

Cabinet

Date: Wednesday, 09 February 2022

Time: 17:30

Venue: Council chamber, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:

Waters (chair)
Harris (vice chair)
Davis
Hampton
Jones
Kendrick
Oliver
Packer
Stonard

For further information please contact:

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

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

Information for members of the public

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

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



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

Agenda

Page nos

1 Apologies

To receive apologies for absence.

2 Declarations of interest

(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting).

3 Public questions/petitions

To receive questions / petitions from the public which have been submitted in accordance with the council's constitution.

4 Minutes

5 - 12

To agree the accuracy of the minutes of the meeting held on 12 January 2022.

5 Corporate Plan 2022-2026

13 - 56

Purpose: To consider the draft Corporate Plan 2022-26.

6 The council's 2022-23 budget and medium term financial strategy

57 - 210

Purpose: To consider proposals for the council's 2022/23 budget (general fund, HRA and capital programme) along with council's medium-term financial plans and the treasury management strategy.

7 Council Tax Reduction Scheme 2022-2023

211 - 222

Purpose: To consider and recommend to council a council tax reduction scheme for 2022-23.

8 The award of a concessionary contract for the delivery of tennis centre operations in Norwich

223 - 226

Purpose: To consider delegating authority to award the concessionary contract for the delivery of tennis centre operations in Norwich.

9 Norwich City Services Ltd Business Plan 2022-2025

227 - 232

Purpose: To consider the Norwich City Services Limited (NCLS) Business Plan for 2022-25 which the company is required to produce under its articles of association.

10 Repairs and maintenance service provided by Norwich Norse Building Ltd - Report to follow

Purpose: To consider a report on the repairs and maintenance service provided by Norwich Norse Building Ltd.

***11 Exclusion of the public**

Consideration of exclusion of the public.

EXEMPT ITEMS:

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

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

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

Page nos

***12 Norwich City Services Ltd Business Plan 2022-2025 - exempt appendix (para 3)**

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

***13 Repairs and maintenance service provided by Norwich Norse Building Ltd - exempt appendix (para 3) - Report to follow**

Purpose: To consider the exempt appendix to the report.

***14 Exempt Minutes (Para 3)**

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

Date of publication: **Tuesday, 01 February 2022**



Cabinet

16.30 – 18:00

12 January 2022

Present: Councillors Waters (chair), Harris (vice chair), Hampton, Kendrick, Oliver and Stonard

Apologies: Councillors Davis, Jones and Packer

Also present: Councillor Galvin

1. Declarations of interest

Councillor Harris declared an other interest in item 9 below as a member of the Norwich Norse Building Limited board.

Councillor Stonard declared a conflict of interest in items 11 and *13 below, Norwich Regeneration Ltd business plan, as he was chair of the NRL board and would leave the meeting for the discussion and vote on these items.

Councillor Oliver declared a conflict of interest in item 9 below, NCSL commissioning report as a Non-executive Director of NCSL and would leave the meeting for the discussion and vote on these items.

Councillor Kendrick declared an other interest in item 9 below as a NPS board member.

2. Public Questions/Petitions

There were no public questions or petitions.

3. Minutes

RESOLVED to agree the accuracy of the minutes of meeting held on 8 December 2021.

4. Transport for Norwich Strategy

Councillor Stonard, cabinet member for inclusive and sustainable growth, presented the report. The council recognised the need for a radical and sustainable solution to transport. The city was very different to the surrounding rural areas which relied more heavily on car use. The strategy showed that there was no restoration of the

city voice in transport planning due to the withdrawal of the NHAC agreement in March 2019.

He highlighted paragraph eleven of the report which set out the evidence that the council required to be able to support the Western Link road. None of these criteria for had been met within the strategy so the council was unable to endorse the strategy.

Councillor Galvin commented that she fully supported the report and asked whether Councillor Stonard would write to the Minister of State for Transport to oppose the planning application for the Western Link. Councillor Stonard said that there would be discussions about next steps and that would be one of the options considered.

RESOLVED :

- 1) to acknowledge the progress made towards introducing a set of transport policies in 2021 that improve the prospects of a more sustainable approach to transport across the Norwich area;
- 2) that the strategy as adopted by the County Council is not sufficiently ambitious in moving the city toward a sustainable future for transport in the absence of an agreed action plan or approved Local Cycling and Walking Infrastructure Plan and with a capital investment programme that devotes a higher proportion of funds to road building by comparison with schemes that support sustainable transport; and therefore the City Council cannot currently endorse the strategy or support the proposal for the Norwich Western Link that is contained within it; and
- 3) to continue the productive working relationship with Norfolk County Council on the development of the Transport for Norwich Strategy and its Action Plan with a view to increasing the ambition shown regarding sustainable transport options for Norwich.

5. Equality Information report

Councillor Waters, leader of the council, presented the report. The report was considered annually at cabinet and it had also been considered by the scrutiny committee.

The revised format, which was made up of a series of infographics, made the report more accessible to a wider audience. It was a living document and the 2021 census data would be a key data source. Social and economic data were included alongside the statutory elements. Norwich City Council was committed to equality for all residents in Norwich along with being a good employer, contractor and celebrating the diversity of the city. The council was leading by example and working constantly to remove barriers to participation and access. There was a need to understand, respect and celebrate the communities that made up the city.

He highlighted page 34 of the agenda pack which outlined the objectives going forward and the timetable for these. The organisation was redesigning and shaping

services to meet the needs of users. Workforce diversity had increased by 3.4% in December with work being undertaken on unconscious bias and training on equality and diversity.

