by 2.99%?*

There was some support (28%) for increasing the city's share of council tax by 2.99%. 25% of respondents neither supported nor opposed the proposal, while 48% of respondents opposed or strongly opposed the increase.

How much do you support or oppose increasing the city's share of council tax by 2.99%?	
Strongly support	80
Support	168
Neutral	221
Oppose	113
Strongly oppose	317
Total responses	899



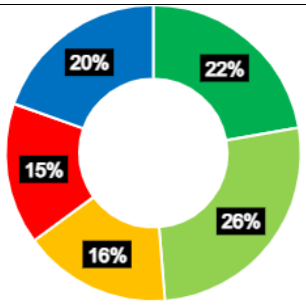
Due to rounding, percentages do not total 100%. Affected questions are marked with an asterisk.

We want to make sure support is available for those who need it most. Our current proposal is to continue offering up to 100% reduction in council tax for residents on low incomes who qualify for the Council Tax Reduction Scheme.

Q15. Do you agree or disagree with this approach?*

Nearly half of respondents (48%) supported this approach. 16% of respondents were neutral, while 35% of respondents disagreed or strongly disagreed.

Do you agree or disagree with this approach?	
Strongly agree	200
Agree	238
Neutral	146
Disagree	139
Strongly disagree	176
Total responses	899



Due to rounding, percentages do not total 100%. Affected questions are marked with an asterisk.

Demographic data

The following section of the report outlines demographic data about the respondents who completed this optional section of the survey.

A balance was sought between collecting demographic data to support representativeness and maximising overall participation. There is no single, definitive set of guidance for collecting demographic information, and the approach must reflect both data protection considerations and the context of the engagement. For this exercise, priority was given to gathering views from as wide a range of people as possible. Evidence from previous online surveys shows that requesting demographic information can discourage participation, and therefore demographic questions were optional.

Q16. Would you like to answer a few optional questions about yourself?

The majority of respondents (75%, 665 respondents) indicated that they were willing to provide additional optional demographic information as part of the survey. A quarter of respondents (25%, 227 respondents) chose not to answer these questions and were taken to the end of the survey.

Category	Number of respondents	Percentage
Yes, I'm happy to answer them.	665	75%
No, please take me to the end of the survey.	227	25%
Total responses	892	100%

Q17. What is your age group?

The largest proportion of respondents were aged 65-74, accounting for 23% (154 respondents). This was followed by those aged 55-64 at 21% (140 respondents), 45-54 at 19% (125 respondents), and 35-44 at 18% (118 respondents).

Respondents aged 25-34 accounted for 11% (77 respondents), while 18-24-year-olds made up 2% (14 respondents). A further 6% (43 respondents) of respondents were aged 75-84. No responses were recorded in the under 18 or 85 or older age categories.

A very small number of respondents (less than 1%, 3 respondents) preferred not to disclose their age.

Age group	Number of respondents	Percentage
Under 18	0	0%
18-24	14	2%
25-34	77	11%
35-44	118	18%
45-54	125	19%
55-64	140	21%
65-74	154	23%
75-84	43	6%
85 or older	0	0%
Prefer not to say	3	‘<1%
Total responses	674	100%

Q18. What gender do you identify as?

Over half of respondents identified as male, accounting for 56% (376 respondents). This was followed by female respondents, who made up 41% (273 respondents).

A small proportion of respondents identified as other at 1% (4 respondents), while transgender and non-binary, each accounted for less than 1% (3 respondents each). 2% (14 respondents) preferred not to disclose their gender identity.

Gender	Number of respondents	Percentage
Male	376	56%
Female	273	41%
Transgender	3	<1%
Non-binary	3	<1%
Prefer not to say	14	2%
Other (please specify)	4	1%
Total responses	673	100%

Q19. What is your ethnic group?

The majority of respondents identified as White or White British, accounting for 92% (616 respondents). Smaller proportions of respondents identified as belonging to mixed or multiple ethnic groups (2%, 13 respondents) or preferred not to disclose their ethnic group (3%, 17 respondents).

Further responses included Asian or Asian British, Black, African, Caribbean or Black British, and other ethnic groups, each accounting for 1% of responses (8, 7, and 7 respondents respectively).

Ethnic group	Number of respondents	Percentage
White or White British	616	92%
Mixed or multiple ethnic groups	13	2%
Asian or Asian British	8	1%
Black, African, Caribbean or Black British	7	1%
Prefer not to say	17	3%
Other (please specify)	7	1%
Total responses	668	100%

Q20. Do you consider yourself to have a long-term illness or disability?

Over a quarter of respondents to this question (28%) identified as having a long-term illness or disability. The majority of respondents (68%, 456 respondents) reported that they do not have a long-term illness or disability. A small proportion (4%, 25 respondents) preferred not to disclose this information.

Category	Number of respondents	Percentage
Yes	190	28%
No	456	68%
Prefer not to say	25	4%
Total responses	671	100%

Q21. If yes, please select the definitions from the list below that best describe your condition or disability*

The most frequently selected category was physical or mobility impairment, reported by 29% (88 respondents). This was followed by long-standing illness or health condition at 24% (72 respondents) and mental health conditions at 22% (66 respondents).

A further 12% (36 respondents) identified as neurodiverse. Smaller proportions of respondents reported a learning disability or difficulty (3%, 10 respondents) or a sensory impairment (3%, 9 respondents). An additional 3% (10 respondents) selected “other”, and 3% (10 respondents) preferred not to disclose this information.

Category	Number of respondents	Percentage
Physical or mobility impairment	88	29%
Learning disability or difficulty	10	3%
Sensory impairment	9	3%
Neurodiverse	36	12%
Long standing illness or health condition (e.g. cancer, diabetes or chronic heart disease)	72	24%
Mental health condition	66	22%
Other (please specify)	10	3%
Prefer not to say	10	3%
Total responses	301	99%

Due to rounding, percentages do not total 100%. Affected questions are marked with an asterisk.

3. HOUSING REVENUE ACCOUNT 2026-2027 BUDGET

The HRA Business Plan

1. Every year a review of the financial elements of the Housing Revenue Account Business Plan (HRA BP) is undertaken, and projections updated accordingly (the report detailing the latest review was presented to Cabinet on 3 December 2025). The review aligns the investment priorities in the HRA BP with our Housing Strategy 'Fit for the Future' 2020-2026 which has four 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

   However, this year there has been a particular focus on work to create a robust projection of major works and decarbonisation costs across the 30-year plan.

2. The annual review of the HRA BP considers the following factors that can affect its viability:

   - National political and policy changes (regulatory requirements, rent policy, building safety)
   - Expected rental income (rent settlements) and service charges
   - Housing stock condition and maintenance expenditure needs
   - Wider economic pressures: inflation, utilities, building and maintenance costs

Background

3. The HRA is required to record expenditure and income on the operation of the Council's housing stock, including related services and/or facilities which are provided principally for the benefit of the Council's tenants.

4. The HRA budget covers both revenue and capital spending including all services to tenants and leaseholders.

5. The main aspects of the HRA are:

   - it is a landlord account, recording expenditure and income arising from the provision of housing accommodation by local housing authorities (under the powers and duties conferred on them in Part II of the Housing Act 1985 and certain provisions of earlier legislation)
   - it is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund
   - the main items of expenditure included in the account are management and maintenance costs, major repairs, loan charges, and depreciation costs

- the main sources of income are from tenants in the form of rents and service charges
- the HRA should be based on accruals in accordance with proper accounting practices, rather than cash accounting

6. Legislative features are:
   - ring-fenced account within the General Fund
   - credits and debits are prescribed by statute
   - no general discretion to breach the ring-fence
   - cannot budget for a deficit
   - all borrowing within the HRA is in line with the CIPFA Prudential Code.
7. The Housing Revenue Account Business Plan (HRA BP) provides a long-term projection of the income, expenditure, investment and funding for the Council's housing service, based on current information and expectations over a 30-year period. The HRA BP provides the evidence for:
   - financial viability of the HRA
   - maintaining tenant and leaseholder safety
   - informing stock decency and levels of investment (including new build)
   - service delivery and accountability

Key points of the review

8. The annual review found that to deliver the HRA BP and the goals of our housing strategy the Council must do the following:
   - Reduce overall operational expenditure costs consistently over the medium term
   - Maximise its income
   - Secure additional funding
9. But because of inflationary pressures and the amount of investment needed in existing stock the Council needs to borrow more to deliver:
   - Decarbonisation of the HRA portfolio
   - A capital maintenance programme
   - Effective and compliant services to residents
   - Meeting safety regulations and providing safe homes
   - New council homes to meet housing needs.
10. To ensure we can meet the above objectives and have a viable HRA BP in the short term and long term we will also consider the following:
    - Increase social rent levels by CPI+1% for existing tenants on annual basis for the next ten years in line with the government's announcement providing rent certainty.

- Utilise the new rent convergence model, if it is announced by government, to bring rents that are below the formula social rent level and in line with the standard social rent amounts.
- Use the Regulator of Social Housing's Rent Standard and associated government policy and guidance to set social rents. This will include the use of social formula (target) rent and the use of rent flexibility on new lettings of existing stock. As part of the 2002 Government's Rent Restructuring policy, a formula (target) rent was calculated for each dwelling based on a number of factors including the size and value of the property and local and national earnings. The policy intended to align council and registered social landlord rents by gradually moving actual rents towards formula rents over a ten-year period. However, due to subsequent changes to the policy and imposed rent caps and reductions, in most cases, actual rents have not converged with the formula rent.
- Charge an enhanced level of rent (at local housing allowance) for specific new homes that offer lower living costs as a result of enhanced energy efficiency standards.
- Explore additional alternative rent models for new homes and relet dwellings that offer lower living costs as a result of enhanced energy efficiency standards.

Risks identified in the HRA BP

11. The following risks and controls were identified:

Risk	Controls required
Long term future rent uncertainty	We have seen the impact of the four-year rent freeze and a subsequent rent cap. This risk has reduced in the short term with the announcement by government of rent increases of CPI+1% for the next 10 years.
Increase in cost of repairs and major works	The delivery of the repairs and maintenance service brings several inherent risks including fluctuations in the number of vacant properties, on-going stock deterioration rates and changes in government guidance and regulations. We have seen some significant increases in contractor and materials costs as part of capital and responsive repair programmes. We will continue to monitor the long-term direction of construction cost inflation, collaborating with colleagues across the Council. The business plan is a 'living document' and will be adjusted accordingly.
Meeting Decarbonisation targets	The investment included within the business plan is based on assumptions currently used by the social housing sector and our experience so far of the decarbonisation programme and we have updated assumptions this year. As local stock condition, energy performance and cost data

	is improved further in 2026-2027, we will update the assumptions as needed. Additional grant funding could support delivery at a faster pace. There has been success to date in attracting grant funding. We will investigate opportunities to work with other social housing sector partners to share opportunities for funding, skills, and supply chain.
Borrowing and interest rates	The HRA's existing loan portfolio comprises loans of various but fixed rates, however future borrowing will be exposed to interest rate changes. Although this is a risk to the business plan, where possible, future borrowing will be timed to take advantage of lower interest levels as opportunities arise.
Building and fire safety	There has been significant work to identify and programme all capital expenditure over the 30-year business plan. Including factoring in the various building safety requirements and ensuring this is aligned with other capital costs. Budget provision has been made for these based on the best information we have and should enable investment in all buildings over 18 metres (high-rise) and any high-rise residential buildings. In the future, some degree of re-prioritisation of the 30-year business plan may be needed if further additional regulation arrives. The Fire Safety Act 2021 and subsequent legislation have meant there were further fire safety measures that we needed to implement. The costs of preparing for and managing these changes have been included in the business plan. There continues to be a risk around the market capacity/capability to respond to the scale of need nationally which could lead to the possible inflation of costs. This will have an impact on our repairs and capital budgets.
Inflation Rate Risk	The HRA Business Plan assumes a range of ongoing inflation rates which has been factored into the 30-year plan. The consumer price index inflation rate is assumed at 3.8% for 2026-2027, 2.5% for 2027-2028, and 2.0% assumed thereafter for both revenue and capital. Building costs inflation is assumed at CPI plus 1% throughout the plan. If the assumed inflation rate was to change, this will have an impact upon the forecasted income into the HRA over the 30 years; if the assumed inflation rate was to be exceeded, then this may have a negative impact upon revenue expenditure and the capital programme costs.

Stock condition and performance data risk	A stock condition survey programme is underway. There has been a closely monitored effort to increase the data we have on our homes. There has been significant improvement over the last year in the homes with up-to-date information via physical inspections. This work needs to continue through 2026 to meet full coverage. The data from the survey and energy performance assessment information will be utilised to fully understand costs and enable better planning of capital and decarbonisation works.

Financial Background and Budget

12. 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.

12. Prior to 2012-2013, the HRA was funded at a national level through the housing subsidy regime. Since then, it has been operating on a self-financing basis, this means that all revenue and capital expenditure needs to be funded from the rents and service charges paid by tenants or funded by housing or other benefits.

Forecast 2025-2026 Outturn

13. The position on the HRA, as at quarter three, shows a forecast overspend of £208,000, is driven by increased general management costs generated by additional employee costs and the requirement for staff to fill specialist roles, legal and contract advice costs. Further General Management costs have arisen from the requirement to make payments to tenants in respect commission received for the collection of water charges, but this is partially mitigated by the use of a resource, earmarked for this purpose. This has been partially offset by a reduction in repair costs, arising from lower void costs and the initial budget provision for demand led damp and disrepair work, being set.

Proposed 2026-2027 Revenue Budget

14. The budget proposes gross revenue expenditure of £78,010.000 and gross income of £80,390,000, generating a surplus of £2,380,000, as shown in Appendix 3 (A). Due to the continued flexibilities relating to the Right to Buy retention agreement, it will not be necessary to make a revenue contribution towards the funding of the capital programme in 2026-2027. It is therefore proposed that the surplus of £2,380.000 is transferred to HRA reserves in 2026-2027 and utilised to support the upgrade of existing homes and provision of new homes in future years.

Chart 3.1: 2026-2027 HRA gross revenue expenditure budget

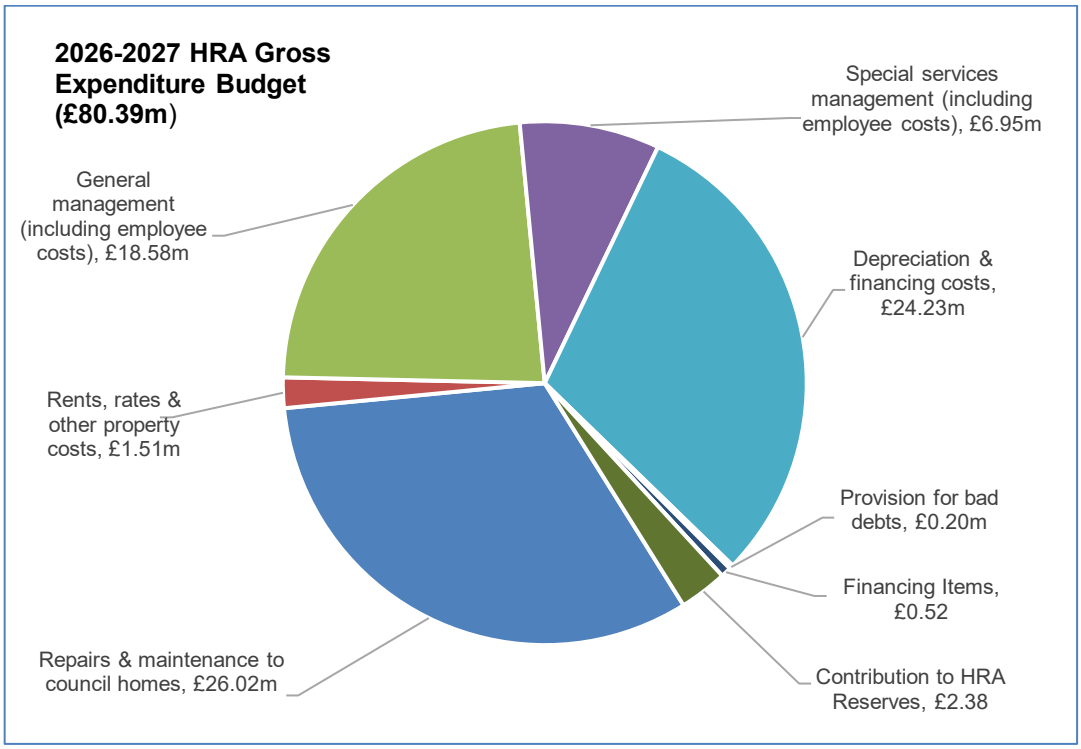
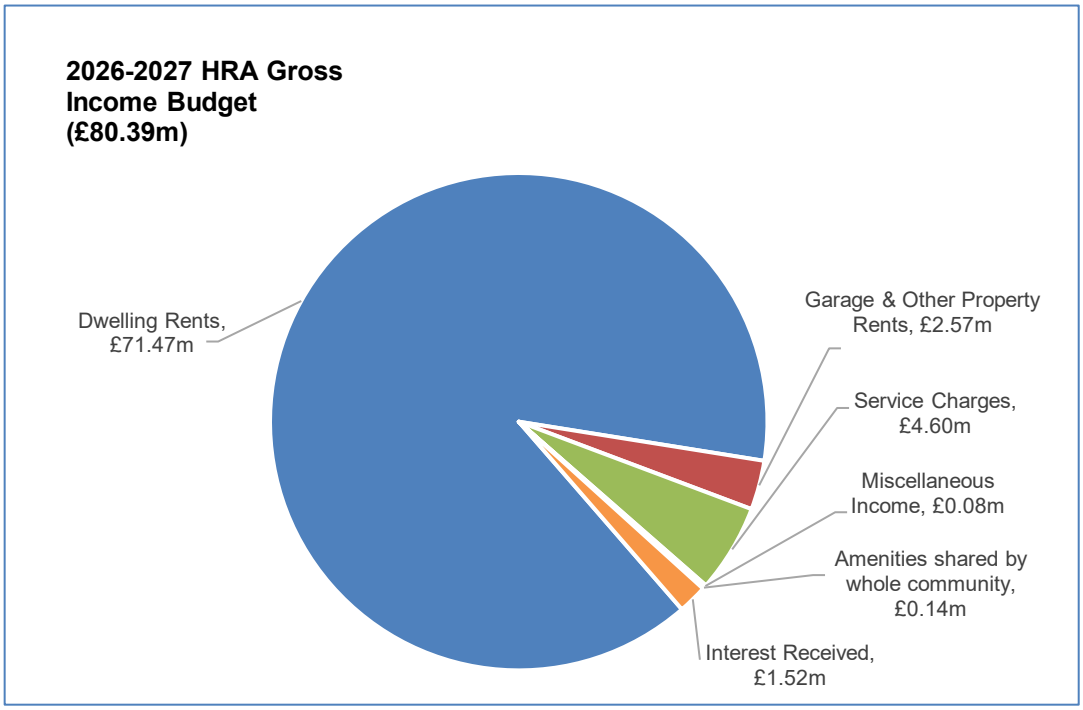


Chart 3.2: 2026-2027 HRA gross revenue income budget



Council housing rents, garage rents, and service charges

15. 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 2016-2017 the rent policy was replaced by a government imposed 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 £200,000,000 in rental income.

16. From 2020-2021, the 1% rent reduction ended and the Secretary of State issued the Direction on the Rent Standard which enabled authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. However, for 2023-2024, the government implemented a cap of 7% on all social housing rent increases.

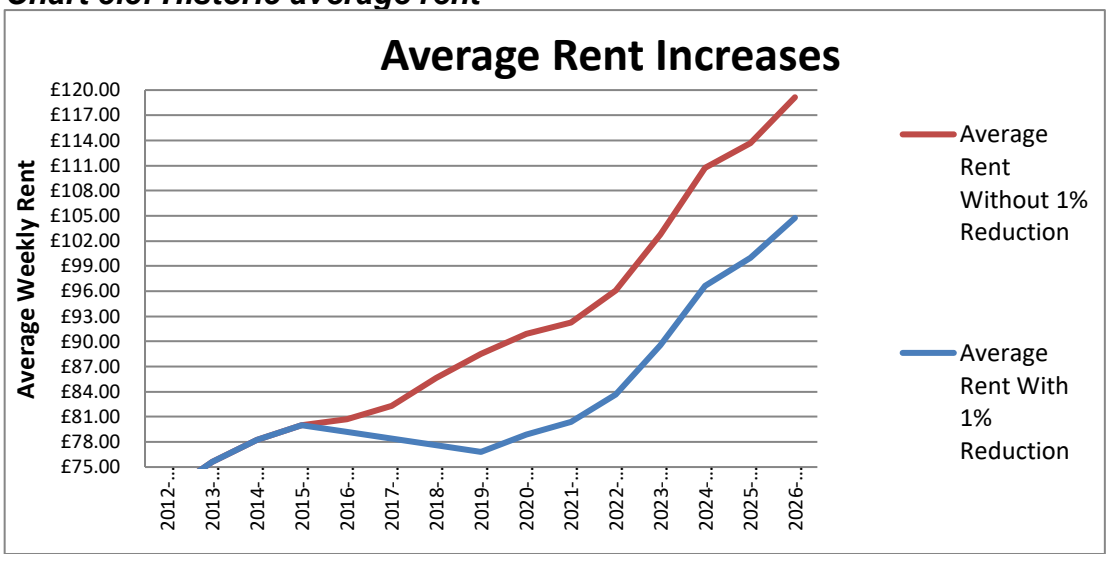
17. In June 2025, as part of its spending review, the government announced that from April 2026, social housing providers will be permitted to increase rents by CPI+1% every year for 10 years, meaning for 2026-2027, it is proposed that rents increase by 4.8% and generate an average weekly rent increase of £4.80 for Norwich social housing tenants (excluding larger dwellings leased to care agencies). The table below shows the minimum and maximum rent increases at 4.8%.

Table 3.1: Proposed dwelling rent increase 2026-2027

Item	Average £	Maximum £	Minimum £
Rent 2025-2026	99.95	155.75	70.51
Proposed Increase (4.8%)	4.80	7.48	3.38
Proposed Rent 2026-2027	104.75	163.23	73.89

18. 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



19. There will be engagement about this year's rent proposals that will explain the rent increase of 4.8% for next year and the rationale for this. There will be communication and discussion with the Tenant Involvement Panel representatives both in writing and in person. We will also use the Housing Hub to inform and engage all residents in January. The impact on both tenants and the long-term viability of the HRA will be discussed, the rationale for the increase is recognising that increases are necessary to maintain the level of investment in existing homes and delivery of the decarbonisation programme.

20. For 2026-2027, it is also proposed to increase garage rents by CPI +1% which is 4.8%.

21. 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, to be applied to existing and for any new service provision.

22. The current budget provision is calculated using a void rate of 1.2% and equates to an estimated rental income loss for void periods of £871,000 for 2026-2027.

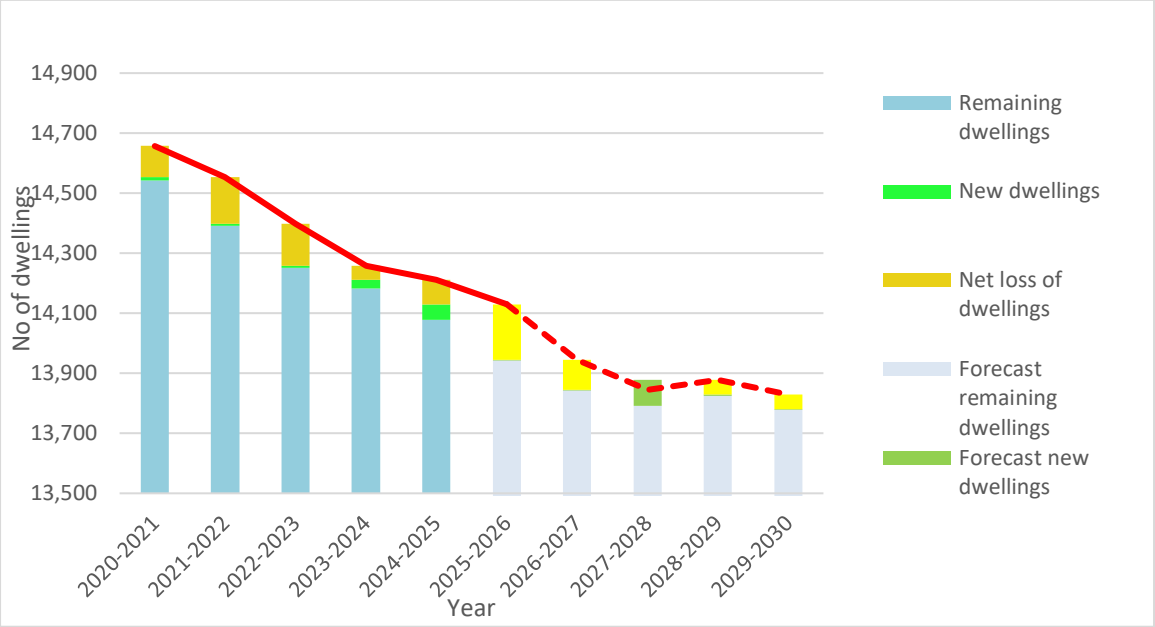
Council dwelling stock levels

23. Following a significant increase in 2021-2022 and 2022-2023, the number of Right-to-Buy purchases of HRA homes reduced during 2023-2024, but increased again for 2024-2025, and is anticipated to significantly increase again for 2025-2026, as purchasers take advantage of higher levels of discount, prior to the reduction announced in the Government's 2024 Autumn Budget. As a result of the reduction, it is anticipated that the level of future sales will significantly decline in the future, with annual completions estimated at 32 dwellings per year.

24. Over the past five years, 619 homes have been lost from social rent to Right to Buy sales. Whilst the council is ambitious in its plans to build new social housing to meet local need, these are also at risk of being subject to Right to Buy.

25. 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

26. 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 2026-2027 capital budget).

27. The proposed HRA capital programme is based upon the aims of the Housing Strategy 'Fit for the Future' 2020-2026 which has four 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

Capital financing plans

28. Following the government abolition of the HRA borrowing cap in 2018, the council can determine how much it will borrow to fund capital expenditure, if 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 several prudential indicators. These indicators now include the HRA and will be included in the Treasury Management Strategy 2026-2027 which will be considered by Council in February 2026.

29. 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

30. 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 seven key funding

sources which the council uses in the following priority order (more information is given on capital financing strategy in Appendix 4 (C):

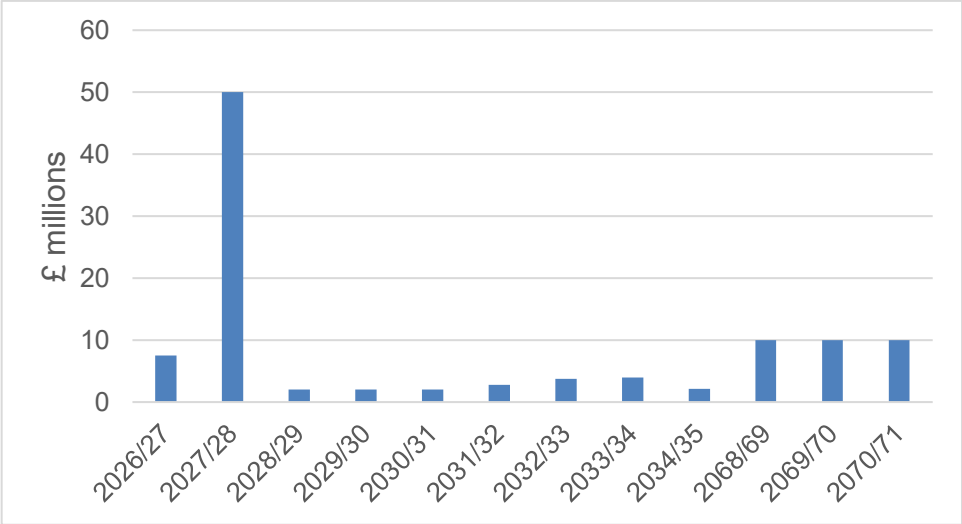
1. Right-to-Buy Retained ‘One for One’ capital receipts.
2. Capital Grants
3. Major Repairs Reserve
4. General HRA capital receipts
5. General reserves
6. Revenue budget contributions
7. Borrowing

31. The current HRA Capital Financing Requirement (the need to borrow) is £208,532,000. The most recent HRA external borrowing of £30,000,000 was taken to support the refinancing in 2022-2023 of an existing loan of £49,000,000 which formed part of the £149,000,000 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 £9,000,000 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. A further £50,000,000 element of the £149,000,000 is due to mature in March 2026, in addition to an external loan of £2,500,000 that matured in July 2025. The remaining borrowing includes £29,000,000 of historic external borrowing, the most recent being taken over 25 years ago.

32. HRA assets are currently valued at £928,338,000 (31 March 2025), which against a borrowing requirement of £208,532,000 (31 March 2025), equates to a loan-to-value gearing of 22.463%. This is lower than the national average gearing for local authorities of 28% and the national average for registered providers which is more than 60%.

33. 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 £130,000,000 from the Public Works Loans Board (PWLB), whilst all other loans shown constitute historic borrowing which will be repaid within 10 years.

34. ***Chart 3.5: Existing HRA external borrowing***



35. The 2026-2027 HRA capital budget proposed in section 4 of this report does not require any new borrowing, although to deliver significant levels of new social housing and the retrofit programme, additional borrowing will be required in future years.

HRA Reserves Position

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

Table 3.3: Estimated HRA reserves position

Item	£000
Brought Forward from 2024-2025	(51,053)
Budgeted utilisation of balances in 2025-2026	(2,939)
Forecast HRA overspend 2025-2026 (at quarter 3)	208
Forecast to be carried forward to 2026-2027	**(53,784)**
Provisional proposed contribution to balances in 2026-2027	(2,378)
Forecast to be carried forward to 2027-2028	**(56,162)**

37. The level of general reserves is forecast to increase in both 2025-2026 and 2026-2027, which is partly due to not being required to make a revenue contribution towards the cost of new homes as a result of the increased flexibilities surrounding Right to Buy Receipts. The estimated reserves to carry forward into 2027-2028 remain substantial (£56,162,000) 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.

38. It is proposed that the prudent minimum level set for the HRA reserve should reduce for 2026-2027 as the provision for unforeseen events had been increased to cover the cost payments being made to tenants in respect of commission received for the collection of water charges. These payments were included within 2025-2026, therefore the additional provision is no longer

required. 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 other potential risks and unforeseen events.

Table 3.4: Prudent minimum level of HRA reserves

Item	£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	1,000
Estimated required level of HRA reserves	4,848

Appendix 3 (A): 2026-2027 proposed HRA budget by service

Division of Service	Original Budget 2025-2026 £000	Proposed Budget 2026-2027 £000	Change £000
Repairs & Maintenance	23,730	26,018	2,288
Rents, Rates, & Other Property Costs	6,910	1,513	(5,397)
General Management	18,616	18,582	(34)
Special Services (not provided to all tenants)	7,374	6,951	(423)
Depreciation & Impairment	23,203	24,234	1,031
Provision for Bad Debts	251	201	(50)
Adjustments & Financing Items	169	516	346
Gross HRA Expenditure	**80,252**	**78,014**	**(2,239)**
Dwelling Rents	(68,799)	(71,473)	(2,674)
Garage & Other Property Rents	(2,461)	(2,574)	(114)
Service Charges – General	(10,075)	(4,599)	5,476
Miscellaneous Income	(82)	(82)	0
Amenities shared by whole community	(130)	(140)	(10)
Interest Received	(1,645)	(1,524)	121
Gross HRA Income	**(83,191)**	**(80,392)**	**2,799**
Total Housing Revenue Account	**(2,939)**	**(2,378)**	**560**
Revenue contribution to capital	0	0	0
Contribution to/(from) HRA reserve	2,939	2,378	(560)
Total	**(0)**	**0**	**0**

Explanation of key variances:

- Repairs and maintenance costs have increased by £2,288,000 due to an increase in contract delivery costs along with additional provisions for fire prevention works and increased staffing costs.
- Rents, Rates, & Other Property Costs have decreased by £5,397,000 and service charge income reduced by £5,476,000, both largely as a result of the end of the water charge collection arrangements.
- General management costs have marginally reduced by £34,000.
- Dwelling rent income will increase by £2,674,000 as a result of the changes in housing stock and the proposed 4.8% rent increase.
- Internal borrowing costs are anticipated to increase by £482,000 and depreciation charges are expected to increase by £500,000 due to an increase in the value of property and the replacement of key components, however within the HRA, the full value of the depreciation charge is utilised to fund capital upgrade work.

Appendix 3 (B): HRA dwelling stock movements

Council dwellings	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030
No of dwellings at start of year	**14,657**	**14,553**	**14,397**	***14,257***	**14,211**	***14,130***	***13,944***	***13,844***	***13,877***	***13,829***
RTB sales in year	(112)	(159)	(145)	(69)	(134)	*(185)*	*(100)*	*(50)*	*(50)*	*(50)*
Non-RTB sales/leased in year	(3)	(2)	0	(5)	0	*(2)*	*(2)*	*(2)*	*(2)*	*(2)*
Dwellings demolished	0	0	0	0	0	*0*	*0*	*0*	*0*	*0*
Dwelling conversions	0	0	0	0	0	*0*	*0*	*0*	*0*	*0*
New build dwellings	0	0	5	28	24	*0*	*0*	*81*	*0*	*0*
Dwelling acquisitions	11	5	0	0	29	*1*	*2*	*4*	*4*	*4*

Shaded cells in italics denote forecast movements

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 community-led plan sets out our vision for Norwich "A fair and thriving city, full of ambition" and our five priorities that the council wishes to deliver, either directly, or through leading, influencing and working in partnership with others, namely:

- An open and modern council
- A prosperous Norwich
- A fairer Norwich
- A climate responsive Norwich
- A future-proof Norwich

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

- Using assets to support the improvement of council services, 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 Specific projects, either within the capital budget or future projects, will deliver these objectives.

4.8. The council holds increasingly comprehensive data regarding the condition of its HRA property, but continues to undertake condition surveys on both general fund and HRA assets.

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

Commercial property investment

4.10. The council has held commercial property for decades and previously purchased new property investments in line with its former 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 no longer makes 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 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.

Commercial property earmarked reserve

4.15. The council has established 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.

Capital Loans

4.16. 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.

4.17. 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 (previously 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.

4.18. The council has a loan book of £1,707,000 with two borrowing organisations (as at 31st Dec 2025): Norwich City Services Limited (£1,660,000) and the Norwich Preservation Trust (£47,000).

4.19. Additionally the council has an outstanding loan debt due from Lion Homes (Norwich) Ltd (formerly Norwich Regeneration Limited) totalling £6,150,000. On 9th July 2025 Cabinet agreed a recommendation from the shareholder panel to place the company into a Member Voluntary Liquidation process. As a result, the council has impaired the loan in its 2024-2025 accounts to nil. The full loan debt is legally still payable by the company and any net proceeds from the liquidation of the company will be received by the Council.

4.20. 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.

Chart 4.1: The proposed key drivers for capital investment

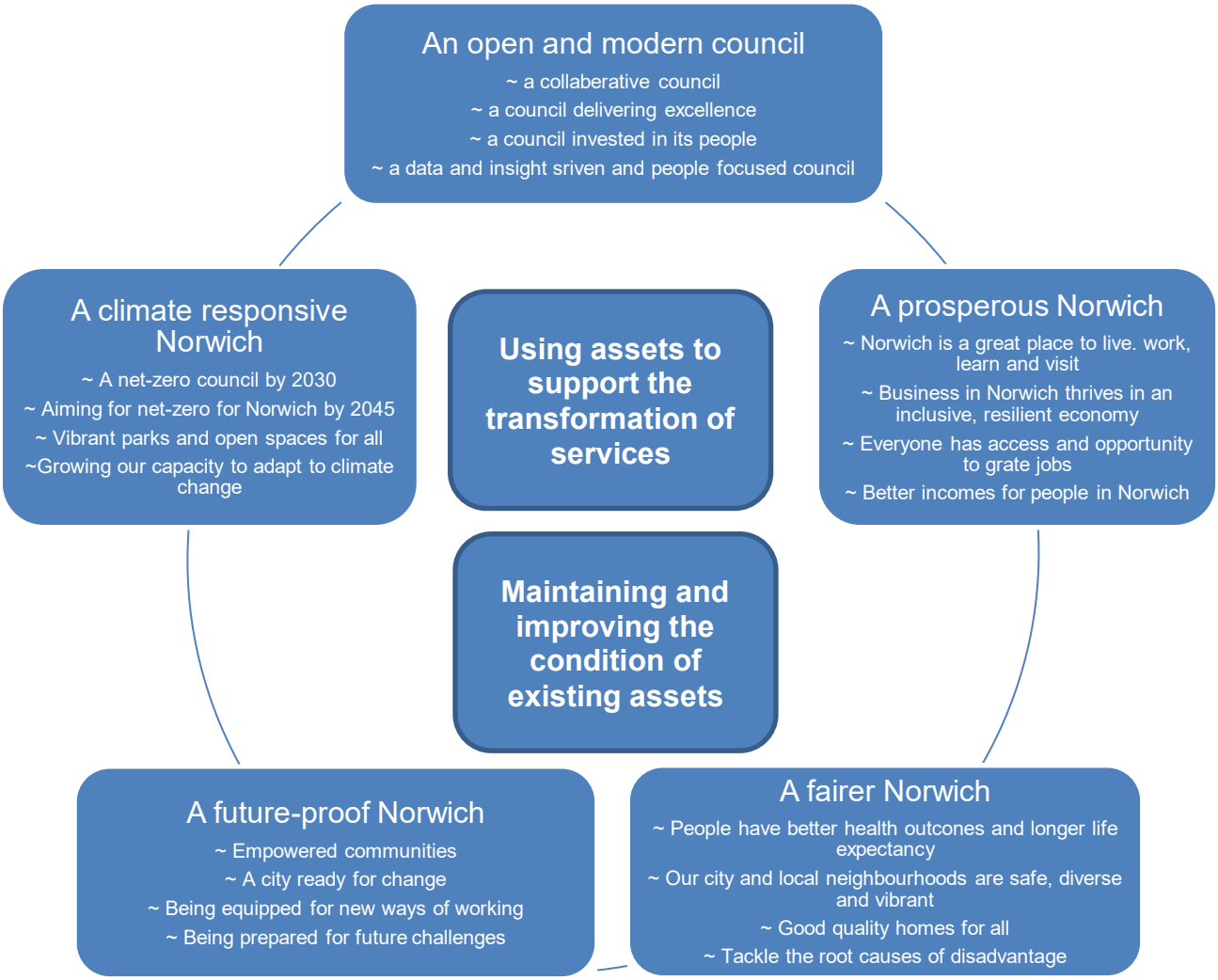


Table 4.1: The council's priorities and proposed capital programme

An open and modern council	A prosperous Norwich	A fairer Norwich	A climate responsive Norwich	A future-proof Norwich
Capital expenditure plans can contribute to this corporate aim by: • IT investment in hardware, software and mobile technology to enable the council to be data and insight driven and people focused. • City Hall accessibility and general improvements will support inclusion by modernising facilities.	Capital expenditure plans can contribute to this corporate aim by: • Investment in the Castle Gardens, Provision Market and Norwich Livestock Market making Norwich a great place to live, work, learn and visit.	Capital expenditure plans can contribute to this corporate aim by: • The provision of Disabled Facilities Grants enabling people to remain in their own homes longer. • City Hall Ground Floor Accessibility Improvements will support inclusion by modernising facilities. • Significant investment to upgrade existing and provide new council housing providing good quality homes for all.	Capital expenditure plans can contribute to this corporate aim by: • Installing solar/photovoltaic technology, renewable heating systems and energy efficiency measures in existing and new council homes to support a net-zero council by 2030, a net zero Norwich by 2045 and growing our capacity to adapt to climate change. • Investment in new play equipment in parks and significant works at Sloughbottom Park, Pilling Park and Lion Wood to provide vibrant parks and open spaces for all	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: • Implementation of digital systems to ensure the council is equipped for new ways of working • Maintain or improve the physical condition of assets owned by the City through the Strategic Property Remediation Fund to ensure that the city is ready for change and our streets are vibrant and busy and have the right facilities for our communities.