He highlighted the recommendations of the scrutiny committee and said that the cabinet was happy to accept those recommendations

Officers were commended for their work on the report which was an ambitious living document very central to the work of the administration.

Councillor Galvin highlighted the references to apprenticeships and said that most of those opportunities seemed to be given to people that already have advantages. She asked to share some information on social mobility with relevant officers. The strategy officer said that there were lots of work strands around equality and she would welcome sight of the data.

RESOLVED to approve the publication of the annual Equality Information Report 2022.

6. Scrutiny committee recommendations

Councillor Kendrick, cabinet member for resources introduced the report as Councillor Wright, chair of the scrutiny committee had given apologies for the meeting.

He highlighted the list of recommendations at page 82 of the agenda. The executive director of community services said that there was a range of good recommendations, however, some of these would have budget and resource implications so there was a need for a high level appraisal of them following the budget setting process.

Councillor Galvin noted that recommendation (e) should read 'implement' and not 'ensure'.

RESOLVED to agree the recommendations in principle but it was recognised that there was a need to further consider resources before agreeing and implementing these.

7. Managing assets (non housing)

Councillor Kendrick, cabinet member for resources presented the report. He noted that although the council would not receive a capital receipt, there would be no maintenance liability.

RESOLVED to approve the disposal of land as outlined in the report.

8. Award of contract for retro-fitting works

The chair confirmed that the report for award of contract for retrofitting works would be taken to the next meeting of cabinet.

9. Project Place phase 2 – Commissioning the repairs and maintenance contract with NCSL - supplementary agenda item

(The chair referred to the supplementary agenda which had been circulated).

(Councillor Oliver left the meeting for the discussion and vote on this item).

Councillor Harris, deputy leader and cabinet member for social housing, presented the report. She thanked officers for their work to this point. The council was determined to improve the repairs and maintenance service but it would take time. The contract would be awarded for three years initially with a two year performance related extension and then an additional five year extension.

Awarding the contract in this way would give the company stability to improve the service and Key Performance Indicators (KPIs) would be included in the contract with a focus on quality of service. These would take time to deliver but the NCSL Improvement Plan would be imbedded into the NCSL Business Plan.

She outlined the financial elements of the contract within the report and referred to the detailed risk register. An open book arrangement was in place for full transparency between NCSL and the council. The report had also been considered at a meeting of the cross part Joint Ventures Insourcing members working party.

It was a complex process but the decision to transfer services back to the council was the right decision to take.

Councillor Galvin asked why the services were being restricted to existing services for three years when other work, such as retrofitting, may have to be contracted out and wondered if the terms of the contract could be more flexible to allow NCSL to take on proactive work. The executive director of community services said that the scope of the services was the same as provided through the joint venture. There was a need for significant improvement of the service and the board and the company were committed to focussing on getting the service up to standard. The council had made a commitment to retrofitting and it needed to be assessed how best to deliver that programme. It was not the best time for the company to take on that work.

RESOLVED to:

- 1) note the contract principles as set out in Section 5 of this report.
- 2) delegate to the executive director of community services, in consultation with the executive director of development and city services and the cabinet portfolio holders for social housing and resources, to agree the contract with Norwich City Services Limited for the provision of the repairs and

maintenance service, in line with the principles and term as set out in this report and to the projected value of £133 million.

(Councillor Oliver was readmitted to the meeting at this point).

10. The award of contracts for the Threescore development

(The chair took this item next).

Councillor Harris, deputy leader and cabinet member for social housing presented the report. The Threescore development continued the excellence of previous builds. The pre-build work had been contracted to RG Carter and had been completed.

The design of the development had evolved throughout the process with additional 'Passivhaus' features which would help to reduce fuel consumption for tenants who may already be struggling with energy bills. People were using their homes in different ways now and the homes on the development were in excess of building standards regarding the amount of space within them.

There had been an uplift in build costs since April due to inflation in construction costs which had been seen across the industry. The preferred option was for a fixed term contract with RG Carter delivering the work as a local firm that the council had already worked successfully with.

Councillor Waters, leader of the council, added that the scrutiny committee had considered the report and had made the following recommendation:

To ask cabinet to investigate whether it is feasible to include detailed carbon lifecycle assessments in the design of future building plans.

The executive director of development and city services said that the recommendation was to evolve to approach of the council to assessing carbon. The models to give figures for how close the developments were to net zero carbon were not yet available but officers were happy to take the recommendation on board and adapt how this was assessed. He clarified that the scrutiny committee had intended the recommendation to apply to future builds, not just in relation to the Threescore development.

Councillor Galvin commented that it was disappointing that the houses did not have as many carbon reducing features as possible, such as solar panels, to avoid retrofitting early in the life of the building. The managing director of Norwich Regeneration Ltd (NRL) said that everything had to be done on balance within the construction industry. The company would investigate the recommendation from the scrutiny committee and would look into new technologies balanced against affordability.

The chair confirmed that there were no questions on the exempt appendix to the report.

RESOLVED to:

- 1) Award the contract for the development of council homes at Three Score Phase 3 to RG Carter Ltd, subject to the details in the exempt appendix to this report; and
- 2) Delegate all matters incidental to the development of social housing at Three Score phase 3, including the use of the contingency and subject to the limits set out in the exempt appendix, to the executive director of development & city services, in consultation with the executive director of corporate & commercial services, the cabinet member for social housing and the cabinet member for resources; and
- 3) Note the recommendation of the scrutiny committee to investigate whether it is feasible to include detailed carbon lifecycle assessments in the design of future building plans;

11. Norwich Regeneration Ltd Business Plan 2022-23

(Councillor Stonard left the meeting at this point).