Asset management planning

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

4.22. 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 2024-2025 was £1,200,000,000.

General Fund asset management planning

4.23. The council has adopted a Strategic Asset Management Framework and in March 2025 adopted a revised action plan to guide decisions over the next five years. This was adopted following external consultancy advice to help inform asset specific decisions and a full review of the investment portfolio has been undertaken. This is leading to a program of asset disposals to raise capital receipts and reduce asset liabilities. Work is also progressing to gather improved condition and valuation data on assets which will help inform updates to the action plan and guide capital and revenue forecasts relating to assets.

4.24. In the past focus has been largely on using the council's limited capital resources on responsive rather than planned improvements. As condition data is gathered on assets the Strategy Property Remediation Fund is being used to deliver any immediate and urgent capital expenditure needed in response to condition data. However, with good quality data decisions can be made on asset retention or disposal. Where assets are to be retained the aim will be to develop planned larger improvements and investments in assets to prolong their life and improve their performance.

4.25. Going forward the aim is for capital spend to be planned to follow the asset review work and informed decision making in relation to the assets' future.

Housing Revenue Account asset management planning

4.26. Condition surveys exist for HRA assets, these were reviewed by way of an external stock condition survey that surveyed 80% of the current stock, 100% of communal areas and the structure of blocks. The surveys provided a greater understanding of future requirements, including an 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. There is a requirement for ongoing stock condition surveys set out by the Consumer Standards overseen by the Regulator of Social Housing. These will continuously update our understanding of the condition of our stock and its investment requirements. Further surveys are being undertaken, targeting the remaining stock, including properties not surveyed within the past five years.

4.27. 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 2026-2027 budget

Capital expenditure plans

4.28. 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 2026-2027 to 2030-2031 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 2025-2026 outturn

4.29. The latest forecast position as at quarter 3 shows the general fund capital programme is forecast to underspend by £12,895,652 and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £6,927,195. Although 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 2026-2027, the exact value will not be established until the final 2025-2026 outturn is known, therefore carried forward budgets are not included within the figures shown in this report.

2026-2027 to 2030-2031 capital programme

4.30. The focus of the capital strategy is towards the delivery of schemes within an approved budget. Traditionally, the focus used to be on an annual investment plan for the next financial year, however, the council has now moved to a five-year rolling capital programme, which provides greater certainty for delivery as well as for financial and resource and procurement planning

4.31. Table 4.2 below summarises the proposed 2026-2027 overall capital budget along with indicative spending plans from 2027 to 2031, 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 2026 – 2031

	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
General Fund Summary programme (Approved)						
Communities and Housing	1,557	1,673	1,600	1,642	0	**6,472**
Resources	320	320	320	320	0	**1,280**
Climate and Environment	3,607	2,420	606	3,115	0	**9,747**
Major Projects	11,572	787	386	0	0	**12,746**
Capital Loans	1,000	0	0	0	0	**1,000**
Total General Fund Summary programme (Approved)	**18,056**	**5,200**	**2,912**	**5,077**	**0**	**31,244**
General Fund Summary Programme (Proposed)						
Communities and Housing	0	0	0	0	1,600	**1,600**
Resources	0	0	0	0	320	**320**
Climate and Environment	176	(558)	(294)	(2,657)	0	**(3,333)**
Major Projects	2,278	3,418	20,100	0	0	**25,796**
Total General Fund Summary Programme (Proposed)	**2,454**	**2,860**	**19,806**	**(2,657)**	**1,920**	**24,383**
General Fund Summary Programme (Business Case Required)						
Communities and Housing	0	0	0	0	0	**0**
Resources	0	0	0	0	0	**0**
Climate and Environment	857	0	0	0	0	**857**
Major Projects	1,042	0	0	0	0	**1,042**
Total General Fund Summary Programme (Business Case Req'd)	**1,898**	**0**	**0**	**0**	**0**	**1,898**
Total General Fund Programme	**22,408**	**8,060**	**22,718**	**2,420**	**1,920**	**57,526**

Housing Revenue Account Summary Programme (Approved)						
HRA - Major Projects	16,465	8,219	2,226	6,642	0	**33,551**
HRA - Communities and Housing	50,989	45,450	46,988	40,953	0	**184,380**
Housing Revenue Account Summary Programme (Proposed)						
HRA - Major Projects	5,000	0	0	0	1,500	**6,500**
HRA - Communities and Housing	(4,971)	1,063	(2,823)	(1,779)	44,655	**36,145**
Total Housing Revenue Account Programme	**67,483**	**54,731**	**46,391**	**45,815**	**46,155**	**260,576**

Total Proposed Capital programme	**89,892**	**62,792**	**69,109**	**48,235**	**48,075**	**318,102**

4.32. In 2026-2027 the capital programme aims to deliver the following key outcomes:

General Fund:

- The continuation of the programme of investment at Sloughbottom Park funded by Levelling Up grant, with £7,627,000 anticipated in 2026-2027.
- £6,766,000 of investment to upgrade property assets.
- £1,550,000 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 new council homes at Argyle Street and Mile Cross.
- Upgrade of existing housing stock - £42,000,000 aiming to install 390 kitchens, 395 bathrooms, a mix of 900 new boilers or air source heat pump systems (depending upon take up of ASHP), 1,200 electrical upgrades or rewires, 650 Solar PV systems and 330 homes to receive upgraded insulation. We also aim to install approximately 140 properties and 40 communal entrance stairwells with new windows.
- Improving the use and management of the existing housing stock - £2,750,000 disabled adaptation programme.
- Improving neighbourhoods - including 35 door entry system upgrades and an estate aesthetics programme, investing £1,250,000.

Future capital programme

4.33. 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 continues to recognise that it is likely to need significant investment to advance the priorities and ambitions 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.

4.34. 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.

Funding the capital strategy

4.35. 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 and the council must now rely more on its own funding and leveraging in other sources of external funding where this is possible.

4.36. 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

4.37. 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.

Table 4.3: Projected General Fund Capital Receipts 2026 – 2031

Capital Receipts Analysis	**2026-2027 £000**	**2027-2028 £000**	**2028-2029 £000**	**2029-2030 £000**	**2030-2031 £000**
Existing capital receipts reserve brought forward from previous year	(5,686)	(5,366)	(5,046)	(4,726)	(4,406)
Capital receipts anticipated in year	0	0	0	0	0
Total capital receipts	**(5,686)**	**(5,366)**	**(5,046)**	**(4,726)**	**(4,406)**
Funding requirement based on capital programme	320	320	320	320	320
Balance at end of year	**(5,366)**	**(5,046)**	**(4,726)**	**(4,406)**	**(4,086)**

4.38. The level of capital receipts relies upon the completion of asset sales which cannot be guaranteed and therefore, no additional capital receipts have been assumed at this stage. 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.

Table 4.4: Proposed funding of the General Fund capital programme

GF funding	**2026-2027 £000**	**2027-2028 £000**	**2028-2029 £000**	**2029-2030 £000**	**2030-2031 £000**	**5 year Total**
Capital Receipts	320	320	320	320	320	**1,600**
Grants & Contributions	10,232	3,219	1,986	1,600	1,600	**18,637**
Borrowing	8,181	4,441	20,200	142	0	**32,964**
CIL/GNGB/S106	3,676	80	212	358	0	**4,326**
Total	**22,408**	**8,060**	**22,718**	**2,420**	**1,920**	**57,526**

Proposed funding of the HRA capital programme

4.39. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C).

4.40. It is proposed to utilise £729,000 of Section 106 contributions and £150,000 of Land Remediation Fund grant to provide funding towards the Argyle Street development in 2026-2027.

4.41. The HRA general reserves (forecast at £57,408,000 at the end of 2026-2027) 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

HRA funding	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total
HRA Capital Receipts	13,480	24,621	3,002	178	199	**41,480**
Retained One for One Receipts	20,586	8,219	2,226	6,642	1,500	**39,172**
Major Repairs Reserve	27,746	17,427	17,785	18,035	18,325	**99,318**
HRA Grants & Contributions	5,671	4,465	250	250	250	**10,886**
HRA Revenue contribution			23,128	20,711	25,881	**69,720**
Total HRA Capital Programme Funding	**67,483**	**54,731**	**46,390**	**45,816**	**46,155**	**260,576**

Enabling our future vision

4.42. 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, we will need to consider the costs of the associated financing and minimum revenue provision or explore opportunities to fund outside the council's balance sheet through alternative delivery routes.

Alternative delivery routes

4.43. 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.
- 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 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

4.44. 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.
- Treasury Management Committee providing review and advice on all investment activity to the Cabinet and Council.
- Additionally, the Capital Programme Board and Capital Working Group supports the committee structure and Senior Leadership Team with governance and the delivery of projects.

4.45. 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.

4.46. Officers can 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.

4.47. 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.

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

4.49. 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

4.50. Capital project proposals form part of the council's annual resource planning processes. Each year, capital project proposals for the following year(s) that align with the priorities identified in the council's community-led plan, are prepared for the corporate and political governance processes, which culminate in the annual budget setting meeting of the Council in February.

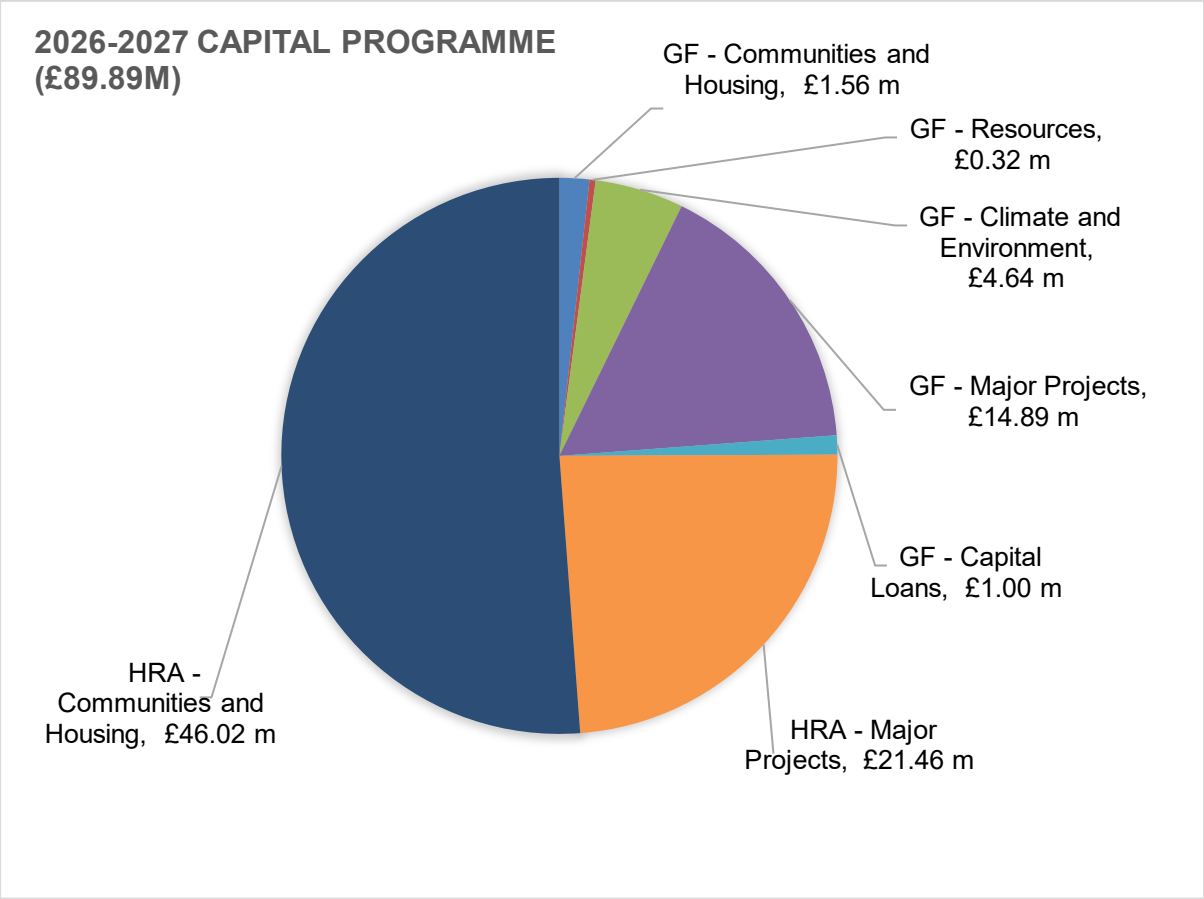
Knowledge and skills

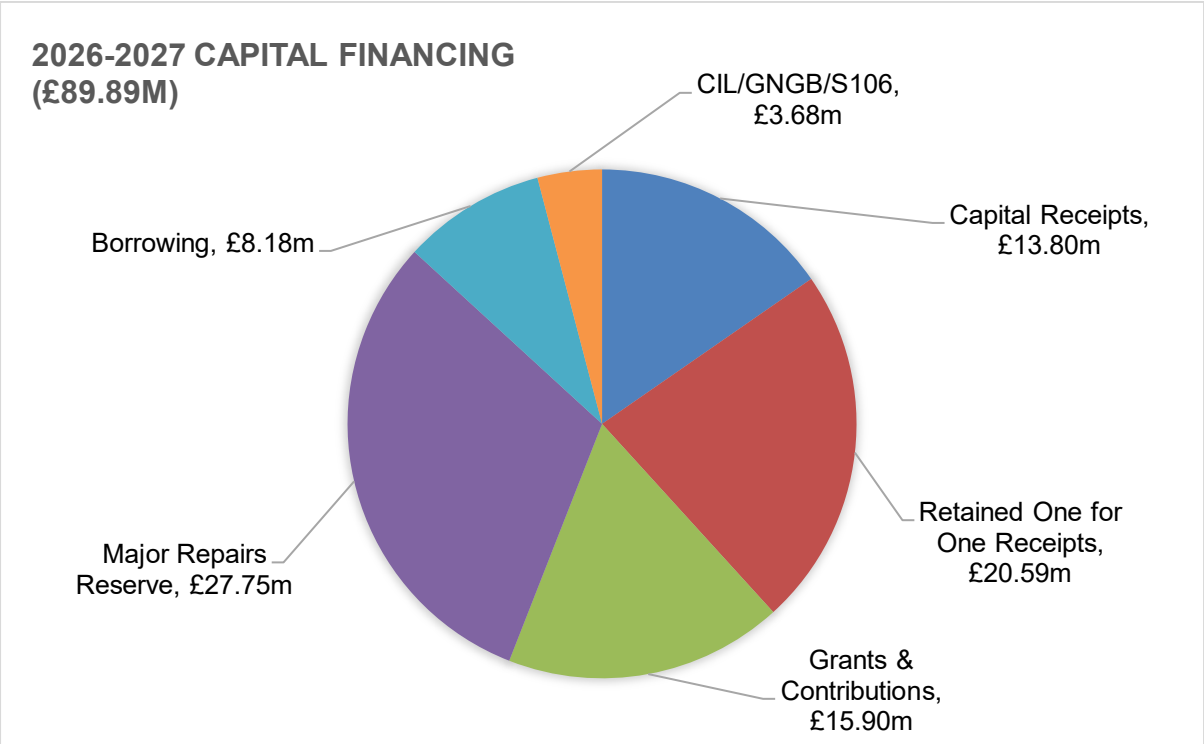
4.51. The council has professionally qualified staff, or access to such staff across a range of disciplines including finance, legal, planning and property that allow for capital investment decisions to be robustly considered. These individuals follow continuous professional development (CPD) and attend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

4.52. 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.

4.53. 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 2026-2027





Appendix 4 (B): Proposed capital projects 2026-2027 to 2030-2031

Approved General Fund Programme	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
Communities and Housing						
Riverside Leisure replace plant/equipment	7	73	0	42	0	122
Disabled Facilities Grant	1,550	1,600	1,600	1,600	0	6,350
Approved Programme - Communites and Housing	**1,557**	**1,673**	**1,600**	**1,642**	**0**	**6,472**
Resources						
IT Investment Fund	75	75	75	75	0	300
Mobile Handsets Refresh	45	45	45	45	0	180
IT hardware upgrade rolling programme	200	200	200	200	0	800
Approved Programme - Resources	**320**	**320**	**320**	**320**	**0**	**1,280**
Climate and Environment						
Park Play Equipment Refurbishment	300	0	0	0	0	300
NCS Ltd machinery costs	100	100	0	0	0	200
Jenny Lind park new toilet block	50	0	0	0	0	50
Shrub bed reduction programme	50	50	50	50	0	200
CIL Contribution Strategic	353	688	556	3,065	0	4,662
Castle Gardens	462	0	0	0	0	462
Lion Wood	476	0	0	0	0	476
GNGB Marriot's Way/Hellesdon Station	154	0	0	0	0	154
UEA area transport project	56	0	0	0	0	56
BEIS Sustainable warmth grant GF	23	0	0	0	0	23
Warm Homes Local Grant (GF)	1,582	1,582	0	0	0	3,164
Approved Programme - Climate and Environment	**3,607**	**2,420**	**606**	**3,115**	**0**	**9,747**

Major Projects						
Strategic Property Remediation Fund	750	750	0	0	0	1,500
St Benedicts/St Bartholomew towers	294	0	0	0	0	294
Strangers Hall roof upgrade	232	0	0	0	0	232
Stafford Park Telford upgrade works	742	0	0	0	0	742
St Andrews MSCP Structural Repair works	117	0	0	0	0	117
Kings Court	1,000	0	0	0	0	1,000
Sloughbottom Park works	7,627	37	386	0	0	8,050
City Hall Ground Floor Accessibility Improvements	425	0	0	0	0	425
TF Compul Purch order rev fund	300	0	0	0	0	300
District lighting replacement programme	87	0	0	0	0	87
Approved Programme - Major Projects	**11,572**	**787**	**386**	**0**	**0**	**12,746**
Capital Loans						
Norwich Preservation Trust Loan	1,000	0	0	0	0	1,000
Approved Programme - Capital Loans	**1,000**	**0**	**0**	**0**	**0**	**1,000**
Total General Fund Approved Programme	**18,056**	**5,200**	**2,912**	**5,077**	**0**	**31,244**

Proposed Adjustments to General Fund Capital Schemes for approval	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
Communities and Housing						
Disabled Facilities Grant	0	0	0	0	1,600	1,600
Proposed Adjustments to Programme - Communities and Housing	**0**	**0**	**0**	**0**	**1,600**	**1,600**
Resources						
IT Investment Fund	0	0	0	0	75	75
Mobile Handsets Refresh	0	0	0	0	45	45
IT hardware upgrade rolling programme	0	0	0	0	200	200
Proposed Adjustments to Programme - Resources	**0**	**0**	**0**	**0**	**320**	**320**
Climate and Environment						
Earlham and rosary cemetery signage	50	50	50	50	0	200
CIL Contribution Strategic	(135)	(608)	(344)	(2,707)	0	(3,794)
UEA area transport project	261	0	0	0	0	261
Proposed Adjustments to Programme - Climate and Environment	**176**	**(558)**	**(294)**	**(2,657)**	**0**	**(3,333)**
Major Projects						
St Benedicts/St Bartholomew towers	270	0	0	0	0	270
Market provision improvements	1,000	2,000	2,000	0	0	5,000
St Andrews MSCP Structural Repair works	558	0	0	0	0	558
City Hall Ground Floor Accessibility Improvements	100	0	0	0	0	100
Norwich Livestock Market	200	1,268	18,000	0	0	19,468
District lighting replacement programme	150	150	100	0	0	400
Proposed Adjustments to Programme - Major Projects	**2,278**	**3,418**	**20,100**	**0**	**0**	**25,796**
Total Proposed Adjustments to General Fund Programme	**2,454**	**2,860**	**19,806**	**(2,657)**	**1,920**	**24,383**