Councillor Kendrick, cabinet member for resources presented the report. He thanked the managing director of NRL and his team for their work on the business plan. He added that it would be beneficial for councillors to have site visits in the summers to see the work being undertaken by NRL.

12. Exclusion of the public

RESOLVED to exclude the public from the meeting during consideration of item *13 (below) on the grounds contained in the relevant paragraphs of Schedule 12A of the Local Government Act 1972 (as amended).

***13 Norwich Regeneration Ltd Business Plan 2022-23 – exempt appendix (para 3)**

(An exempt minute exists for this item)

Councillor Kendrick, cabinet member for resources, presented the exempt appendix. Recommendations from the scrutiny committee were discussed and noted.

(The public were readmitted to the meeting at this point).

RESOLVED to:

- 1) note the recommendations of the scrutiny committee
- 2) To endorse the NRL business for 2022/23 on behalf of Norwich City Council as the shareholder;

- 3) To agree that provision for the necessary additional loan finance of £6m to deliver the business plan, is incorporated with the capital programme being proposed to Council as part of the budget for 2022/23;
- 4) Invite NRL to undertake work on the design, feasibility and phasing of a possible fourth phase of development for NRL on the Threescore site, the provision for which is identified in the approved budget for the company within section 6.6 of the business plan.
- 5) That further work be undertaken to identify possible further sites for residential development that may form part of the company's pipeline in future years.

CHAIR



Committee Name: Cabinet

Committee Date: 09/02/2022

Report Title: Corporate plan 2022-26

Portfolio:	Councillor Waters, Leader of the council
Report from:	Executive director of community services
Wards:	All Wards
OPEN PUBLIC ITEM	

Purpose

To consider the draft Corporate Plan 2022-26 appended to this report.

Recommendation:

1. To consider the recommendations of the Scrutiny Committee with respect the draft Corporate Plan 2022-26 and determine any required amendments.
2. Subject to amendments agreed, to recommend the Corporate Plan 2022-26 to Council for approval.
3. To agree to move reporting of progress against the Covid-19 Recovery Plan to an annual occurrence alongside the Corporate Plan annual progress report (as detailed on page 9 of the draft Corporate Plan under 'Annual review').

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets all three priorities. The new draft Corporate Plan incorporates the ambitions and actions set out in the Covid-19 Recovery Plan.

Background

1. The current Norwich City Council Corporate Plan covers the period 2019 to 2022. The new corporate plan covers the period 2022 to 2026; it has been extended from a three-year plan to four years in order to better align with the timescales of the Medium Term Financial Strategy.
2. The draft corporate plan has been developed over the past six months through consultation with officers across the council; it reflects the strategic discussions of the senior leadership team and Cabinet at the awayday in October 2021.

Key points to note

3. The new corporate plan does not list everything that we do as a council. It is a high-level strategic document which provides a framework for the decisions we take, guiding the council's approach to setting its budget and prioritising its use of resources.
4. It sets out our vision for the city and for the council, shaped by the Norwich 2040 City Vision, as well as our ongoing response to the impacts of Covid-19 (which is now part of the council's day to day work).
5. It sets out our planned activity in greater detail than in previous years, in order to give a clear picture of our work programme to residents, members and staff. The plan's technical appendix lists the timebound priority activities that we will focus on delivering, alongside the KPIs that we will use to measure and report on ongoing delivery of our services.
6. As this is a new and forward-looking corporate plan, it does not reflect on past KPIs. Performance to date against the KPIs for the financial year 2020-2021 is reported in the quarterly performance assurance reports to Cabinet.
7. Although our aims are likely to remain fairly constant over the medium term, the rapidly changing environment within which the council operates – and the challenges and opportunities facing our city as we recover from Covid – means that we will update the plan every year to show progress and to update the KPIs and priority activities as needed.
8. The plan builds on a substantial body of work that has been delivered over the past few years, developing and expanding on our strengths. As with the previous plan, it sets out that we will achieve our aims through the direct delivery of services, through enabling residents and communities, and through influencing external partners.
9. The current corporate priorities (of people living well, great neighbourhoods, inclusive economy, and a healthy organisation) form the basis of the five aims that the new plan sets out, with the addition of a new environmental aim in recognition of the importance of our work in response to the climate emergency:
 - People live independently and well in a diverse and safe city.

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

Input from Scrutiny Committee

10. The draft plan was discussed at the Scrutiny Committee meeting on 20 January. The Committee is made recommendations to Cabinet for some changes to the text of the document.

Next steps

11. Cabinet have informally discussed the scrutiny committee recommendations and proposed alterations, the detail is summarised in appendix one attached and those amendments cabinet are minded to agree are incorporated within the attached draft corporate plan.
12. After the meeting of cabinet on 9 February if the proposed alterations are agreed the finalised corporate plan will then be submitted for approval at the meeting of full Council on 22 February.

Consultation

13. The Corporate Plan is shaped by the Norwich 2040 City Vision, as well as our response to Covid-19, and its content is informed by longstanding and ongoing relationships with external partners such as those represented on the City Vision Partnership.
14. In addition, the document has been informed by the views of council staff. The draft document was shared with all staff in December and changes have been made to wording and structure in response to the comments received.
15. Scrutiny Committee has also considered the draft document.

Implications

Financial and Resources

16. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
17. This report refers to the refreshed corporate plan, therefore any proposals in this report will have been fed into the corporate planning cycle by the service lead and so incorporated into the proposed budget for 2022/23, or will be approved as business cases for individual projects are developed in accordance with the relevant delegations in place at that time.