Proposed General Fund Capital Schemes for approval - subject to Business Case	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
Climate and Environment						
Pilling Park	468	0	0	0	0	468
Britannia Road transport	12	0	0	0	0	12
Hall Road / Neatmarket cycle path improvement	10	0	0	0	0	10
Anglia Square under the flyover	305	0	0	0	0	305
Earlham Green Lane - Clover Hill Road bus improvement	25	0	0	0	0	25
The Wilderness natural area	38	0	0	0	0	38
Proposed Programme - Climate and Environment	**857**	**0**	**0**	**0**	**0**	**857**
Major Projects						
East Norwich sustainable transport connectivity	42	0	0	0	0	42
City Hall Reimagined	1,000	0	0	0	0	1,000
Proposed Programme - Major Projects	**1,042**	**0**	**0**	**0**	**0**	**1,042**
Total General Fund Proposed Programme subject to business case	**1,898**	**0**	**0**	**0**	**0**	**1,898**

Total General Fund Programme	**22,408**	**8,060**	**22,718**	**2,420**	**1,920**	**57,526**

Approved Housing Revenue Account Programme	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
Major Projects						
HRA Mile Cross Depot Site	12,113	5,872	625	5,142	0	23,753
LANB Argyle Street	2,852	846	100	0	0	3,799
New Build Opportunities	500	500	500	500	0	2,000
Capital Grants Housing Asscns	1,000	1,000	1,000	1,000	0	4,000
Approved Programme - Major Projects	**16,465**	**8,219**	**2,226**	**6,642**	**0**	**33,551**
Communities and Housing						
HRA upgrades - Electrical	2,438	2,188	2,000	1,118	0	7,743
HRA upgrades - Whole House Improvements	800	700	700	700	0	2,900
HRA upgrades - Kitchens	2,438	2,738	3,508	4,453	0	13,136
HRA upgrades - Bathrooms	1,403	1,403	1,368	1,251	0	5,425
HRA upgrades - Heating/Boilers Domestic	1,365	1,310	728	393	0	3,796
HRA upgrades - Solar Thermal/Photovoltaic	4,986	4,986	5,096	5,636	0	20,703
HRA upgrades - Windows	1,196	1,187	1,248	616	0	4,247
HRA upgrades - Doors	2,901	1,325	1,175	719	0	6,120
HRA upgrades - Door Access Controls	623	727	700	458	0	2,507
HRA upgrades - Estate Aesthetics	500	500	500	500	0	2,000
HRA upgrades - HRA Shops	100	100	100	100	0	400
HRA upgrades - Sheltered Hsg Comm Facs	50	50	50	50	0	200
HRA upgrades - Re-Roofing	4,166	3,805	4,949	5,446	0	18,365
HRA upgrades - Structural	694	740	2,112	1,986	0	5,533
HRA upgrades - Lift Upgrades	75	75	75	75	0	300
HRA upgrades - Water Hygiene Upgrades	250	250	250	275	0	1,025
HRA Upgrades - Tower Blocks	5,900	3,000	3,000	3,000	0	14,900

Approved Housing Revenue Account Programme	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
HRA upgrades - Community Alarm	150	150	150	150	0	600
HRA upgrades - Renewable Heating	9,419	10,186	10,186	10,186	0	39,977
HRA upgrades - Stock Condition Survey	300	300	300	300	0	1,200
HRA upgrades - Property Services fees	691	691	691	691	0	2,764
HRA upgrades - Compliance Upgrades	1,650	250	250	250	0	2,400
HRA upgrades - Disabled Adaptations	2,750	2,600	2,600	2,600	0	10,550
HRA upgrades - Warm Homes Social Housing Fund	6,146	6,192	5,252	0	0	17,590
Approved Programme - Communities and Housing	**50,989**	**45,450**	**46,988**	**40,953**	**0**	**184,380**

Proposed Adjustment to Housing Revenue Account Programme	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
Major Projects						
New Build Opportunities	0	0	0	0	500	500
Capital Grants Housing Asscns	0	0	0	0	1,000	1,000
Anglia Square Housing	5,000	0	0	0	0	5,000
Proposed Adjustment to HRA Programme - Major Projects	**5,000**	**0**	**0**	**0**	**1,500**	**6,500**
Communities and Housing						
HRA upgrades - Electrical	(26)	49	19	483	1,451	1,975
HRA upgrades - Whole House Improvements	200	0	0	0	700	900
HRA upgrades - Kitchens	146	472	(345)	(1,907)	2,966	1,332
HRA upgrades - Bathrooms	18	4	(49)	149	1,228	1,350
HRA upgrades - Heating/Boilers Domestic	600	600	800	500	1,823	4,323
HRA upgrades - Solar Thermal/Photovoltaic	0	0	0	0	5,636	5,636

Proposed Adjustment to Housing Revenue Account Programme	2026-2027 £000	2027-2028 £000	2028-2029 £000	2029-2030 £000	2030-2031 £000	5 year Total £000
HRA upgrades - Windows	96	5	63	614	1,582	2,360
HRA upgrades - Doors	(1,580)	312	86	1,443	2,162	2,423
HRA upgrades - Door Access Controls	128	0	0	242	700	1,070
HRA upgrades - Estate Aesthetics	0	0	0	0	500	500
HRA upgrades - HRA Shops	(25)	(25)	(25)	(25)	75	(25)
HRA upgrades - Sheltered Hsg Comm Facs	130	0	0	0	50	180
HRA upgrades - Re-Roofing	185	497	(788)	(575)	6,456	5,775
HRA upgrades - Structural	975	984	(67)	(220)	4,286	5,958
HRA upgrades - Lift Upgrades	175	175	0	0	75	425
HRA upgrades - Water Hygiene Upgrades	0	0	0	(25)	250	225
HRA Upgrades - Tower Blocks	(2,900)	0	0	0	3,000	100
HRA upgrades - Community Alarm	0	0	0	0	150	150
HRA upgrades - Renewable Heating	(2,948)	(2,948)	(2,948)	(2,948)	7,238	(4,554)
HRA upgrades - Stock Condition Survey	0	(150)	(150)	(150)	150	(300)
HRA upgrades - Property Services fees	639	639	639	639	1,330	3,886
HRA upgrades - Compliance Upgrades	(1,400)	0	0	0	250	(1,150)
HRA upgrades - Disabled Adaptations	0	0	0	0	2,600	2,600
HRA upgrades - Warm Homes Social Housing Fund	616	449	(59)	0	0	1,006
Proposed Adjustment to Housing Revenue Account Programme - Communities and Housing	**(4,971)**	**1,063**	**(2,823)**	**(1,779)**	**44,655**	**36,145**
Total HRA Programme	**67,483**	**54,731**	**46,391**	**45,815**	**46,155**	**260,576**
Total Overall Capital Programme	**89,892**	**62,792**	**69,109**	**48,235**	**48,075**	**318,102**

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 usually used to fund capital projects where the anticipated life of the asset is short (e.g. IT equipment and vehicles). 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, if the cost of borrowing through PWLB is low 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.
Right-to-buy capital receipts	**Description:** Income arising from Right-to-Buy sales of Council dwellings previously comprised three elements, the Treasury Share, which was previously passed to the government, but from 2026-2027 will no longer exist and can be retained locally, 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 has previously been limited under statute, but more recently, increase flexibilities have been introduced. This element must be used to fund new social housing and currently must be utilised within 5 years of the date of retention (to be extended to 10 years from 2027-2028) 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 is undertaken during the year to ensure the council is not at risk of having to pay the receipts plus interest to central government. The 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 (non-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.

Funding source	Description and proposed strategy for its use
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.
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. This is detailed in the Greater Norwich 5 Year Infrastructure Investment Plan. 15% of CIL contributions are retained for local neighbourhood sponsored schemes. Contributions may provide matched funding to secure grant funding from central government or the local enterprise partnership. 5% of CIL contributions are retained to cover administrative costs.
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. Where capital expenditure is to be funded from borrowing, consideration will be given to the additional costs arising, such as interest charges and 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 current interest rate environment remains 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, Arlingclose, if necessary.

TREASURY MANAGEMENT STRATEGY

Background

5.1 The Council is required to operate a balanced budget. Part of the council's treasury management operation is to ensure that cash flow is planned, so that cash is available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk appetite, providing security and liquidity before considering investment return.

5.2 Another function of treasury management is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing needs of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging loans (external borrowing) or using cash flow surpluses (internal borrowing). Sometimes, when it is prudent and economic, loan debt may be restructured to support the Council's risk or cost objectives.

5.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day expenditure or for larger capital projects. The council's treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will result in a loss of resources to the General Fund.

5.4 The Chartered Institute of Public Finance & Accountancy (CIPFA) defines treasury management as: "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

5.6 This section of the budget report meets the council's legal obligation under the Local Government Act 2003 to have regard to relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the Ministry of Housing, Communities and Local Government (MHCLG).

5.7 This section of the budget report also fulfils the requirement for council to approve:

- A treasury management strategy before the start of each financial year (as required by CIPFA's Treasury Management Code) including treasury indicators.

- Prudential indicators to ensure that the council's capital investment plans are affordable, prudent and sustainable (as required by CIPFA's Prudential Code).

- An annual investment strategy before the start of each financial year (as required by MHCLG's Investment Code).

- A Minimum Revenue Provision (MRP) policy (as required by MHCLG's MRP guidance).

5.8 The council's investment in commercial property, equity shares, and lending to third parties is considered in the capital strategy in Section 4.

5.9 However, for the purposes of clarity, the projections, indicators and limits given in this section of the budget report include:

- The general fund and HRA proposed capital programme and its funding as set out in Section 4, Tables 4.2, 4.4 and 4.5.

- The implications for the council's capital financing requirement and borrowing position arising from the non-financial investments proposed in Section 4 of this report.

Reporting Requirements

Capital Strategy

5.10 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

5.11 The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

Treasury management reporting requirements

5.12 The Council's Treasury Management Committee meets quarterly to support the in-depth consideration of a range of matters relating to the governance of the Council's treasury management activity.

5.13 To support the Committee to meet its terms of reference and schedule forward meeting dates, a core annual workplan has been adopted as follows:

January	**Treasury Management Committee - January Meeting** • Consider the Annual Treasury Management Strategy Statement (TMS) prior to adoption by council
February	Full Council to receive Treasury Management Strategy
March	Full Council to receive Treasury Q3 report.
April	**Treasury Management Committee - April Meeting** • Review proposed treasury activity for forthcoming year • Initial update on end of year position
May	Statutory Accounts preparation
June	Treasury Management Outturn Report preparation
July	**Treasury Management Committee - July Meeting** • Consider outturn position report
August	Full Council to receive Treasury Management Outturn Report
October	Treasury Management Mid-Year Review Report preparation
November	**Treasury Management Committee - November Meeting** • Consider mid-year report • Consider initial Treasury Management Strategy changes for forthcoming year • Agree the Committee annual workplan
December	Full Council to receive Treasury Management Mid-Year Review Report and Q1

5.14 All Treasury Management quarterly reports will initially be presented to the Treasury Management Committee before onward reporting to Cabinet and Full Council.

5.15 The council is required to receive and approve as a minimum, three main reports each year, which incorporate a variety of, policies, estimates and actuals.

- Annual reporting requirements before the start of the year including - a review of the organisation's approved plans, treasury management policy statements, prudential and treasury indicators and treasury strategy (this report).

- A mid-year treasury management report – This will update members with the progress of activities undertaken, any material decisions, interim performance including an update on the capital position and amend any policies or prudential indicators as necessary.

- An annual treasury report after year-end – This provides details of compliance with prudential and treasury indicators, the impact of actual treasury operations compared to the estimates within the strategy.

5.16 As part of implementing the new requirements of the Treasury Management Code of Practice, in addition to the three major reports detailed above, quarterly reporting (to the end of June and to the end of December) is also

required. These additional reports will also be presented to the Treasury Management Committee. Full details of the scheme of delegation are shown at Appendix D.

Treasury management - role of the Section 151 Officer

5.17 Under the Treasury Management Code of Practice, the council's S151 officer has specific responsibilities. A list of responsibilities is supplied at Appendix E.

Treasury management practices

5.18 The new CIPFA Treasury Management Code provides details of what CIPFA recommends an organisation's treasury management practices (TMPs). Each TMP requires a detailed explanation of the practices undertaken by the Council's Treasury Management team. The council's TMP's will continue to be developed to respond to best practice and regulatory updates.

Treasury Management Strategy 2026-2027

5.19 The strategy for 2026-2027 covers two main areas:

Capital issues:

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues:

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

5.20 These elements cover the requirements of the Local Government Act 2003, DHLUC (now MHCLG) Investment Guidance, DHLUC (now MHCLG) MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

5.21 The CIPFA Treasury Management Code requires the responsible officer to ensure that all staff and members with responsibility for treasury management receive adequate training in this area. The S151 officer is responsible for this function in this Council. Full details of the S151 officer's responsibilities are shown at Appendix E.

5.22 The Code also states that "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective

acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

5.23 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and council members to undertake self-assessment against the required competencies.
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

5.24 The training needs of treasury management officers are recorded and periodically reviewed as part of the formal annual employee performance review. Member training is delivered via the Treasury Management Committee. At its meeting on 22nd July 2025 members of the Treasury Management Committee received training presentations from the Councils Treasury Advisors including an Economic Outlook and balance sheet review.

Treasury management advisers

5.25 The council used MUFG Investor Services as its external treasury management advisors until October 31st 2025. From 1st November 2025 the council appointed Arlingclose as its external treasury management advisors.

5.26 Responsibility for treasury management decisions remains with the council at all times. Although the council will from time to time require the services of specialists, consultants and advisers in order to acquire access to specialist skills, undue reliance will not be placed upon the services and advice provided.

The Capital Prudential Indicators 2026-2027 to 2030-2031

5.27 The council's capital expenditure plans are a key driver of treasury management activity. A summary of the council's capital budget plans and how these are being financed is shown in Table 5.1. The prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

Capital Expenditure and Financing

5.28 This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of the new

budget cycle. The table below summarises the capital expenditure plans for the General Fund and HRA and how these plans are being financed by capital or revenue resources. Any shortfall of capital resources results in a need for borrowing. Further details are set out in the Capital and Commercial Strategy in Section 4.

Table 5.1: The council's capital expenditure and financing plans

	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000
Capital expenditure						
General Fund	48,171	21,408	8,060	22,718	2,420	1,920
Capital Loans	0	1,000	0	0	0	0
Total General Fund Expenditure	**48,171**	**22,408**	**8,060**	**22,718**	**2,420**	**1,920**
Housing Revenue Account	**40,549**	**67,483**	**54,731**	**46,391**	**45,815**	**46,155**
TOTAL CAPITAL EXPENDITURE	**88,720**	**89,892**	**62,792**	**69,109**	**48,235**	**48,075**
Financing						
Capital receipts	5,898	13,794	24,940	3,328	457	490
Retained "one for one" RTB receipts	8,541	20,586	8,219	2,223	6,642	1,500
Major repairs reserve	22,400	27,752	17,428	17,782	18,076	18,354
Contributions and grants	41,005	15,903	7,684	2,236	1,850	1,850
Revenue contribution	114	0	0	23,128	20,711	25,881
Greater Norwich growth partnership	1,470	1,471	0	0	0	0
Community infrastructure levy	240	218	80	212	358	0
S106	1,600	1,986	0	0	0	0
Total	81,268	81,710	58,351	48,908	48,093	48,075
Borrowing need for the year	**7,451**	**8,181**	**4,441**	**20,200**	**142**	**0**
TOTAL FINANCING	**88,720**	**89,892**	**62,792**	**69,108**	**48,235**	**48,075**

The Authority's Borrowing Need (the Capital Financing Requirement)

5.29 The Capital Financing Requirement (CFR) calculation for 2026-2027 and future years of the capital programme is shown below in Table 5.2(i). This is the total historic outstanding capital expenditure yet to be financed from revenue or capital resources and a future projection of CFR based on capital expenditure plans. It is a measure of the council's indebtedness, and therefore its underlying borrowing need. The CFR also includes other long-term liabilities such as finance leases.

5.30 From 2025-2026 the CFR incorporates figures in relation to the new reporting requirements detailed within IFRS16. The reporting standard required that liabilities of certain leases previously accounted for through the revenue spend of the Council, to be shown on the balance sheet, for example, if the lease has more than a year to run or is above a de-minimis value. An example for Norwich is vehicles procured through an operating lease.

5.31 The Council implemented IFRS16 during 2024-2025. Officers collated the required data and model calculations to update the CFR and MRP for the Council. Processes are in place to ensure lease data is updated regularly and the impact on the authorised limit and operational boundary assessed as part of the closure of accounts process.

5.32 The general fund CFR does not increase indefinitely, as a Minimum Revenue Provision (MRP) is made each year which is a statutory annual revenue charge which broadly reduces indebtedness in line with each asset's expected life

5.33 The repayment of loan debt made to external organisations also reduces the CFR where the loan has been financed by borrowing.

Table 5.2(i): Capital Prudential Indicators

	2025-2026 Estimate £000	2026-2027 Estimate £000	2027-2028 Estimate £000	2028-2029 Estimate £000	2029-2030 Estimate £000	2030-2031 Estimate £000
General Fund	105,931	111,701	113,021	131,726	130,528	129,127
Housing Revenue Account	208,478	208,478	208,478	208,478	208,478	208,478
TOTAL	**314,409**	**320,179**	**321,499**	**340,204**	**339,006**	**337,605**
Movement in Capital financing requirement						
General fund	4,466	5,770	1,321	18,705	(1,198)	(1,401)
Housing Revenue Account	(54)	0	0	0	0	0
TOTAL	**4,412**	**5,770**	**1,321**	**18,705**	**(1,198)**	**(1,401)**

Liability Benchmark

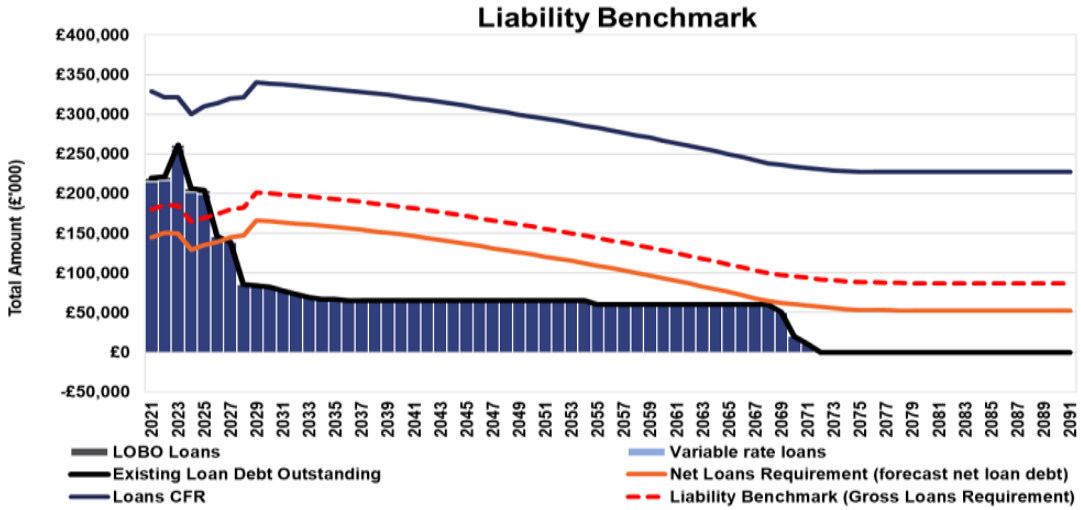
5.34 The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum. The Benchmark is included to determine the appropriate structure of the Councils external loans profile and is presented as a chart reflecting four balances as follows:

- Existing loan debt outstanding: the authority's existing loans which are still outstanding in future years.
- Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP taking account of approved prudential borrowing.
- Net loans requirement: the authority's gross loan debt, less treasury management investments, at the last financial year end, projected into the future based on its approved prudential borrowing, planned MRP and any other forecast major cash flows and,
- Liability benchmark (or Gross Loans Requirement) = Net loans requirement + short term liquidity allowance.