Legal

18. Not applicable.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Equality impact assessments are carried out on a project specific basis where appropriate.
Health, Social and Economic Impact	There are positive impacts associated with a number of projects as detailed throughout the report.
Crime and Disorder	There are positive impacts associated with a number of projects as detailed throughout the report.
Children and Adults Safeguarding	There are positive impacts associated with a number of projects as detailed throughout the report.
Environmental Impact	There are positive impacts associated with a number of projects as detailed throughout the report.

Risk Management

Risk	Consequence	Controls Required
Operational, financial, compliance, security, legal, political or reputational risks to the council	These risks are considered on a project specific basis.	

Other Options Considered

19. Not applicable.

Reasons for the decision/recommendation

20. To note the report, the appended draft Corporate Plan 2022-26, agree any changes required to the draft, and agree to recommend the document to full Council for approval.

Background papers:

N/A

Appendices:

Appendix 1: Scrutiny committee recommendations and outcomes.

Appendix 2: Corporate Plan 2022-26

Contact Officer:

Name: Ramona Herdman

Telephone number: 01603 987678

Email address: ramonaherdman@norwich.gov.uk

Recommendations from the meeting of scrutiny committee on 20 January 2022 and proposed amendments

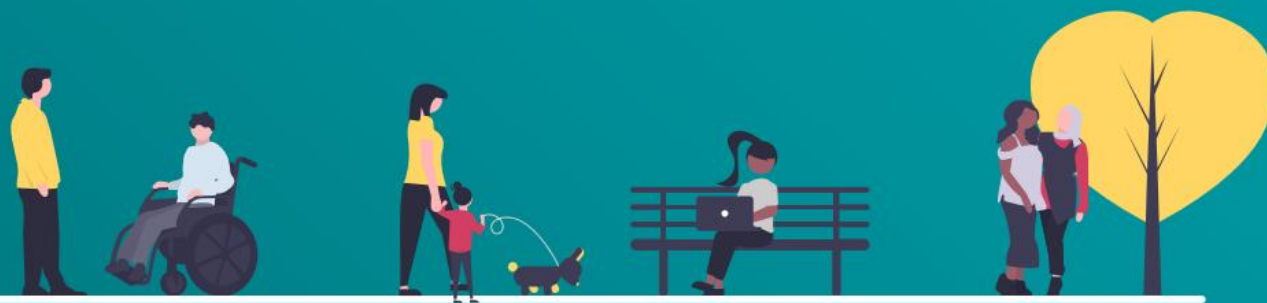
Recommendation	Notes	Amendment
Aim one – amend wording to ‘listen to communities and use their views in decision making’	Current wording is <i>Listen to our communities and use their views in our decision-making.</i>	Agree wording change. This will be reflected in the version of the plan considered by Cabinet on 9 Feb 2022.
Aim two – amend wording to – ‘Work with partners to increase sustainable transport and improve air quality’.	Current wording is <i>Work with partners to move towards sustainable transport and improved air quality.</i>	Agree wording change. This will be reflected in the version of the plan considered by Cabinet on 9 Feb 2022.
Those KPIs that are ‘roll overs’ of existing targets due to upcoming reviews could be indicated as such for clarity.	KPIs are not generally changed mid-year but during the annual review process. We could indicate those KPIs we know are most likely to change, but there is potential for missing some.	Note under ‘Annual review of corporate plan’ that KPIs may occasionally change mid-year and this will be reported to Cabinet. Add note against waste strategy that this will be considered and if necessary, change the recycling KPI. This will be reflected in the version of the plan considered by Cabinet on 9 Feb 2022.
Include previous KPIs in performance documents to understand if the council is achieving its targets.	Trends in achievement against KPIs are shown as part of the quarterly reporting to Cabinet. From next year, the annual refresh of the corporate plan will include a brief self-assessment of performance in the previous year, as well as details of any changes to KPIs.	Consider adequately covered with current measures in place. No change the text in the version of the plan considered by Cabinet on 9 Feb.
Include a KPI linked to the Councillor enquiry service.	We have a target to answer 100% of Councillor enquiries within 5 days. Achievement against this is reported on the intranet monthly, broken down by service area.	Consider adequately covered as part of service standards considered at CLT and Directorate level. No change to the text in the version of the plan considered by Cabinet on 9 Feb 2022.



Norwich City Council

CORPORATE PLAN 2022-26

Proud to serve Norwich



NORWICH
City Council

CONTENTS

01

Leader's foreword

02

Introduction by the chief executive

03

The Norwich context

04

About the corporate plan

05

Norwich 2040 City Vision

06

Vision for the council

07

Our aims

08

Technical appendix – activities
and Key Performance
Indicators (KPIs)

1

LEADER'S FOREWORD

The Corporate Plan describes the medium-term objectives of the council. Each year there are adjustments to the plan to take account of changes at the local and national level. The budget that is debated and agreed each February, alongside the corporate plan, provides the resources to deliver the council's political priorities.

Over the last decade our corporate planning has been shaped to respond to the most uncertain period in our history and our city's history since the end of the end of World War II, over 75 years ago.

The consequences of Covid-19 on all of our lives has been profound and its impact particularly acute for economically vulnerable people and communities, characterised by low wages, poor quality housing, lack of affordable accommodation, inadequate

social security, and insecure employment. Covid has exposed and exacerbated profound structural inequalities that need to be tackled as a priority.

"The new corporate plan demonstrates how a strong democratic council working collaboratively across Norwich can deliver the policies and resources that all its citizens need to live a good life with the framework of a strong, creative, vibrant and sustainable city."

COP26 highlighted, if we needed reminding, the threat to humanity unless carbon emissions are radically reduced and environmental degradation

reversed. We are already feeling, locally, the adverse impacts of rising temperatures and the loss of biodiversity.