5.35 Chart 5.1 shows the Council's existing outstanding loan debt in the blue and grey bars bordered by the black line. The dark blue line at the top of the chart shows the Council's Capital Financing Requirement (CFR). The orange line shows the net outstanding loan position after deducting treasury

management investments. The red dotted line is the Liability Benchmark (Gross Loan requirement) which is net loans plus a liquidity allowance. The liability Benchmark is significantly below the CFR demonstrating the Councils is under borrowed externally and utilising internal borrowing instead.

Chart 5.1 Liability Benchmark



5.36 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances. Forward projections will be added in the final version of the Strategy appended to the budget papers.

Table 5.2(ii)

Estimated Resources	2025-2026 Estimate £000	2026-2027 Estimate £000	2027-2028 Estimate £000	2028-2029 Estimate £000	2029-2030 Estimate £000	2030-2031 Estimate £000
General Fund Reserve	8,249	8,249	8,249	8,249	8,249	8,249
GF Earmarked Reserves	16,074	14,665	14,465	14,265	14,165	14,165
HRA Reserve	55,030	59,087	63,225	44,317	27,911	6,421
HRA Earmarked Reserve	1,823	1,816	336	336	336	336
Capital Receipts Reserve	68,986	49,298	31,629	42,405	52,463	68,560
Major Repairs Reserve	10,866	0	0	0	0	0
Capital Grants Unapplied	1,760	1,726	1,692	1,692	1,692	1,692
Total Core Funds	**162,788**	**134,841**	**119,596**	**111,264**	**104,816**	**99,423**
Working Capital*	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
Expected Investment Balances	**100,000**	**100,000**	**100,000**	**90,000**	**70,000**	**60,000**

*Working capital balances shown are estimated as at year-end; these may be higher or lower during the year depending on the day-to-day demands.

Minimum Revenue Provision (MRP) Policy Statement

5.37 The MRP Policy Statement is set out in Appendix A. During 2023-2024 the Council engaged Link Asset Services (Now MUFG) to complete a review of its MRP policy. The review considered technical and regulatory guidance, and identified prudent policy changes the Council has adopted to meet its requirement to charge a Minimum Revenue Provision and reduce the financial impact on the medium-term financial plan.

5.38 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

5.39 The Council overpaid £6,982,000 of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over 40 years. From the 2026-2027 TM Strategy onwards, there is £5,410,000 over 31 years still to be released. The amount of voluntary revenue provision (VRP) made by the council to 31st March 2026 is £909,00. A further £33,000 VRP will be made in 2026-2027. From 2024-25 the calculations include the impact of IFRS16 on the MRP and VRP figures.

5.40 In accordance with the new regulations and guidance the Councils policy in respect of charging minimum revenue provision (MRP) on loans to third parties has been updated and full details are shown in Appendix A paragraphs 9-14).

5.41 Currently there is no requirement for the Housing Revenue Account to make MRP provisions, although a voluntary revenue provision can be considered. The benefit of such a provision would be to provide a mechanism for the prudential repayment of debt over the life of the

business plan. In the absence of a repayment mechanism, the business plan demonstrates that debt could continue to be financed via the resources available without a specific provision being made. The current position is kept under review and will continue to adopt a prudent approach, in line with national guidance and best practice.

Borrowing

5.42 The capital expenditure plans set out in Table 5.1 above, provide details of the service activity of the council for both the General Fund and HRA. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, ensuring that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. Further details of how the proposed capital programme is funded, are set out in the Capital and Commercial Strategy in Section 4.

Table 5.3: The Council's current Treasury investment and external borrowing position

	31/03/2025 Actuals £000	%	30/11/2025 Actuals £000	%
Investments				
Banks	34,237	34.0	44,154	39.1
Building Societies	0	0.0	0	0.0
Local Authority	35,000	34.7	20,000	17.7
UK Government	0	0.0	16,500	14.6
Money Market Funds	31,500	31.3	32,200	28.5
TOTAL	**100,737**	**100.0**	**112,854**	**100.0**
Borrowing				
PWLB	199,147	97.5	195,947	100.0
Banks	5,000	2.4	0	0.0
Others	170	0.1	22	0.0
TOTAL	**204,317**	**100.0**	**195,969**	**100.0**

5.43 On the 31st of December 2025, the council held £196,117,000 of external borrowing and £110,000,000 of treasury investments (including operational working cash balances).

5.44 During 2025-2026 the council has no plans to take on any new long-term borrowing.

5.45 Investment balances have increased slightly since the start of 2025-2026. This is mainly due to the timing of cash inflows and outflows during the year.

Maturity Structure of Borrowing Strategy

5.46 These lower and upper limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing.

Table 5.4: Maturity structure of borrowing

Maturity structure of fixed interest rate borrowing	Lower Limit	Upper Limit
Under 12 Months	0%	40%
12 months to 2 years	0%	60%
2 years to 5 years	0%	60%
5 years to 10 years	0%	60%
10 years to 15 years	0%	60%
15 years to 20 years	0%	60%
20 years and above	0%	80%

The table below summarises the council's forward projections for borrowing based on the assumptions given in Table 5.1 above.

5.47 The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5.5(i): Estimated forward projections for borrowing

	2025-2026 Estimate £000	2026-2027 Estimate £000	2027-2028 Estimate £000	2028-2029 Estimate £000	2029-2030 Estimate £000	2030-2031 Estimate £000
External Debt						
Debt as at 1 April	204,148	146,235	188,602	188,586	188,569	188,553
Expected change in debt	(58,200)	42,500	0	0	0	0
Change in Other long-term liabilities	287	(133)	(16)	(17)	(16)	(17)
Actual gross debt as at 31 March	**146,235**	**188,602**	**188,586**	**188,569**	**188,553**	**188,536**
Capital Financing Requirement	314,409	320,179	321,499	340,204	339,006	337,605
Under/(Over) borrowing	**168,174**	**131,577**	**132,913**	**151,635**	**150,453**	**149,069**

N.B. Other long-term liabilities are any liabilities and other credit arrangements that are outstanding for periods in excess of 12 months e.g. finance leases.

5.48 Over the six-year period covered by this TM Strategy, the following loan maturities and maturities refinancing are expected to occur. Current PWLB rate forecasts show borrowing rates remaining relatively high (see Table 5.7), therefore any maturities refinancing and or new borrowing will be monitored and adjusted if rates start to fall or there is a requirement to borrow in order to maintain prudent cash balances.

Table 5.5(ii): Estimated forward projections for borrowing (refinancing maturing loans)

Amount of Each Loan Maturing	Financial Year	New Borrowing	Financial Year
2,500,000	2025-2026	0	2025-2026
700,000	2025-2026	0	2025-2026
50,000,000	2025-2026	50,000,000*	2026-2027
2,500,000	2026-2027	0	2026-2027
5,000,000	2026-2027	0	2026-2027
50,000,000	2027-2028	50,000,000	2027-2028
2,500,000	2027-2028	2,500,000	2027-2028
2,000,000	2028-2029	2,000,000	2028-2029
2,000,000	2029-2030	2,000,000	2029-2030
2,000,000	2030-2031	2,000,000	2030-2031
119,700,000		**108,500,000**	

*Current strategy is to wait as long as possible to refinance due to interest rates, so this may fall into 2027-2028.

5.49 Within the range of prudential indicators there are several key indicators to ensure that the Authority operates its activities within defined limits. One of these is that the Authority needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026-2027 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

5.50 The Council's S.151 Officer reports that the Authority complied with this prudential indicator in the current year and does not envisage breaches in the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

5.51 During 2025-2026 the council will not take any new long-term borrowing. The subsequent high interest rate environment is being closely monitored in the light of further significant tranches of debt falling due from the end of 2027-2028.

5.52 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with external loan debt, as cash supporting the council's reserves, balances and cash flow is used as a temporary measure. This strategy is prudent as external loan interest rates are currently high and set to be at high levels for some time.

5.53 The council has been well served by this policy over the last few years. The Section 151 Officer will continue to review and adopt a pragmatic approach to changing circumstances to avoid incurring higher borrowing costs as set out below:

- If it is felt that there is a significant risk of a sharp FALL in long- and short-term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed and a potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper RISE in long- and short-term rates than that currently forecast, perhaps arising from sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Investment Property Review

5.54 The revised Treasury Management and Prudential codes require Councils to review assets held for investment purposes annually against ongoing borrowing requirements and consider disposal of those investments to finance borrowing where the sale of an investment is financially viable.

5.55 To inform its Investment Strategy and take into account the CIPFA code requirements, the Council commissioned a review of its investment portfolio with Jones Lang LaSalle (JLL). This has led to a revised asset management action plan and pipeline of disposals which has been updated in March 2024 and then again in March 2025. This has resulted in a number of asset disposals over the past 24 months and a further round of asset disposals is due to take place in 2026-2027 in line with the new 5-year plan.

Treasury Indicators 2025-2026 to 2030-2031

5.56 Table 5.6 below sets out the required affordable borrowing limit, namely:

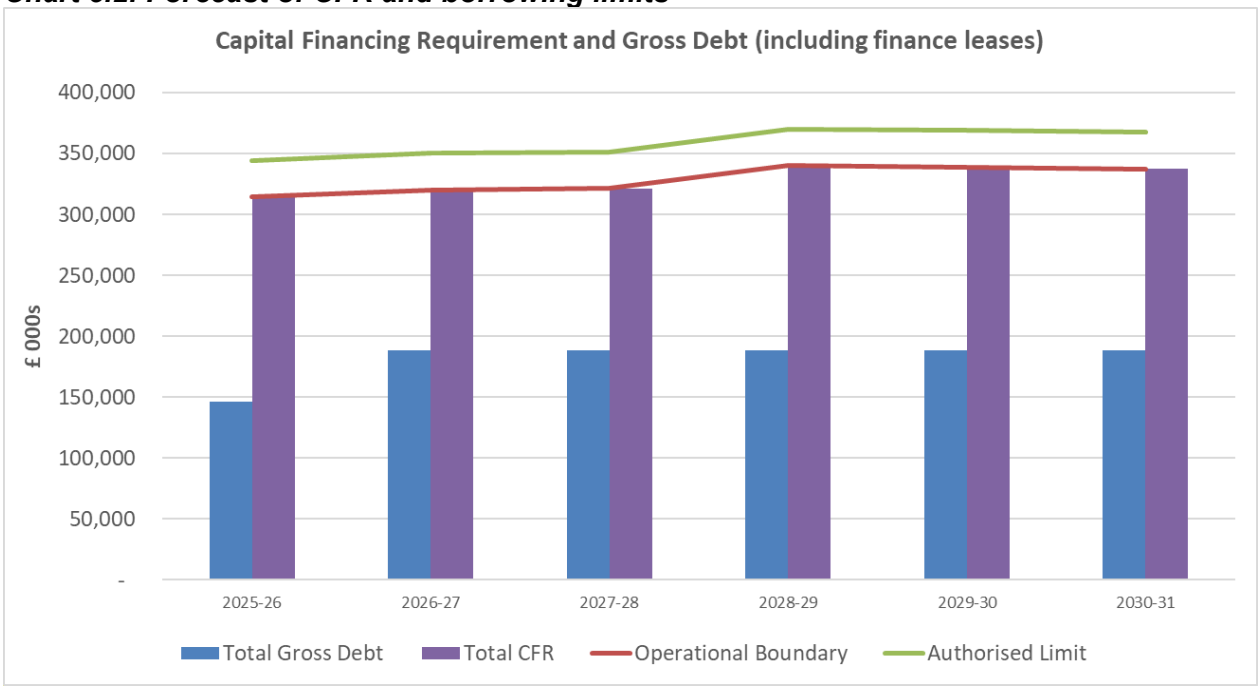
a. The operational boundary - the limit beyond which external debt is not normally expected to exceed.

b. The authorised limit for gross external debt - a statutory limit determined under section 3 (1) of the Local Government Act 2003. It represents the legal limit on the maximum level of borrowing beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It is also the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The Authority is asked to approve the Authorised Limit shown below.

Table 5.6: Treasury Indicators 2025-2026 to 2030-2031

	2025-2026 Estimate £000	2026-2027 Estimate £000	2027-2028 Estimate £000	2028-2029 Estimate £000	2029-2030 Estimate £000	2030-2031 Estimate £000
Gross Debt						
Borrowing	146,235	188,602	188,586	188,569	188,553	188,536
Operational boundary for external debt						
Operational boundary	314,409	320,179	321,499	340,204	339,006	337,605
Authorised limit for external debt						
Authorised limit	344,409	350,179	351,499	370,204	369,006	367,605
Actual external debt						
Borrowing	145,948	188,448	188,448	188,448	186,448	184,448
Debt maturity profile - all borrowing %						
Less than one year	26%	5%	28%	1%	1%	1%
Between one and two years	4%	36%	1%	1%	1%	1%
Between 2 and 5 years	28%	4%	4%	5%	6%	6%
Between 5 and 10 years	7%	9%	6%	4%	2%	1%
Between 10 and 15 years	1%	1%	0%	0%	0%	0%
Between 15 and 20 years	0%	0%	27%	54%	55%	56%
Over 20 years	34%	45%	34%	34%	35%	35%
Upper limit for fixed interest rates	100%	100%	100%	100%	100%	100%
Upper limit for variable interest rates	20%	20%	20%	20%	20%	20%
Upper limit for investments > 365 days	£30m	£30m	£30m	£30m	£30m	£30m
Current treasury investments as at 30/11/2024 in excess of 1 year maturing in each year	-	-	-	-	-	-

Chart 5.2: Forecast of CFR and borrowing limits



Prospects for Interest Rates

5.57 The Council's treasury advisor's assist the Council to formulate a view on interest rates. Arlingclose have provided the following forecasts as at December 2025.

Table 5.7 Interest Rate Forecasts

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.80	3.75	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.94	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
10yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.47	4.45	4.45	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
20yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	5.10	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
50yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.70	4.75	4.65	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
National Wealth Fund (NWF) Rate = Gilt yield + 0.40%
Source: Arlingclose

5.58 The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote,

supported holding rates steady, while four favoured a further reduction to 3.75%. On 17th December the Bank of England's Monetary Policy Committee voted a majority of 5-4 to cut the official Bank Rate by 0.25%, to 3.75%.

5.59 An extract of the Arlingclose commentary on the prospect for interest rate is shown below:

- The impact on the UK from the government's Autumn Budget is likely to be one of the major influences on the Authority's treasury management strategy for 2026-2027. Other influences will include lower short-term interest rates alongside higher medium and longer term rates, modest economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.

- The Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 4.00% in November 2025, following a 0.25% cut in August. At the November meeting, five members, including the Governor's deciding vote, supported holding rates steady, while four favoured a further reduction to 3.75%.

- The accompanying Monetary Policy Report projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending.

- CPI inflation was 3.8% in September 2025, unchanged from the previous two months and below the 4.0% expected. Core CPI eased to 3.5% from 3.6%, contrary to forecasts of a rise to 3.7%. The Bank of England's November Monetary Policy Report projects inflation to fall from this level - expected to mark the peak - to 3.2% by March 2026, before steadily returning to the 2% target by late 2026 or early 2027.

- The labour market continues to ease with rising unemployment, falling vacancies and flat inactivity. In the three months to September 2025, the unemployment rate increased to 5.0%, while the employment rate slipped to 75.0% and the inactivity rate held at 21.0%. Pay growth for the same period eased modestly, with total earnings (including bonuses) rising by 4.8% and regular pay up 4.6%. Going forward, the Bank predicts the unemployment rate will increase modestly to around 5.0% by around the end of 2025 before trending downwards at a gradual pace over the rest of the time horizon.

- The US Federal Reserve also continued to cut rates, most recently reducing the target range for the Federal Funds Rate by 0.25% at its October 2025 meeting, to 3.75%-4.00%, in line with expectations. The Federal Funds Rate was cut in December 2025, it is now 3.50% - 3.75%.

- The European Central Bank (ECB) kept its key interest rates unchanged in October for a third consecutive month, maintaining the deposit rate at

2.0% and the main refinancing rate at 2.15%. The ECB reiterated that future policy decisions will remain data-dependent, noting that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

- **Credit outlook:** Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years. While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on (the authority's treasury management advisor) Arlingclose's counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

- **Interest rate forecast (November 2025):** Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.75%. This forecast was issued ahead of the rate change in December 2025.

- Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

5.60 A more detailed economic and interest rate forecast provided the Councils Treasury Advisors (Arlingclose) as at November 2025 is shown at Appendix C.

PWLB Rates

5.61 PWLB interest rates on borrowing are expected to remain relatively high before following the base rate movement down over time. Table 5.7 above shows the Arlingclose forecast PWLB rates over the coming years. HM Treasury introduced a new HRA rate for PWLB lending on 15 June 2023, solely for the use in the HRA and intended primarily for new housing delivery. The Autumn Budget 2024 confirmed that the availability of this rate has now been extended to June 2026. In producing the forecast Arlingclose have taken into account the trends set out below.

5.62 Rather than embedding fixed target PWLB borrowing rates within the strategy itself, the approach taken by Arlingclose is to set out the underlying economic assumptions and interest rate outlook, and to use these to inform borrowing decisions as opportunities arise. This avoids the risk of the strategy becoming quickly dated if market conditions move materially.

5.63 Arlingclose expects Bank Rate to be cut gradually, reaching around 3.25% by mid-2026, with risks weighted to the downside. This reflects continued disinflation, easing labour market conditions and subdued economic growth. Medium and longer-term gilt yields, and therefore PWLB borrowing rates, are expected to remain elevated relative to Bank Rate due to term premia, ongoing quantitative tightening and sustained gilt issuance, although modest easing is expected over the medium term. As a result, current PWLB certainty rates remain at a premium to long-run Bank Rate expectations and borrowing decisions should be considered carefully within this context. The Arlingclose interest rate forecast for PWLB borrowing is shown above in Table 5.7.

Borrowing advice

- Given the current shape of the yield curve and forecast interest rate path, better value is generally available at the shorter end of the curve, subject to the Council's risk appetite and refinancing exposure. Short-dated fixed borrowing, including local authority to local authority loans, may therefore represent an attractive alternative to long-term PWLB borrowing at present, while temporary borrowing rates are expected to fall broadly in line with Bank Rate reductions.
- For budgeting purposes, investment income and interest payable assumptions are informed by the Arlingclose interest rate forecast less 25 basis points. Economic and market developments will continue to be monitored closely, with forecasts reviewed formally following the Bank of England's Monetary Policy Report and updated on an ad hoc basis as required.

Borrowing Strategy

5.64 The Council is currently maintaining an under-borrowed position. This means that the Capital Financing Requirement, has not been fully funded with loan debt, as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent

as medium and longer dated borrowing rates are expected to fall from their current levels.

5.65 Against this background and the risks within the economic forecast, caution will be adopted with the 2026-2027 treasury operations. The Council's S151 officer and the treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

5.66 Any borrowing decisions made by the Council's S151 Officer will be reported to the appropriate decision-making body at the next available opportunity.

Policy on borrowing in advance of need

5.67 CIPFA's Prudential Code allows borrowing in advance of need when changes in interest rates mean that it benefits the council to borrow before the planned expenditure is incurred. This will be considered carefully, and appropriate advice will be sought from the council's treasury management advisers.

5.68 Borrowing in advance of need from a treasury management perspective will be made within the following constraints:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 3 years in advance of need (current and next two financial years).

5.69 The risks associated with any advanced borrowing from a treasury management perspective will be subject to appraisal and will be reported via the mid-year or annual Treasury Management reports.

Debt rescheduling

5.70 Where short-term borrowing rates are cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

5.71 Any rescheduling will take account of:

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.72 If rescheduling is to be undertaken, it will be reported to the Treasury Management Committee, Cabinet and Council, at the earliest meeting following its action.

Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Internal (capital receipts & revenue balances)	●	●
Finance Leases	●	●

Annual Investment Strategy

Treasury investment policy

5.73 The council's treasury management investment policy has regard to MHCLG's Guidance on Local Government Investments ("the Guidance") and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") as well as the CIPFA Treasury Management Guidance Notes 2021. The Council's treasury management investment priorities will be Security first, Liquidity second, and then Yield.

5.74 All funds invested by the in-house treasury management team as part of the normal treasury management processes are made with reference to the cash flow requirements of the council and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Careful consideration will be given before investing sums identified for longer term investments.

5.75 The Council has defined the list of types of investment instruments that the treasury management team are authorised to use below.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

  In accordance with the Code, the Authority has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies (see Table 5.9).

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and

officers before being authorised for use. The Non-specified Investments are listed in Table 5.9.

5.76 The Council has engaged external consultants (Arlingclose) to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.

5.77 Full details of lending limits for each counterparty, transaction and duration limits for each type of investment are set out in Table 5.9 below. All investments will be denominated in sterling.

5.78 As a result of the change in accounting standards for 2023-2024 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31st March 2023. A further extension to the over-ride to 31st March 2029 had been agreed by Government investments made before 1 April 2024.

Risk Management and Creditworthiness Policy

5.79 Management of risk is placed in high priority in accordance with the MHCLG (DLUHC) and CIPFA Guidance. In order to minimise the risk to treasury investments, the council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which it maintains. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the long-term ratings. Credit rating information is supplied by Arlingclose, our treasury advisors, on all active counterparties that comply with the criteria below in Table 5.9.

5.80 Ratings will not be the sole determinant of the quality of an institution; the financial sector will be continuously monitored on both micro and macro basis and in relation to the economic and political environments in which these institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this, the council will engage with its advisors to watch the market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

5.81 Other information sources used will include the financial press, share price and other such information relating to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. For local authority or related counterparties, the financial standing and other available information will be considered before placing investments.

5.82 Where applicable consideration will be given to the materiality of expected credit losses for treasury investments before they are used.

5.83 The counterparty list for treasury investments may be revised from time to time and will submitted to council for approval as necessary.

5.84 In its selection process, the council will apply its approved minimum criteria to the lowest available rating for any institution. Credit rating information is supplied by Arlingclose; the Council's treasury consultants. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

5.85 Any rating changes, rating watches (notification of a possible change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Where a credit rating agency announces that a rating is on review for possible downgrade so that it may fall below the approved minimum rating criteria, then future investments (other than existing investments) will not be made with that organisation until the outcome of the review is announced.

5.86 Building Societies will be subject to an additional criterion where the assets on their balance sheet are taken into account to assess credit worthiness. The counterparty list will therefore permit investment with building societies where their credit ratings are below the minimum for banks/UK building societies, but where the assets on the building societies balance sheet exceed £2,500,000,000.

5.87 The list of types of investment instruments that the treasury management team are authorised to use are categorised as specified and non- specified investments.

- **Specified investments** that the Council will use are high security and high liquidity investments in sterling and with a maturity of no more than a year.

- **Non-specified investments** are high security, high credit quality, in some cases more complex instruments for periods in excess of one year.

5.88 The council will consider the use of new investment instruments after careful consideration by officers and approval by council.

5.89 While all investments will be denominated in sterling, investments will only be placed with counterparties from countries with a specified minimum sovereign rating in Table 5.10. Lending and transaction limits for each counterparty will be set in the Treasury Management Principles (TMPs) through applying the matrix Table 5.9 below.

Table 5.9: specified and non-specified investment approved instruments and limits

Counterparty/Financial instrument	Minimum Long-term Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
DMAF - UK Government	n/a	3 months	£30m	n/a	n/a
UK Government gilts	UK Sovereign rating	12 months	£15m	3 years	£5m
UK Government Treasury bills	UK Sovereign rating	6 months	£10m	n/a	n/a
Money Market Funds - CNAV	AAA	Liquid	£10m per fund	n/a	n/a
Money MARKET Funds - LVNAV	AAA			n/a	n/a
Money Market Funds - VNAV*	AAA			n/a	n/a
UK Local Authority term deposits (LA)**	n/a	12 months	£13m per LA	5 years	£5m per LA
Term Deposits with UK Building Societies	Assets worth at least £2.5bn but do not meet the minimum Bank/Building Society credit Criteria	12 months	£5m	n/a	n/a
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA+	12 months	£17m	12 months	£5m
	AA				
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	AA-	12 months	£10m	n/a	n/a
	A+				
	A				
Banks/UK Building Societies (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a
The Authority's own banker	A-	12 months	£15m (for day to day operational working capital requirements – not for investment purposes)	Non-specified investment if banker fails to meet the minimum credit criteria	balances will be minimised as far as is possible.
Property Funds	Credit loss analysis, financial and legal due diligence	n/a	n/a	n/a	£5m per fund
Loan Capital and other third party loans including parish councils	Subject to financial & legal due diligence	considered on individual basis	n/a	considered on individual basis	n/a

* Specialist advice will be obtained before the use of VNAV money market funds
** Investments with Local authorities will reviewed and considered on a case by case basis

5.90 Arlingclose have advised that the current £50,000,000 overall sector limit on MMFs could be removed entirely. No sector limit is required for MMFs due to their exceptional security and liquidity characteristics. MMFs are AAA-rated products that invest in a highly diversified portfolio of high-quality short-term instruments. They provide next-day access to funds, making them highly suitable for managing short-term liquidity needs. The structural protections within MMFs, including regulated liquidity buffers, daily pricing, and strict asset quality requirements, ensure that investors retain capital value and ready access to funds even under stressed market conditions. Nevertheless, diversification across five or more MMFs is encouraged to

mitigate the operational risk of temporary access issues with any single provider.

5.91 Officers propose to retain the individual amount held in Money Market Funds (MMF) of £10,000,000 to promote diversification across its MMF portfolio but remove the upper limit in accordance with advice from Arlingclose.

5.92 Arlingclose stated *'No sector limit is required for MMFs due to their exceptional security and liquidity characteristics. MMFs are AAA-rated products that invest in a highly diversified portfolio of high-quality short-term instruments. They provide next-day access to funds, making them highly suitable for managing short-term liquidity needs. The structural protections within MMFs, including regulated liquidity buffers, daily pricing, and strict asset quality requirements, ensure that investors retain capital value and ready access to funds even under stressed market conditions.'*

5.93 The Council currently has access to six Sustainable triple A rated Money Market Funds. The six funds are Sustainable Finance Disclosure Regulation – Article 8 compliant.

Sovereign limits

5.94 Alongside changes in banking regulations which are focused on improving the banking sectors resilience to financial and economic stress, due care will be taken to consider the country, group and sector exposure of the Council's investments.

5.95 The Council will only use approved counterparties from the UK and countries with a sovereign credit rating from the three main rating agencies equal to or above AA-. In addition:

- No more than 20% will be placed with any non-UK country at any time and would always be sterling investments
- Sector limits will be monitored regularly for appropriateness.

5.96 Due to the current economic outlook for the UK economy, the UK sovereign rating is currently on the lowest acceptable level suggested for approved countries of AA-. However, if credit rating agencies downgrade the UK below AA- (the minimum Sovereign rating for 2026-2027), the council will immediately seek advice from its treasury adviser and report to council at the earliest possible reporting date.

Table 5.10: Sovereign rating for 2026-2027

AAA	Sweden	**AA**
Australia	Switzerland	France
Denmark		
Germany	**AA+**	**AA-**
Luxembourg	Canada	Belgium
Netherlands	Finland	Hong Kong
Norway	USA	U.K.

Singapore		

Bank of England iteration UK bank stress tests

5.97 In addition to the use of credit ratings provided by the three main rating agencies the other factors identified in paragraphs 5.79 and 5.80 will be taken into consideration when selecting UK banks.

Money Market Funds (MMFs)

5.98 Money market funds are pooled investment vehicles consisting of instruments similar to those used by the council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager and analyst team. Fees are deducted from the interest paid to the council.

5.99 Arlingclose have advised that the current £50,000,000 overall sector limit on MMFs could be removed entirely. No sector limit is required for MMFs due to their exceptional security and liquidity characteristics.

5.100 The Council has access to six Sustainable triple A rated Money Market Funds. The six funds are Sustainable Finance Disclosure Regulation – Article 8 compliant.

Building societies

5.101 Although the regulation of building societies is no longer any different to that of banks, the council may use building societies which meet the minimum credit rating for Banks and Building Societies or have a minimum asset size of £2,500,000,000 but will restrict these types of investments to fixed deposits subject to lower cash limit and shorter time limit.

Current account banking

5.102 The council's current accounts are held with Barclays Bank UK Plc (Ring Fenced Bank RFB). In the event of the credit rating of Barclays Bank UK Plc (RFB) falling to a point lower than the council's minimum credit criteria of A- long term rating, the council will treat its bank as "high credit quality" for the purpose of making investments that can be withdrawn on the next working day.

UK banks – ring fencing

5.103 The council will continue to assess any newly formed entities against existing criteria and those with sufficiently high ratings will be considered for investment purposes.

Investment risk benchmarking

5.104 These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy

to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or annual Treasury Management report.

Security benchmark

5.105 Counterparty risk will increase as duration of investment increases. The council will continue its policy of investing the majority of its investments with duration of less than 12 months or/and to manage security risk through the approved counterparty list, which sets out specific maximum durations for each counterparty based on our ongoing and comprehensive credit analysis. The council's security risk benchmark is 0.040%. Arlingclose have indicated that for our current portfolio, when compared to the historic default tables our security risk is 0.034%. This benchmark the council uses is an average risk of default measure and will be monitored retrospectively and action taken to manage the security risk when considering future investments.

Liquidity

5.106 The council seeks to maintain the following Liquidity:

- Bank overdraft – zero balance
- Liquid short-term deposits of at least £1,000,000 available with a week's notice.
- Weighted average life benchmark is expected to be 0.50 years, with a maximum of 1.00 year. However, this benchmark may change if the Council decides to invest longer than 12 months.

Yield

5.107 Local measures of yield benchmarks are:

- Investments – internal returns above the 7-day SONIA (Sterling Overnight Index Average) rate.

Ethical investment Policy

5.108 The council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values.

5.109 This applies to direct treasury investment only, where the Council has full visibility over investment counterparties. The council's normal money market activity would usually be with financial institutions which may have unknown indirect links with companies which the council will be unable to monitor. However, where known links are publicly available the council will not knowingly invest.

Environmental, Social and Corporate Governance Policy

5.110 The updated Treasury Management Code published in December 2021 included a requirement under TMP1 that 'the organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations'. The Code acknowledges that this is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at the individual investment level. The council will continue to review and build on the emerging guidance in this area of treasury management as well as seek updates on good practice from its Treasury Management advisors.

5.111 The Council and its Members have a fiduciary duty to act in the best interests of local taxpayers in the management of the council's resources. The law is clear that the Members must primarily act in the best financial interests of local taxpayers. Broadly speaking, Members must take financially material considerations into account (i.e. those which may affect investment returns) but cannot take decisions based purely on non-financial factors. Additionally the S151 Officer has a duty to ensure the effective financial management of the local authority as a whole, meaning that there is a wider responsibility than simply applying a policy set by the Administration or the Full Council, i.e. to ensure that the financial interests of Council Tax Payers are protected effectively, such as balancing the budget but also then in determining the best way to balance the financial viability of investments with the political priorities of the Administration and/or the Full Council.

5.112 The Council recognises that environment, social and governance (ESG) factors can influence investment performance and the ability to achieve sustainable returns. The Councils Treasury Management (TM) Committee therefore considers the following two key areas of responsible investment:

- Corporate Governance – acting as responsible and active investors.
- Sustainable investment – considering the financial impact of environmental, social and governance (ESG) factors on its investments.

5.113 The TM Committee takes ESG matters very seriously and will regularly conduct reviews of its policies in this area with advice from its Treasury Advisors. The TM Committee has developed the following responsible investment beliefs.

- The TM Committee has an overriding duty to manage its investments in accordance with the Committees Terms of reference and the council's legal obligation under the Local Government Act 2003;

- The Committee will adopt the relevant codes of practice and guidance issued by CIPFA (Chartered Institute of Public Finance & Accountancy) and the DLUHC (Department for Levelling Up, Housing and Communities) including CIPFA's Treasury Management Code of practice and the Prudential Code.

- The TM Committee consider proactive management of our ESG approach and will therefore encourage the Council's TM Advisers to actively engage with officers and the financial markets to identify suitable counterparty's and investments.

5.114 As part of their Environmental, Social and Governance (ESG) considerations, our TM Advisors should review the market for approaches to environmental factors such as fossil fuels and climate change along with Social factors such as employee rights and Governance factors such as compliance with standard industry practice and Legislation.

5.115 The TM Committee expects its advisors to demonstrate a positive review of the market in response to:

- Matters of social responsibility.
- Environmental policy on how their impact can be minimised.
- Monitor risks and opportunities associated with climate change and fossil fuels.
- Anticipate future legislative requirements.

5.116 As part of the Council's Counterparty list, the Council has access to six Sustainable triple A rated Money Market Funds. The six funds are Sustainable Finance Disclosure Regulation – Article 8 compliant (funds that promote environmental or social characteristics and must include information on how their environmental or social characteristics are met in their annual reports). This allows the Council to place a significant proportion of its surplus cash in an ESG focused products which are also low risk (AAA rated), provide next day liquidity and a market rate return.

5.117 Where the Council opens further Money Market Funds these will be Sustainable Finance Disclosure Regulation (SFDR Article 8 compliant (or equivalent), AAA rated Money Market Funds (MMF's).

5.118 The Council will continue to work with its Treasury advisors to identify suitable ESG or Ethical investment options in accordance with the credit rating criteria set out in Table 5.9.

Policy on charging interest to the Housing Revenue Account (HRA)

5.119 Following the reform of housing finance, the council can adopt its own policy on sharing interest costs and income between the General Fund (GF) and the Housing Revenue Account (HRA).

5.120 The CIPFA Code recommends that authorities state their policy on this matter each year in their treasury management strategy. The charge is required to be fair to the general fund and to the HRA. This council's policy is to charge the HRA with actual interest on external debt plus an element for any under-borrowing and pay interest income on surplus cash at the Council's pooled borrowing/investment rates.

Policy on use of financial derivatives

5.121 The council will not use standalone derivatives except where they can be clearly demonstrated to reduce the overall level of financial risk that the council is exposed to.

List of Appendices

Appendix A: Minimum Revenue Provision (MRP) policy statement
Appendix B: Key Financial, Prudential and treasury indicators
Appendix C: Economic background
Appendix D: Treasury management scheme of delegation
Appendix E: The treasury management role of the section 151 officer

APPENDIX A

Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

1. In 2023-2024, the Authority's MRP policy was subject to a comprehensive review of MRP charges and methodology by the Council's Treasury Advisors. This policy reflects the new MRP calculation methods that have been implemented.

2. For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation and will take account of the regulatory calculated Adjustment A, which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2008.

3. Unsupported borrowing will be subject to MRP under option 3 of the guidance (Asset Life Method). MRP will be based on the estimated life of the assets in accordance with the statutory guidance using the annuity method, calculated on a weighted average basis.

4. MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset lives as recommended by the statutory guidance.

5. The interest rate applied to the annuity calculations will reflect the market conditions at the time and will, for the current financial year, be based on PWLB annuity rates.

6. Where applicable, repayments included in annual PFI are applied as MRP. MRP on leased right of use assets are calculated on an annuity basis.

7. MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory minimum revenue provision (MRP), i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The Council overpaid £6,982,000 of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over 40 years. From the 2026-2027 TM Strategy onwards, there is £5,410,000 over 31 years still to be released. The amount of VRP made by the council to 31st March 2026 is £909,000. A further £33,000 VRP will be made in 2026-2027. From 2024-2025 the calculations include the impact of IFRS16 on the MRP and VRP figures.

8. MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for asset under construction where the MRP will be deferred until the year after the asset becomes operational.

9. For capital loans which are classed as non-commercial and have not been subject to a recognised credit loss in the current or any previous financial year the Council has chosen not to provide MRP.

10. For capital loans which are classed as commercial and have not been subject to a recognised credit loss in the current or any previous financial year then the Council will provide MRP over the useful life of the assets purchased by the third party.

11. Capital receipts received from the non-commercial and commercial loan repayments in the financial year will be used to reduce the debt liability i.e. the capital receipts will be used in lieu of MRP to reduce the CFR.

12. For capital loans to third parties granted before 7th May 2024 - Where those loans have been subject to an actual or expected credit loss in the current or any previous financial year then MRP will be provided in each financial year over the useful life of the assets purchased by the third party.

13. For capital loans to third parties granted on or after 7th May 2024 - Where those loans are subject to an expected or actual credit loss, then the MRP charge will be at least the amount of the recognised credit loss for the financial year, after adjusting for any previous MRP or capital receipts applied to the loan.

14. For supported capital expenditure incurred before 1st April 2008, the Authority will apply the Asset Life Method using an annuity calculation and will take account of the regulatory calculated Adjustment A, which was a means of maintaining broad neutrality between the old and new MRP systems that took effect prior to April 2008. This methodology writes down the debt liability over a much shorter period than the regulatory method and is therefore deemed prudent.

Appendix B

1. Key Financial, Capital Prudential and Treasury Indicators 2025-2026 – 2030-2031

Background

1.1 Local government finance is subject to a high level of regulation. There are various codes of practice which the council, under legislation, has a duty to have regard to when taking its budget decisions.

1.2 This section of the report provides information to show the affordability, proportionality, and value of potential risk exposure with regard to the council's proposals for borrowing, lending to third parties, investment in equity shares in third parties, as well as its commercial income streams.

1.3 MHCLG has suggested various financial indices that could be used to fulfil this requirement and recommends that councils should "where appropriate" consider setting self-assessed limits or targets for these indices.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

1.4 For the majority of indicators, the council has not elected to set self-assessed limits. This will be kept under review as better benchmarking data becomes available from other authorities. The annual limit regarding borrowing along with a number of other prudential and Treasury Management indicators are set in the above Treasury Management Strategy.

1.5 The indices chosen as being the most appropriate for the council's circumstances at present take as their starting point figures from the 2024/25 draft statement of accounts and project these forward for this financial year and the five following years.

1.6 The MHCLG do not specify any indices for the HRA – they are given in the tables that follow where appropriate to do so using locally derived indicators.

Key Financial Indicators Balance Sheet position - strong

1.7 The balance sheet provides a "snapshot" of the council's financial position at a specific point in time showing what it owns and owes. The council currently has a strong balance sheet position. The balance sheet in the draft 2024-2025 statement of accounts shows total long-term assets valued at £1,223,000,000, most of which are land and property assets including the council's HRA housing. The Councils usable Reserves totals £178,000,000.

1.8 As at 31 March 2025, the council had external borrowing of £205,000,000 (£151,000,000 long-term, £54,000,000 short-term) which is 17% of the value of the council's assets. In addition, the council had borrowed £105,000,000 internally from its own cash holdings to temporarily fund capital expenditure and investments. The total long-term indebtedness of the council at the end of

last financial year was therefore £310,000,000 (this figure is known as the capital financing requirement (CFR)).

1.9 Long term investments (equity shares) as at the 31 March 2025 include a £2,800,000 shareholding in Lion Homes (Norwich) Ltd (LHL) and £370,000 shareholding in Norwich City Services Ltd (NCSL).

1.10 In 2024-2025 long term debtors, the amounts lent to third parties on commercial terms comprise of two loans to NCSL totalling £1,680,000, (two working capital loans), and a £43,000 loan to Norwich Preservation Trust. The council also makes "soft" loans (on non-commercial terms) to others, for example home improvement loans to residents. Only the lending undertaken on commercial terms needs to be considered as part of the requirements arising from the revised Investment Code.

Forecast Balance Sheet position

1.11 The council's budget proposals contained within this budget report will result in a growing balance sheet both in terms of the long-term assets that will be held by the council (in particular social housing and long-term debtors) as well as its long-term liabilities (its capital financing requirement or underlying need to borrow).

Core Funds and Expected Investment Balances

1.12 The application of resources (reserves, capital receipts etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). A table detailing estimated year-end balances for each resource and anticipated day-to-day cash flow balances are included in the main Treasury Management Strategy document.

2. Capital Prudential and Treasury Indicators

2.1 Capital Expenditure - The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. The Capital expenditure plans are shown in the Treasury Management Strategy document.

2.2 Affordability Prudential Indicators - The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances.

2.3 The Council's Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals. The authority's Minimum Revenue Provision (MRP) policy will also have a critical impact on the overall affordability of new borrowing. The MRP charges changed during 2024-2025, due to the implementation of IFRS16, meaning

that leased assets are now included on the balance sheet as a 'Right Of Use' assets and liability, and the MRP charges increased to reflect the revenue repayment due each year. This indicator identifies the trend in the Capital Financing costs are shown as a % net revenue stream (taxation and non-specific grant income excluding capital grants, contributions and donated assets).

	2024-2025 Actual	2025-2026 Estimate	2026-2027 Estimate	2027-2028 Estimate	2028-2029 Estimate	2029-2030 Estimate	2030-2031 Estimate
	£000	£000	£000	£000	£000	£000	£000
Capital Financing costs as a% of Net Revenue Stream							
Non-HRA	11%	11%	5%	7%	4%	4%	4%
HRA	8%	8%	5%	9%	10%	10%	10%

2.4 This indicator shows the HRA debt per dwelling and shows a consistent estimated debt of £15,000 per dwelling, with a small increase in the forecast cost per dwelling to reflect additional borrowing requirements flagged in the HRA capital programme for 2030-2031.

	2024-2025 Actual	2025-2026 Estimate	2026-2027 Estimate	2027-2028 Estimate	2028-2029 Estimate	2029-2030 Estimate	2030-2031 Estimate
	£000	£000	£000	£000	£000	£000	£000
HRA Debt per Dwelling							
HRA debt £m (CFR)	208,532	208,478	208,478	208,478	208,478	208,478	208,478
Number of HRA dwellings	14,211	14,130	13,944	13,844	13,877	13,829	13,779
Debt per dwelling £	14,674	14,754	14,951	15,059	15,023	15,075	15,130

Maturity Structure of Borrowing

2.5 Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The maturity structure of borrowing is shown in the main Treasury Management Strategy.

Control of Interest Rate Exposure

2.6 The measures to manage the Control of interest rate exposure (including Interest rate forecasts, Prospect for Interest Rates, Borrowing Strategy and Annual Investment Strategy) are shown in the main Treasury Management Strategy.

3. **The Council's non-financial (commercial) investments to net Revenue Stream**

3.1 This ratio shows the general fund's dependence on commercial income to deliver core general fund services. The ratio is shown as a % against net revenue stream (taxation and non-specific grant income excluding capital

grants, contributions and donated assets). The expenditure data includes a notional interest cost of £1.755m for associated borrowing costs for investment properties that were purchased between 2017-2020.

Net commercial income to Net Revenue Stream

	2024/25 Actual £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000
Commercial Property Income	-6,154	-5,969	-5,969	-5,969	-5,969	-5,969	-5,969
Commercial Property Expenditure	4,250	4,267	4,280	4,292	4,305	4,305	4,305
MRP	850	871	894	916	939	963	988
Net Commercial Property Income	**(1,054)**	**(831)**	**(795)**	**(761)**	**(725)**	**(701)**	**(676)**
Lending interest income	(321)	(318)	(316)	(316)	(316)	(316)	(316)
Assumed lending cost	156	156	156	156	156	156	156
Net 3rd Party Lending Income	**(165)**	**(162)**	**(160)**	**(160)**	**(160)**	**(160)**	**(160)**
Net Commercial Income	**(1,219)**	**(993)**	**(955)**	**(921)**	**(884)**	**(861)**	**(836)**
Net Revenue Stream	**-29,032**	**-26,173**	**-26,355**	**-27,025**	**-27,719**	**-28,441**	**-29,189**
Net Commercial Income as a % of Net Revenue Stream	**4%**	**4%**	**4%**	**3%**	**3%**	**3%**	**3%**

3.2 For 2025-2026 onwards the net and gross income from Commercial property are based on the proposed budget assumptions. Income from the council's car parks is not included in this analysis as the primary reason for owning and managing them is not solely for-profit making purposes.

Appendix C
ECONOMIC BACKGROUND

Arlingclose Economic & Interest Rate Forecast – November 2025

Underlying assumptions:

- The economic data, monetary and fiscal commentary have heightened the downside risks to our Bank Rate forecast, making rate cuts beyond 3.75% increasingly likely. As noted in the September forecast, however, we expect the Budget on 26th November 2025 to be the deciding factor for the path for interest rates. We will therefore review our interest rate forecast after this event.
- The MPC maintained Bank Rate at 4.0% in a dovish 5-4 vote, but a cut to 3.75% looks increasingly likely as the Governor teeters precariously on the divide between the hold and cut camps. While denying the Budget was an influence on his decision, it surely played into his desire to have more information before easing policy.
- Inflation surprised by holding at 3.8% in September and is forecast to fall to 3.5% by year end. However, household inflation expectations have picked up, likely largely the result of the noticeable rise in food prices, feeding caution among some policymakers.
- While services inflation remains somewhat elevated, spare capacity has opened up in the labour market and wage growth is moderating, which should place further downward pressure on inflation. Continuation of the rapid growth in administered prices is also unlikely to occur to the same extent.
- Underlying GDP growth remains subdued. While H1 2025 has been relatively strong, Q3 GDP growth has slowed, with July/August's figures suggesting a lack of momentum. Business investment is lacklustre and private sector output constrained by weaker domestic demand and spending. Ongoing uncertainty over the global outlook is still discouraging capital investment, particularly in the manufacturing sector. Downside risks persist, most notably the high probability of a tighter fiscal environment after the Budget, which may place downward pressure on consumption and growth.
- A more hawkish fiscal stance and easing inflation expectations have delivered lower gilt yields for the government. Given the outlook for growth and inflation, the key risk for yields appears to be Labour getting its own party on side with broad-based tax rises. Failure to do so could once again undermine credibility and lift gilt yields. Other factors continue to influence yields and boost term premia, the persistence of which is difficult to estimate.

Forecast:

- Bank Rate was retained at 4.0% in November. We continue to forecast a 0.25% rate cut in December to 3.75%.
- The UK Budget is an inflection point that may materially change the interest rate outlook. We will further review our interest rate forecast after this event; if in line with our expectations, our central forecast for Bank Rate will likely decrease below 3.75%.

- Short yields have declined to reflect a lower path for Bank Rate.
- Medium and long-term gilt yields have also declined but remain elevated for various reasons, both domestic and international. These issues may not be resolved quickly, but the UK Budget will be a key market driver.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
Official Bank Rate													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.80	3.75	3.80	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.94	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
10yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.47	4.45	4.45	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40	4.40
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-1.00	-1.05	-1.10	-1.10	-1.10	-1.10
20yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	5.10	5.10	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95
50yr gilt yield													
Upside risk	0.00	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.70	4.75	4.65	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70	4.70
Downside risk	0.00	-0.55	-0.60	-0.70	-0.80	-0.90	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95	-0.95

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix D

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Cabinet and Full council – Responsible Body

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

(ii) Treasury Management Committee - Body with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix E

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER
The S151 (responsible) officer

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

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both Codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management).

- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe *(*ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority
- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -

    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

CHIEF FINANCE OFFICER'S STATEMENT

Statutory requirements

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

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council. This should be accompanied by a Reserves Strategy.

6.2 CIPFA published a new Financial Management (FM) Code in October 2019. One of the 17 standards included in the new Code is 'the budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.' The statement is updated considering the prevailing circumstances and assessment of relevant risks each financial year.

6.3 This document concentrates on the General Fund budget, the Housing Revenue Account and Capital Investment Programme, but in addition it also considers key medium-term issues faced by the Council.

Assurance Statement of the Council's Section 151 Officer

6.4 The following are the summary assurances and recommendations of the Council's Section 151 Officer. They must be read in conjunction with the supporting statements in this Section, which together make up the Section 151 Officer's statutory duty to report under Section 25 of the Local Government Act 2003.

6.5 In relation to the 2026 - 2027 General Fund Revenue budget, I have examined the budget proposals and I believe that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given the political and management desire to implement the changes. Good management and the sound monitoring of performance and budgets, including the tracking of savings achieved, will be essential.

6.6 I am satisfied that sufficient management processes exist within the Council to deliver this budget, indeed the budget includes proposals for the development of the Finance function in support of the S151 responsibilities which "…requires local authorities to make arrangements for the proper administration of their financial affairs…" following a comprehensive review of the capacity, skills and knowledge base required to comply with this statutory duty.

6.7 My recommendations are also conditional upon:

a) The Council approving the updated Medium Term Financial Strategy for 2026 - 2027 to 2030 - 2031.

b) A recognition in the medium-term planning approach that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it may not be possible to match the two at any single point in time. The Council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic and shows a clear commitment to prudent contingency planning.

c) It must be noted, however, that the recommended levels of reserves could still leave the Council exposed to the very exceptional risks identified in this review and, if all those risks crystallised at the same time, then the total level of reserves could be inadequate.

d) Cabinet Members, Chief Executive, Executive Directors, and managers not exceeding their cash limits.

e) Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. It is not prudent to finance ongoing spending from one-off reserves. Any excess reserves should be targeted towards business transformation (including redundancies and invest to save initiatives), Local Government funding changes and the impacts of significant changes in national policy.

f) That the Council has arrangements and resources in place to consider and assess value for money across the delivery of all its services and operations in preparation for future years' budgets.

6.8 In relation to the adequacy of reserves, I recommend the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment. The Reserves Strategy will need to be reviewed annually and adjusted in the light of the prevailing circumstances.

g) An absolute minimum level of unallocated General Fund reserves of £5,500,000 is maintained throughout the period between 2026 - 2027 to 2030 - 2031.

h) An optimal level of unallocated General Fund reserves of £10,200,000 over the period 2026 - 2027 to 2030 - 2031 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances.

i) A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2026 - 2027 to 2030 - 2031.

6.9 The estimated level of unallocated General Fund reserves at 31 March 2026, based on current projections is £8,249,000 depending on the final outturn position. Therefore:

j) The absolute minimum level of reserves of £5,500,000 is currently being achieved. b) The optimal level of reserves of £10,000,000 criteria is not being achieved for 2025 - 2026. It should be noted however that there are a number of potential significant changes that are anticipated to support growth over the medium-term that require investment initially in order to secure the growth, such as some of the anticipated major capital projects. The potential benefits include potential improved

income streams which could be utilised to strengthen reserves further in the medium-term.

k) Reserves should remain within the recommended range of reserves during 2025 - 2026. This is subject to the cash limited budget for 2025 - 2026 being met.

6.10 These recommendations are made based on:

l) The risks identified by the Chief Executive and Executive Directors reviews of their budgets including the budget risks set out in section 2 of this report.

m) My own enquiries during the development of the current budget proposals.

n) The resilience and sustainability required to deliver the Medium-Term Financial Strategy.

o) One-off unallocated reserves not being used to fund new on-going commitments.

p) That the reserves are used only if risks materialise and cannot be contained by management or policy actions.

q) That where reservees are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Strategy.

6.11 There are also serious exceptional risks which, if they crystallise, could significantly impact the Council's reserves, and leave its financial standing in question. These include:

r) The impact of inflationary pressures both directly on the council's expenditures but also secondary impacts on retained business rate levels, levels of bad debt and increases in service demands. It should be noted that whilst overall local government funding has increased there is a concern nationally that funding is not keeping up with specific inflationary factors affecting the sector.

s) The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2025 - 2026.

t) The financial uncertainty for the public sector arising from the prevailing and continuing national and local conditions.

u) The risk of further significant reductions in income and Government grant funding, particularly in relation to:

- Decline in the Council Tax base and Business Rates base.
- Business Rates appeals from the previous revaluation exercises.
- Further changes to the way in which Local Government is financed especially after the 2027 - 2028 settlement.
- Future Government changes in policy and funding for Local Government, particularly the impact and timing of the implementation of the Government's devolution policy.
- The need to address the Country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit.

v) Insurance Claims.

6.12 In relation to the Housing Revenue Account (HRA) in 2026 - 2027 and the medium to long term:

w) Given the status of housing management provision the recommendation is that the HRA general reserve be set at the target figure of £4,800,000.

x) Forward projections for the HRA have been undertaken with a revised 30-year business plan, which is reviewed and updated annually. This is linked to the HRA's own Medium Term Financial Strategy for the period 2026 - 2027 to 2030 - 2031. The current position demonstrates that it is possible to:

- Maintain a balanced HRA throughout that period.
- Meet current level of capital investment, and
- Repayment of required debt.

6.13 In relation to the General Fund and HRA Capital Investment Programme 2026 - 2027 to 2030 - 2031 (including commitments from previous years and new starts):

y) The HRA Capital Programme will need to be contained within the total programme cost.

z) The General Fund Capital Budget is substantial and is based on the best information available in terms of project costs. What is less certain, based on historic performance, is the actual phasing of expenditure.

aa) The key strategic schemes identified in the capital investment programme will be closely monitored in-year.

bb) That the financing identified for the approved capital investment programme is delivered and is proportionate, prudent, affordable, and sustainable.

6.14 In relation to the medium to long term capital investment programme:

cc) The delivery of the agreed Capital Strategy and Asset Management Plan is a critical priority to enable the matching of resources to needs and priorities.

6.15 Given all these factors, I, as the Council's Section 151 Officer, consider the estimates for 2026 - 2027 to be sufficiently robust and recommend for approval by the Council. I am also able to advise the Council that the level of General Fund Reserves is adequate and to recommend a Reserves Strategy which is achievable for 2026 - 2027 to 2030 - 2031.

Supporting Statements

6.16 Budget estimates are exactly that – estimates of spending and income made at a point in time and which will change as circumstances change. This statement about the robustness of estimates cannot give a 100% guarantee about the budget but gives Members reasonable assurance that the budget has been based on the best information and assumptions available at the time.

6.17 To meet the requirement on the robustness of estimates several key processes have been put in place, including:

dd) The issuing of clear guidance to Services on preparing budgets including the requirement to provide information in support of the base budget review work.

ee) The development of a Council wide risk assessment.

ff) The use of extensive budget monitoring and its escalation process to identify risks.

gg) The Council's S151 Officer providing advice throughout the process of budget preparation and budget monitoring.

hh) The Chief Executive and Executive Directors review of their budgets and appropriate sensitivity analysis.

ii) A review of all budget proposals and implications by the Corporate Leadership Team (CLT).

jj) A review of budget proposals and implications by Cabinet Members.

kk) Enquiries made directly by the Section 151 Officer and Finance Officers.

6.18 Notwithstanding these arrangements, which are designed to rigorously test the budget throughout its various stages of development, considerable reliance is placed on the Chief Executive, Executive Directors and Directors having proper arrangements in place to identify issues, project costs, service demands, income levels, to consider value for money and efficiency, and to implement changes in their service plans.

6.19 A summary of the key budget assumptions considered by Services and financial staff in terms of assessing the robustness of their budgets are shown below:

ll) The treatment of inflation and interest rates.

mm) The treatment of demand led pressures.

nn) The treatment of efficiency savings/productivity gains.

oo) The financial risks inherent in any significant new partnerships or major capital developments.

pp) The availability of other funds to deal with major contingencies.

qq) The service's track record in budget and financial management.

rr) The service's capacity to manage in-year budget pressures.

6.20 There are plans in place for the improvement and development of the council's core systems including both Financial and HR systems and the Housing system. This will strengthen the authority's capacity and ability to monitor more effectively the overall budget.

6.21 Continual improvement to these processes will also assist in the prevention or at least the earlier identification of issues to be dealt with in the budget and Medium-Term Financial Strategy and allow for any in-year rebalancing to be undertaken as soon as possible if required. Nevertheless, in preparing a comprehensive budget for an organisation such as Norwich City Council, unforeseen issues will undoubtedly still arise throughout the year and in the future.

Robustness of Estimates - General Fund Revenue Budget

6.22 The 2026 - 2027 budget and Medium-Term Financial Strategy, the commitment to target financial resources to deliver better outcomes and effectively manage risks remains. In addition to improving efficiency, there are clearly potential choices for the Council in this respect as future circumstances evolve:

ss) To increase financial resources to meet demand and reduce risk, and/or

tt) To reduce (where possible) service levels and standards, frequency of service delivery, and eligibility for services.

6.23 As part of developing the budget, Members of the administration have considered these options and the outcome of these deliberations are reflected in the proposed overall budget package.

6.24 Most notably the Council has had to address major cost increases and pressures as well as corporate priorities including:

uu) Employee costs.

vv) The cost of prudential borrowing within the capital programme.

ww) Shortfalls in income and grant income.

xx) Inflation whether in terms of contractual commitments or broader inflationary pressures.

6.25 The importance of understanding the learning available from the annual financial cycle of key events, i.e. the production of the outturn position and the Statement of Accounts, the developing understanding of financial issues reflected within the budget management and outturn forecasting and the appropriate reflection of these changing circumstances, sensitivity of assumptions and key policy and strategic decisions, continues to be paramount.

Financial Sustainability Strategy

6.26 The Council will continue to develop the relationship between its corporate plan and the budget, which is designed to frame its financial future and intentions. This helps set the context for the Medium-Term Financial Strategy, guide the Council's approach to maximising resources, prioritising investment, and the effective targeting of resources to deliver the Council's ambitions and outcomes.

6.27 The Council's approach, ambition, and commitment to achieving financial sustainability, given the level of funding uncertainty, by embracing the area's economic potential, growing the local tax base, and increasing sustainable income capabilities that support the delivery of the Council's five corporate priorities.

Medium Term Financial Strategy

6.28 The Council needs to deliver its Medium-Term Financial Strategy reflecting the continuing impact of the proposed budget and planned growth in relation to issues that support and underpin the delivery of statutory responsibilities and best value. Within the current uncertain financial climate, it is very likely that service improvement and reasonable Council Tax increases, without key service reductions, will only be achieved through

improving efficiency, clear prioritisation and adopting a commercial approach to income generation.

6.29 The Government's multi-year funding settlements from 2026 – 2027 onwards, underpinned by a fundamental review of Local Government financing, provides the prospect of greater certainty in financial planning, but doesn't alter the risk that funding for Norwich City Council will not meet the demand experienced locally.

Adequacy of Reserves – General Fund Revenue Budget

6.30 Under the Local Government 2003 Act the Secretary of State has powers to set a minimum level of reserves. The most likely use of this power is where an authority is running down its reserves against the advice of their S151 Officer.

6.31 Determining the appropriate levels of reserves is not a precise science or a formula e.g. a simple percentage of the Council's budget. It is the Council's safety net for risks, unforeseen or other circumstances. The reserves must last the lifetime of the Council unless contributions are made from future years' revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the council as these can and will change over time.

6.32 Determining the appropriate levels of reserves is a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget preparation, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions, and the Council's track record in budget management. It is also a professional judgement on the external factors that influence the Council's current and future funding position.

6.33 The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run the serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

6.34 The recommendation on the prudent level of reserves has been based on the robustness of estimate information and the Corporate Risk Register. In addition, the other strategic operational and financial risks considered when recommending the minimum level of unallocated General Fund reserves include:

yy) There is always some degree of uncertainty over whether the full effects of any economising measures and/or service reductions will be achieved. The Executive Directors have been requested to be prudent in their assumptions and that those assumptions, particularly about demand led budgets, will hold true in changing circumstances.

zz) The Bellwin Scheme Emergency Financial Assistance to Local Authorities helps in the event of an emergency. The Local Authority can claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.

aaa) The risk of major litigation, both current and in the future.

bbb) The Local Council Tax Support Scheme with less Government funding and increases in caseload at the Council's own risk

ccc) Issues arising from the final Housing Benefit Subsidy Claim.

ddd) The localisation of Business Rates including the impact of businesses declining in the city boundaries and the mitigation of risks and rewards through pooling.

eee) New and impending legislation.

fff) The need to retain a general contingency within the budget estimates to provide for some measure of unforeseen circumstances which may arise.

ggg) The need to retain reserves for general day-to-day cash flow needs. This is minimal given the level of cash the Council holds at any given time.

hhh) The potential impact nationally, regionally, and locally of new climate change initiatives and commitment to our environmental agenda; the impact that Nutrient Neutrality is having on planning permissions and the subsequent income streams associated with development.

iii) The longer-term impact of global events, such as conflicts and international trade, on the finances and operational arrangements of the Council.