Brexit isn't done, in the sense that the economic and societal adjustments are still being played out and will be for many years ahead.

The impact on Norwich City Council's budget of a decade of underfunding by central government looks set to continue. Longer term planning and measures to stabilise the funding arrangements for local government and the services it delivers have been put back again.

As a response to these challenges, the new corporate plan, running to 2026, is the product of a more fundamental review of how we deliver our vision, mission and priorities.

There are five 'aims' in this corporate plan which collectively add up to building a more sustainable city: environmentally, socially and economically. The objectives complement the five themes of the Norwich 2040 City Vision partnership, which is the vehicle for finding citywide solutions and opportunities to the challenges we face as a city.

The new priorities build on a substantial body of work that has been delivered over the past few years. Norwich was in the vanguard of councils declaring a climate emergency in January 2019, with a comprehensive and ambitious environment strategy, and we are now establishing an independent climate commission.

Norwich was one of the first councils to produce a wide ranging Covid-19 recovery plan which has the twin purposes of investing in the city and its residents. An example of this approach has been our successful Towns Deal.

The Good Economy Commission has been an engine room of new ideas about designing an economy

that works for everyone. Working with the Living Wage Foundation we are promoting Norwich as a city which pays decent wages – a 'real living wage' with good working conditions. This is a key plank in striking at the causes of poverty and inequality in our city.

The new corporate plan describes how the organisation of the council needs to be structured to deliver our objectives. It is also about how we use our resources and how we maximise resources working with other partners.

In my view, for the times we are living through, there has never been a greater need for strong local government. The new corporate plan demonstrates how a strong democratic council working collaboratively across Norwich can deliver (and advocate for) the policies and resources that all its citizens need to live a good life with the framework of a strong, creative, vibrant and sustainable city.

Councillor Alan Waters
Leader, Norwich City Council



2

CHIEF EXECUTIVE'S INTRODUCTION

The past two years has played out in a way which none of us expected. Just a few weeks after I started in my role as CEO at Norwich City Council – in January 2020 – the country was in full lockdown. The way in which the city council – and all local authorities across the country – has responded to the pandemic has been inspirational.

Brand new services to support the most vulnerable in our communities were set up from scratch over the course of a few days and the way existing services were delivered had to change overnight. The role of local government has always been important but the course of the past 20 months has brought this into even sharper focus.

It has also been inspiring to see how the city has responded to the pandemic, with countless

examples of communities coming together to support each other and help those who need it.

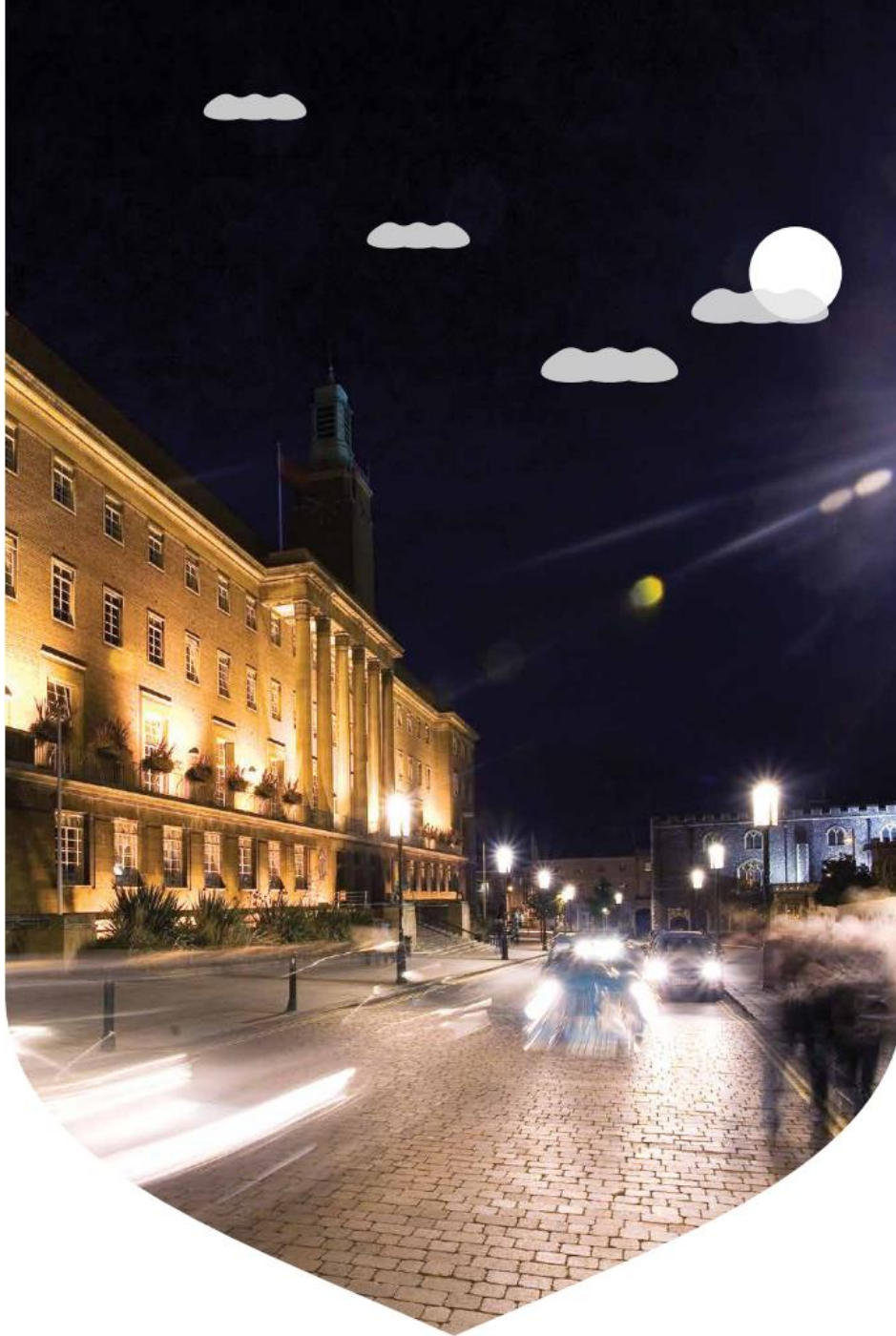
Despite the challenges that the pandemic has brought, there are also big opportunities ahead. Our collective response to Covid has really shown the council, and our wonderful city of Norwich, in the best light.