6.35 Further exceptional risks identified may have a potential and serious call on reserves. The Council is advised to be cautious about these risks and commit to maintaining an appropriate level of reserves in relation to the evolving risk profile and the assumptions reflected within the budget and the Medium-Term Financial Strategy.

6.36 In these circumstances, I will require the Council, Cabinet, Chief Executive, Executive Directors and Directors:

jjj) To remain within their service budget for 2026 - 2027 and within agreed medium term financial strategy parameters for future years with a strict adherence to recovering overspends within future years' financial plan targets.

kkk) Repayment to reserves in line with the Medium-Term Financial Strategy should these risks materialise.

lll) Direct any windfall revenue savings/underspends to reserves should the General Fund Revenue Reserves Strategy require it.

Estimated Earmarked General Fund Revenue Reserves

6.37 I have reviewed the Council's General Fund earmarked revenue reserves which are estimated to amount to circa. £15,400,000 on 1st April 2026. Further details can be found in Section 2.

Estimated Earmarked Housing Revenue Account Reserves

6.38 I have also reviewed the Council's Housing Revenue Account overall revenue reserves which are estimated to amount to £54,000,000 as of 1st April 2026. Including the Major Repairs Reserve.

Capital Investment Programme – 2026-2027 to 2030-2031

6.39 Projects, included in the capital investment programme, were prepared by Directors and managers in line with financial regulations and guidance. All

projects were considered by the relevant member of ELT and Cabinet Member and are fully funded for their estimated cost.

6.40 Projects have been costed at outturn prices with many subject to tender after inclusion in the programme. This may lead to variance in the final costs.

6.41 Services are required to work within the given cash envelope so any under or over provision must be found within these limits.

Capital Investment Programme Risks

6.42 The risk of the Council being unable to fund variations in the programme is minimal mainly due to phasing of projects. The Council can freeze parts of the programme throughout the year to ensure spend is within the agreed financial envelope, although this may have service implications.

6.43 A further key risk to the capital investment programme is the ability of the Council to fully deliver it within the agreed timescales.

6.44 In relation to the General Fund and HRA Capital Investment Programme specifically for 2026 - 2027 (including commitments from previous years and new starts):

mmm) The HRA Capital Investment Programme will need to be contained within total programme cost by delaying or stopping specified schemes.

nnn) The General Fund Capital Budget is substantial but is based on the best information available in terms of project costs. What is less certain is the phasing of expenditure.

ooo) The strategic schemes identified in the Capital Investment Programme will be closely monitored in-year.

ppp) That the funding identified for the approved Capital Investment Programme is delivered and is proportionate, prudent, affordable, and sustainable.

7. GLOSSARY OF TERMS USED IN THE BUDGET REPORT

Assets – Tangible and Intangible	*Tangible asset* – an asset that has a physical form such as machinery, vehicles, information and communications technology, equipment, buildings and land. *Intangible asset* – an asset that is not physical in nature such as goodwill, brands, patents & copyrights and shares.
Authorised Limit for External Borrowing	A statutory limit that sets the maximum level of gross external borrowing for the council.
Base Budget	The budget from the previous year is taken forward to create the initial budget for the next year, this is the base budget. Inflation, savings, growth and other adjustments are then added.
Baseline Funding Level	Authorities' local share of business rates determined by an index-linked assessment of their needs undertaken in 2012–2013.
Benchmark	A benchmark is used to measure performance against an externally calculated value; benchmarks can be used to measure service performance, or it can enable a comparison of an investments value against a relevant 'benchmark' index.
Billing Authority	A council such as Norwich City Council which is responsible for collecting the Council Tax and Business Rates in its administrative area. Authorities on whose behalf billing authorities collect money are called precepting authorities.

Bond	A financial instrument in which an investor lends money for a specific period of time at a fixed rate of interest. Examples are corporate (issued by companies), financials (issued by banks and building societies), Supranational (issued by Supranational such as the European Development Bank), and government bonds.

Brexit	“Brexit’ is the phrase coined to describe the process of the UK withdrawing from the European Union (EU). The UK joined the EU in 1973 and left in 2020.

Business Rates	Business Rates is the usual term for the National Non-Domestic Rate, a property tax charged on all properties which are not used for residential purposes.

Business Rates Baseline	The amount of business rates income a local authority is predicted to raise.

Business Rates Safety Net	An authority which sees its annual business rates income drop below its baseline funding level can receive a safety net payment at the end of the financial year from central government. Different arrangements apply however, if an authority is part of a local rates pool (such as for NCC in 2025-2026)

Business Rates Levy	Authorities which experience growth in business rates income pay a levy. As Norwich is a pooled authority any levy is subject to the pool arrangements and is payable to the Norfolk Business Rates Pool.

Business Rate appeals	Since the introduction of the Business Rates Retention Scheme, Local Authorities are liable for successful appeals against business rates charged to businesses. The Valuation Office Agency operates a Check, Challenge and Appeal process for business rates appeals against the 2017 and later rating lists.

Business Rates Retention Scheme	This was introduced in 2013 and is designed to give local authorities more control over the money raised locally, removing the ring-fencing of grants and promoting and rewarding local economic growth. Local pooling arrangements supersede the national scheme.

Capital Expenditure	Expenditure on the creation or enhancement of assets, for example: • The acquisition, reclamation or enhancement of land • The acquisition, construction, preparation, enhancement or replacement of buildings and other structures • The acquisition, installation or replacement of moveable plant, machinery, and vehicles • The acquisition or preparation of computer programs if these will be used for longer than one year

Capital Financing Requirement	A measure of the Council's underlying borrowing need i.e. it represents the total historical outstanding capital expenditure which has not been financed.

Capital Receipt	This is income received from the disposal of an interest in a capital asset. The income can only be used to finance capital expenditure or to reduce future debt liabilities.

Capitalisation	The proportion of a company's equity to debt finance. See "Thin capitalisation". Can also refer to the process of funding revenue expenditure from capital resources in accordance with regulations– e.g. the relevant element of staffing costs, which are normally revenue expenditure, can be capitalised against a capital project if they are an integral part of delivering the capital project.

Capitalisation Direction	A specific approval, only available from the government, to permit general revenue expenditure to be capitalised and funded from capital resources – used in extreme circumstances where borrowing is necessary to support day to day expenditure needs.

Certainty rate	The government reduces interest rates on loans from the Public Works Loan Board (PWLB) by 20 basis points (00.20%) to councils who provide specific information and guarantees on their plans for long-term borrowing and capital spending.

Certificate of Deposit (CD)	These are term deposits commonly sold in financial markets (e.g. banks and building societies).

CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional institute for accountants working in the public services and in other bodies where public money needs to be managed. It has a role in setting codes and standards that regulate the use of public money.

Collection Fund	The collection fund is a separate statutory fund, which shows the income received from business rates and council tax, and the distribution to preceptors and the city council. The resultant balance is either a surplus or deficit which is be applied to future years' budgets.

Constant Net Asset Value Money Market Funds (CNAV)	This refers to money market funds that aim to maintain a net asset value or value of a share of the fund.

Contingency Budget	A sum put aside to cover unforeseen expenditure during the period of the budget.

Community Infrastructure Levy (CIL)	The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force in April 2010. A CIL allows the Council to raise contributions from new developments to help pay for infrastructure that is needed to support planning growth. Where a CIL charging schedule is in place, it largely replaces Section 106 obligations in delivering strategic infrastructure.

Comprehensive Spending Review	A governmental process carried out by HM Treasury to set medium term expenditure limits for each central government department. Usually announced for 3 years.

Council Tax	A tax on domestic property set by local authorities and based on the value of the property within eight bands, A to H. The council tax value of each band is expressed as a proportion of band D (e.g. Band A = 6/9, Band H = 18/9).

Council Tax Base	The number of properties from which it is estimated council tax will be collected, expressed as band D equivalent properties.

Council Tax Surplus or Deficit	A surplus/deficit arising from either more or less council tax being collected than expected. This would be because of variations in collection rate or to the estimated increase in the number of properties. The variations arise within the Collection Fund and are applied to future years' budgets.

Council Tax Precept	The levy made by the precepting authorities (Norfolk County Council and Police & Crime Commissioner) on Norwich City Council as the billing authority requiring the latter to collect income from council tax payers on their behalf.

Council Tax Reduction Scheme	The Council Tax Reduction scheme (CTRS) helps people on low incomes and/or certain welfare benefits to pay their council tax bill. Locally determined CTRS replaced the national council tax benefit scheme with effect from 1 April 2013.

Council Tax Requirement	The amount of funding required to be raised from council tax to meet the general fund expenditure budget after considering all other funding available.

Counterparties	List of approved financial institutions with which the council can place investments with.

Credit Rating	A measure of the credit worthiness of a borrower. A credit rating can be assigned to an organisation or a specific debt issue/financial obligation. There are a number of credit ratings agencies but the main three are Standard & Poor's, Fitch and Moody's.
Credit Risk	Risk of a borrower defaulting on any type of debt by failing to make payments which it is obligated to do.
Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence. This is only budgeted as a cost in the Housing Revenue Account (HRA).
DLUHC	Department for Levelling Up, Housing and Communities (formerly MHCLG).
Disabled Facility Grant (DFG)	A central government grant that contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes.
DMADF	The Debt Management Agency Deposit Facility, which is offered by central government to local authorities to make fixed term deposits to supplement their investments.
Earmarked Reserve	Reserves earmarked for a specific type of future spend.
Enhancement (of an asset)	Enhancing an asset is capital expenditure which is intended to substantially: • lengthen the useful life of the asset • increase the open market value of the asset • increase the extent to which the asset can or will be used in connection with the functions of the local authority Repairs & maintenance is revenue expenditure.

External Borrowing	External borrowing is the process of going to an external financial institution to obtain money. The council would generally borrow from the Public Works Loans Board (PWLB) due to its favourable rates for public sector bodies, but other institutions also offer loan finance to councils.
Equity	An ownership interest in a business.
External Gross Debt	Long-term liabilities including Private Finance Initiatives and Finance Leases
Expected Credit Loss	This is the loss on loans should the borrower default. Calculated by multiplying the probability of occurring with the net loss and with the exposure to the loss.
Fair Funding Review	A review proposed by central government to consider how to fairly allocate local authority funding to individual councils according to need and resources. Although the government has acknowledged that the data and methodology for distributing funding has not been reviewed for many years, this has been delayed several times because of BREXIT, COVID-19 and other concerns. Previously linked to the government's 'Levelling Up' agenda consultation, this will now not take place until after the next General Election, which is scheduled to be held no later than January 2025
Finance Lease	Where a lease is classified as a finance lease, then the substance of the transaction is the same as if the authority had purchased the asset and financed it through taking out a loan. The authority therefore recognises its interest in the asset together with a liability for the same amount. The lease payments are then treated in a similar way to loan repayments, being split between the repayment of the liability and a finance charge.
Financial Conduct Authority (FCA)	This is the body that regulates the financial services industry in the UK.

Financial Instrument	A contract that creates a financial asset for one party and a financial liability for the other.

General Fund	The account to which the cost of providing the services that are paid for from Council Tax and Government Grants are charged. The Housing Revenue Account is a ring-fenced element of the General Fund which must not subsidise or be subsidised by Council taxpayers.

General Reserve	This is a usable reserve which has not been earmarked for a specific future use. Similar to a contingency, to meet unforeseen events or expenditure, it can also be used to smooth variations in the level of savings required over a number of years.

Gilt	A UK Government bond issued by HM Treasury.

Growth	An increase in expenditure generally not due to inflation/price changes but arising from growth in service demand, a change in legislation impacting on the service or a decision to invest more in a service.

Housing Revenue Account (HRA)	The Housing Revenue Account is a statutory ring-fenced account maintained separately from General Fund services. It includes all expenditure and income relating to the provision, maintenance and administration of council housing and associated areas such as HRA shops and garages.

IFRS	International Financial Reporting Standards, a set of accounting rules used for the preparation of financial statements including those of local authorities.

Internal Borrowing	Internal borrowing is the *temporary* use of the council's cash holdings to fund capital expenditure. Whilst this must be repaid it does not represent a formal debt in the same way as external borrowing.

Investment Code	Sets out practices that local authorities are “obliged to have regard to” when making investment decisions. Published by the MHCLG.

London Interbank Offered Rate (LIBOR)	*The rate of interest that banks charge to lend money to each other. The rates are set on a daily basis and used as a reference price for floating rate securities. LIBOR and LIBID were discontinued from December 2021 following recent banking scandals, and were replaced by SONIA*

Liquidity	A measure of how quickly the deposit of investment can be returned.

Local Government Finance Settlement	The annual determination of local authority spending made by the government and debated by parliament. A provisional settlement is announced before Christmas with the final settlement announced in late January.

London Interbank Bid Rate (LIBID)/London Interbank Offered Rate (LIBOR)	This was bid rate that participating London banks were willing to pay for Eurocurrency deposits and other bank’s unsecured funds in the London interbank market. LIBOR and LIBID were discontinued in December 2021 following recent banking scandals. They were replaced by SONIA

Major Repairs Reserve (MRR)	The Major Repairs Reserve is a source of funding for the HRA capital upgrades programme generated by an annual asset depreciation charge to the HRA revenue budget.

MCHLG (was DLUHC)	The Ministry of Housing, Communities and Local Government (MHCLG) https://en.wikipedia.org/wiki/Ministry_of_Housing,_Communities_and_Local_Government, previously known as Department for Levelling Up, Housing and Communities (DLUHC) from 2021 until 2024.
Minimum Revenue Provision (MRP)	A statutory charge to the general fund revenue budget for future debt repayments (external borrowing in the capital programme). The council must set out its MRP policy in the annual Treasury Management Strategy.
Net Asset Value (NAV)	Value of an entity's total assets minus the value of its total liabilities.
New Homes Bonus	A grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. Being phased out as part of the review of local authority funding reforms.
Net Service Expenditure	Net service expenditure comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any revenue support grant.
Non-financial Investments	Investments made primarily for a financial return comprising commercial property acquisitions, lending to third parties on commercial terms and equity investments (shareholdings) in third parties.
Non-Specified Investments	These are investments that do not meet the conditions laid down for specified investments and potentially carry additional risks e.g. lending for periods typically beyond 1 year

Office for Budget Responsibility (OBR)	The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances.

Office for National Statistics (ONS)	The UK's largest independent producer of official statistics and the recognised national statistical institute of the UK. Main responsibilities are collecting, analysing and publishing statistics about the UK's economy, society and population.

Operating Lease	An operating lease is a contract that allows for the use of an asset but does not convey rights of ownership of that asset. From 2024/25 onwards these will be treated in the same way as ***finance leases*** unless they are short term or low value.

Operational Boundary	This is an indicator is based on the same estimates as the Authorised Limit for External Borrowing but reflects the most likely prudent (but not worst case scenario), without the additional headroom for borrowing included in the Authorised Limit.

Prudential Code	The Prudential Code for Local Authority Investment was introduced by CIPFA and local government is obliged "to have regard" to the code as part of the Local Government Act 2003. The key objectives of the code are that capital investment plans are affordable, prudent and sustainable. The code details the indicators that must be set annually and monitored throughout the financial year. The council's prudential indicators are found in section 7 of the report in the Treasury Management Strategy.

Public Works Loans Board (PWLB)	The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury that lends money from the National Loans Fund to local authorities.

Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature can be spent or earmarked at the discretion of the Council. Reserves of a capital nature may have some restrictions placed on them as to their use.

Revenue Expenditure	Comprises the day-to-day costs associated with running the council's services and financing the council's outstanding debt.

Revenue Support Grant	Introduced in 1990, this is the central grant given to local authorities to support their services. In recent years, local authorities' income from grant has decreased and a higher proportion now comes from business rates and council tax.

Section 106	In considering an application for planning permission, the Council may seek to secure benefits to an area through the negotiation of a 'planning obligation' with the developer. Such obligations are authorised by Section 106 of the Town and Country Planning Act 1990. The Council may therefore, in some instances, receive funds to enable it to undertake works arising from these obligations. Examples of works include the provision or improvements of community facilities (parks/play areas), affordable housing and improved transport facilities.

Section 25 Notice	Under Section 25 of the Local Government Act 2003 the S151 officer (currently the Interim Director of Finance) is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. The council is required to take this into account when making its budget and taxation decisions.

Sterling Overnight Index Average (SONIA)	Sterling Overnight Index Average. Replaced LIBID and LIBOR as the key measures of interbank lending rates.

Specified Investments	All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable.

Spending Review	An announcement made by central government of its future spending plans for the public sector including local government. The last spending review took place in 2025 and covers 2026-2027 to 2028-2029.

Subjective Analysis	The classification of expenditure and income according to the nature of the items, for example, employee costs, premises, transport, supplies & services, fees & charges income, and grant income.

Subsidiary Company	A company that is owned or controlled by a parent company or body.

Term Deposits (TD)	This is used to describe a money deposit at a banking institution that cannot be withdrawn for a specific term or period of time.

Thin Capitalisation	A company with too little equity finance and too much debt finance.

Treasury Management	The management of the local authority's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities: and the pursuit of the optimum performance consistent with those risks.

Treasury Management Code	The Treasury Management Code of Practice, published by CIPFA, regulates the management of borrowing, investments, & banking. It requires the council to agree and monitor several indicators and Treasury Management Practices – these are found in section 5 of this report in the Treasury Management Strategy.

UK Government Gilts	Longer-term Government securities with maturities over 6 months and up to 30 years.

UK Government Treasury Bills	Short-term securities with a maximum maturity of 6 months issued by HM Treasury.

Unit Trust (UT):	A collective investment fund that is priced, bought, and sold in units that represent a mixture of the securities underlying the fund.

8. EQUALITY IMPACT ASSESSMENT OF BUDGET PROPOSALS

Background

8.1 Norwich City Council has identified permanent budget savings and additional income of £2,400,000 for the financial year 2026 - 2027. 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.

8.2 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

8.3 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.

8.4 As part of the Corporate Plan it is proposed that we must focus our priorities and resources towards:

The council has five corporate priorities, which are:

- An open and modern council
- A prosperous Norwich.
- A fairer Norwich.
- A climate responsive Norwich.
- A future-proof Norwich

8.5 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.

8.6 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.

8.7 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 2026 - 2027

8.8 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 2026 - 2027. 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.

8.9 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).

8.10 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.

8.11 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).

8.12 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

8.13 A 2.99% increase to the Band D rate is proposed in the 2026 - 2027 budget figures. The proposed 2026 - 2027 Band D rate is therefore £315.26 compared to the current year rate of £306.11 – an increase of £9.15.

8.14 Overall, this would result in an additional £0.56m (including changes to the taxbase) 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.

8.15 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).

8.16 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 2026 - 2027. In addition, further support is in place through the council's discretionary policies for those who suffer hardship and other support mechanisms.

Council Tax Premiums

8.17 The Levelling Up and Regeneration Act 2023 received assent in October 2023, as a consequence, new Council Tax Premiums regarding empty homes and second homes were introduced in April 2025. Initial considerations indicate that a limited number of people will be affected across the city. We will carry out further assessments at the appropriate time.

Rent and Service Charge Increase

8.18 The proposal within the HRA budget is that rents increase by 4.8% in line with the Government's rent policy. For social housing tenants this equates to an average increase of £4.80 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.

8.19 Garage rent increases are proposed at 4.8%, based on the level of the September 2025 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

8.20 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.

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

8.22 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.