“Our corporate plan sets out an exciting and ambitious agenda for the council and for Norwich. There will be challenges on the way but I’m confident we will rise to those challenges and achieve for ourselves and for the city we serve.”

As an organisation, we wanted to get on the front foot early and set out a clear vision for the future. That is why Norwich City Council was one of the first councils in the country – in June 2020 – to publish a comprehensive Covid-19 recovery plan which focuses on our vision

for the future and the actions we will take to achieve that vision. This renewed corporate plan – which builds on and enhances the themes of our Covid-19 recovery plan – comes at the perfect time as it presents us with a chance to encapsulate all we have learned throughout the pandemic. In terms of public

services, we’re now at a critical juncture. We’re determined to use the lessons of the pandemic to reform the services we provide by using technology, data and innovation to be in tune with the changing behaviours of our residents.



In all of this, we will build on the partnerships which were strengthened through the pandemic and do what we can to break down organisational silos and work better across the system with other parts of the public sector and with the voluntary and private sectors.

The council has important responsibilities as guardians of the place. Our focus is on protecting those areas of the city which our residents and businesses love and enhancing areas which need it. Our Norwich Towns Deal has the opportunity to be a game changer for the city and is delivering at pace, and the regeneration of east Norwich – and other areas for development – have the potential to create thousands of new homes and jobs.

The climate emergency will continue to frame everything we do and we're determined to build on our ambitious agenda to reduce council emissions even further on the back of a 70 per cent reduction in emissions since 2007. Our focus

now is on developing a wider plan to become a net-zero city.

As a council, we want to become more agile and responsive – there is work to do but our response to the pandemic has shown that we can do it. Our opportunity now is to do that at scale and at pace.

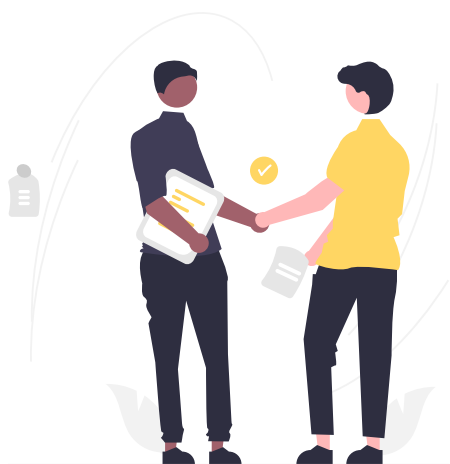
Our corporate plan sets out an exciting and ambitious agenda for the council and for Norwich. There will be challenges on the way but I'm confident we will rise to those challenges and achieve for ourselves and for the city we serve.

Stephen Evans
CEO, Norwich City Council



3

THE NORWICH CONTEXT



Norwich has plenty to be proud of. The city is establishing itself as a place of innovation and technological excellence, with projects such as the new Digi-Tech Factory, the planned Norwich Digital Hub, and the Cambridge-Norwich Tech Corridor building upon the established work of our universities, creative sector and research parks. Norwich boasts more arts and culture than cities twice the size, contributing to the city's recovery from the impact of Covid-19

**Employment
rate of
78.2%
bettering the national
rate of 74.7 per cent**

through supporting the wellbeing of residents, the city's attractiveness as a place to invest or visit, and the creation of jobs and growth. The number of businesses operating in the city has increased by 19% over the past ten years; a rate which far outstrips similar cities such as Lincoln and Oxford. Our employment rate of 78.2% has also mirrored this trend, bettering the national rate of 74.7%.

However, like any city, we face challenges. Norwich's affluent areas sit alongside areas with deep-rooted social and economic issues. Some 40 per cent of the small areas, called Lower Super Output Areas (LSOAs), in Norwich are among the most deprived 20 per cent of LSOAs in England.

Men living in the least deprived areas of Norwich are expected to live 10.5 years longer and women seven years longer than residents living in the most

deprived areas. These health inequalities were further reinforced by the pandemic, with 56 per cent of Norwich's Covid-19 deaths occurring in the city's most deprived areas although only 46 per cent of the population lives there.

During the pandemic, claimant rates (a proxy for unemployment) essentially doubled, and rates (though falling) are still 52 per cent higher than pre-pandemic levels. Similarly, rent arrears in both public and private housing have increased significantly since the start of the pandemic. Against the pre-existing backdrop of deprivation, these changes will have significant and long lasting effects on Norwich's socio-economic outcomes.

More information about Norwich – covering various factors such as population, health, economy, and deprivation – can be found at www.norfolkinsight.org.uk

4

ABOUT THE CORPORATE PLAN

Our vision, aims, and priority activities

This Corporate Plan sets out our vision for the city and for the council over the next four years. It is shaped by the Norwich 2040 City Vision, as well as our response to Covid-19, which is now part of the council's day to day work.

The intention of the corporate plan is not to capture everything we do

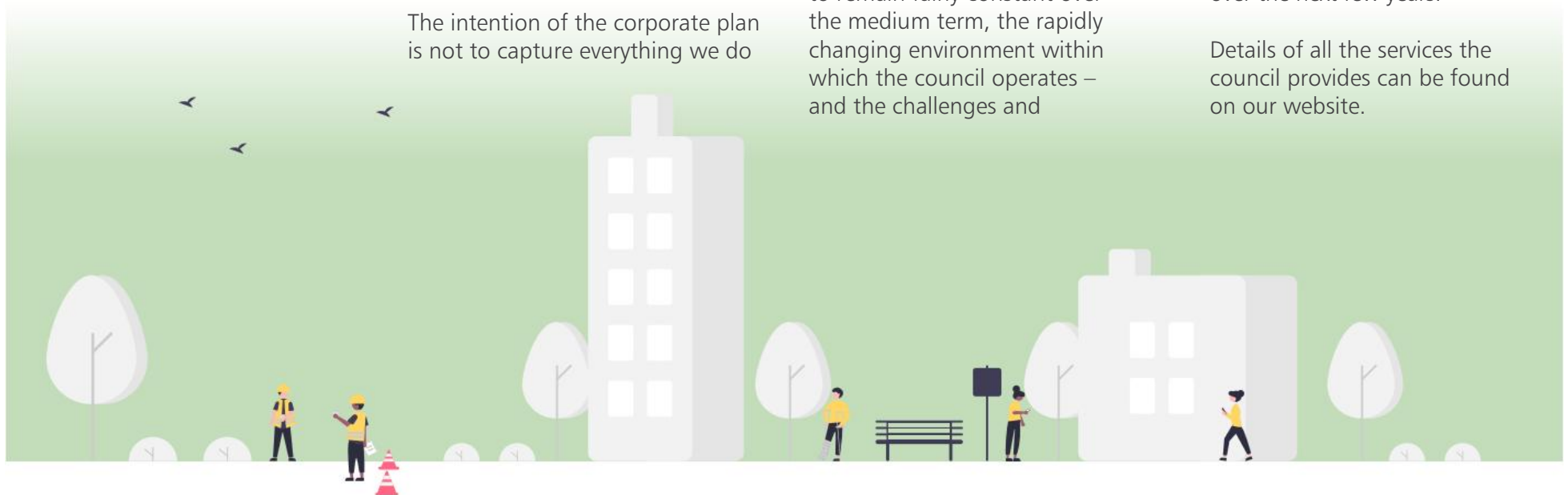
as a council. Instead, it provides a framework for the decisions we take - how we prioritise and how we allocate the resources we have available to achieve these priorities. It describes our most important aims and the priority activities that we will focus on delivering.

Although our aims are likely to remain fairly constant over the medium term, the rapidly changing environment within which the council operates – and the challenges and

opportunities facing our city as we recover from Covid – means that we will update the plan every year.

The Corporate Plan sits alongside the Covid-19 Recovery Plan, which was published in June 2020. These two documents are the council's most important strategic documents; together they will guide our focus over the next few years.

Details of all the services the council provides can be found on our website.



How we will measure our progress

The appendix to this plan sets out:

- The priority activities we will deliver to achieve our aims, with target delivery dates which we will monitor.
- A set of Key Performance Indicators (KPIs) for measuring our performance across a range of important service areas. Our performance against these KPIs will be monitored and reported publicly on a quarterly basis to cabinet.



Annual review

The Corporate Plan priority activities and KPIs will be reviewed and updated each year to reflect any change in emphasis. When strategic reviews are undertaken for service areas these may occasionally lead to changes in KPIs during the year; where this is the case, this will be reported to Cabinet as part of the regular quarterly reporting process and reflected in the next annual refresh of this Corporate Plan.

The annual review will include a self-assessment of performance in the previous year, both against the corporate plan and the Covid-19 Recovery Plan. This will be reported to Cabinet and to Council alongside the annual budget, so the council's strategic approach continues to influence how our resources are spent.

Our commitment to equality, diversity and inclusion for all residents

Our corporate plan is all inclusive. We believe that taking a positive approach to diversity creates a cycle of improvement in our services. By demonstrating we value all aspects of the community we are strengthening it.

We are committed to equality for all residents of Norwich. This is through the delivery of accessible, fair services, as an employer, contractor of services and a community leader. We celebrate diversity, and the contribution different groups make to the city.

This is about making sure that in everything we do, and in every decision we make, we do not discriminate against someone because of perceived difference. It also means that we take an active role as a leader in the community and remove barriers to participation and access for all members of the community. We can do this through implementing robust policies. For example:

- taking appropriate action if unlawful discrimination is identified
- consulting with community groups, such as disability awareness groups
- supporting and promoting events such as Black History Month.



5

NORWICH 2040 CITY VISION

The Norwich 2040 City Vision was developed in 2018, in partnership with many organisations and individuals across the city. When it was written we knew we could not foresee everything that would happen over the decades, so it is made up of five key themes for the long term.

The impacts of the Covid-19 pandemic, growing inequality and the climate emergency will have an impact on exactly how we work towards the vision, but they have only strengthened our commitment to its ambition for Norwich in 2040. The themes are as follows:

Norwich 2040
City Vision



A CREATIVE CITY



Norwich is a place where culture and creativity play an important part in how the city feels about itself and others perceive it. In 2040, Norwich will be world renowned for its creativity – a leader in innovation, culture, education and invention.



A CONNECTED CITY

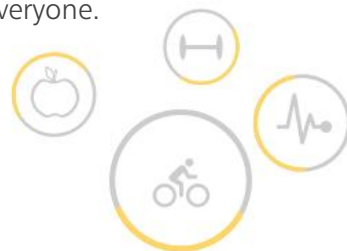
At the heart of any good city is how well it connects with both its citizens and the world at large. In 2040, Norwich will have a modern transport system, be at the forefront of digital connectivity and create opportunities for all residents to link with each other.



A FAIR CITY



Norwich is a place where many already enjoy a great quality of life. By 2040, the health, wellbeing and life chances of all our citizens will be improved. We will remove barriers to achievement and a high standard of living will be enjoyed by everyone.



A DYNAMIC CITY

Norwich has two successful universities and thriving life sciences, creative, tech, leisure and retail sectors. In 2040, Norwich will be a place where entrepreneurs, social enterprises, national and global companies choose to provide good jobs, prosperity and success.



A LIVEABLE CITY



The city takes pride in being a place with a great local environment that people value. We are committed to shifting to clean energy by 2040 (carbon-neutral by 2045). We will support and promote sustainable living – where today's citizens meet the needs of the present without compromising future generations.



Progress so far

The city vision partnership continues to play an active role in overseeing progress against our shared vision for Norwich, bringing together the resources, ideas and energy of many organisations and communities.

The partnership will continue to work together to make the most of new opportunities to move us towards achieving the 2040 vision. It will be strengthened by the creation of a young person's city vision board, which will bring new ideas and perspectives to its work.

It has already brought significant benefits to the city, moving us towards our 2040 vision.

In 2020 Norwich secured

£25m
from the government

Town Deals Programme:

in 2020 Norwich secured £25m from the government's £3.6bn Towns Fund for eight core projects that will deliver jobs, homes, skills and action to reduce our carbon emissions.

Norwich Climate Commission:

in December 2021 a new independent climate commission was formed to support the city's goal of reaching net-zero carbon emissions by 2045 and provide leadership and advice on climate change and sustainability.

Norwich Good Economy

Commission: in 2019 the Norwich Good Economy Commission was formed to address problems in our city's economy through researching, testing initiatives, evaluating existing approaches and learning from best practice. The commission will report on progress in June 2022.

City of Stories: in 2019 Visit Norwich, part of Norwich Business Improvement District, invested in national market research as part of a wider initiative to put Norwich on the map. Local branding experts helped us shape the City of Stories to inspire people with what the city can offer.

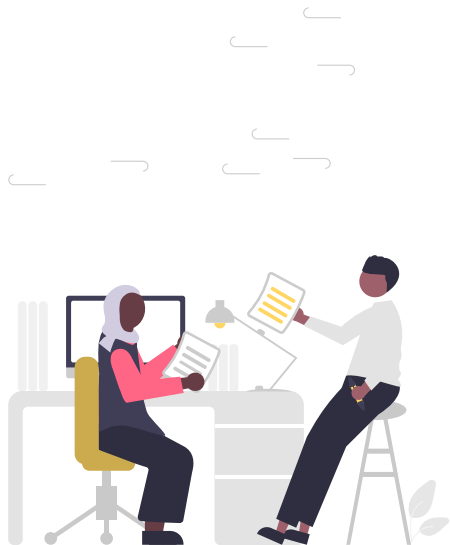
Norwich Creative City

Compact: this local partnership formed in 2020 and is developing a five-year plan to support growth in arts, culture and heritage over the longer term, recognising how crucial arts, culture and heritage are to the fabric and character of Norwich and the wellbeing of all the city's residents.



6

OUR VISION FOR THE COUNCIL



We have a clear vision about the type of council we want to be. We are determined to play a leading role in delivering the Norwich 2040 vision to make the city the best it can be.

We will do this through:

- Our own **delivery**: using all our services and ways of working to best serve the city.
- **Enabling** residents and communities to thrive and make the changes they want. We will prioritise listening to residents to inform council decision making.
- **Influencing** others: working with key organisations, through the City Vision partnership and other bodies, to benefit the city.

We are moving towards becoming an outward-looking, learning organisation where employees feel empowered to succeed and take responsibility, where residents are

at the heart of everything we do, and where resources are aligned to deliver on key themes such as the environment and reducing inequality.

We will maintain a relentless focus on 'getting the basics right' to ensure that we consistently deliver an excellent service and that staff have the tools they need.

We face a significant budgetary challenge; delivering our medium term financial strategy, finding efficiencies and opportunities for growth and income, will be fundamental to enable us to deliver for the city.

We are immensely proud of the way that council staff have worked with partners to provide support for the people who have needed it most during the Covid-19 pandemic. We recognise that the pandemic has had a profound

impact on the city and its residents, which will lead to long term changes in behaviour. We will adapt in response, in line with our Covid-19 Recovery Plan.

We are a forward-looking council, transforming ourselves and working with communities and businesses to seize the positive opportunities of the future.

“We are moving towards becoming an outward-looking, learning organisation where employees feel empowered to succeed and take responsibility, where residents are at the heart of everything we do.”



7

OUR AIMS

Over the next four years to 2026, we will focus on achieving five aims. These are cross-cutting, so every area of the council will look for ways to support all the aims in its work.

Aim 1 – people live independently and well in a diverse and safe city

To deliver this, we will:

- Provide the right support to residents at the right time, with a focus on early help and prevention.
- Take action against domestic abuse, hate crime and antisocial behaviour and regulate activity so our communities are places where residents feel safe.
- Celebrate culture, heritage, and diversity, inspiring and connecting communities.
- Listen to communities and use their views in decision-making.

Aim 2 – Norwich is a sustainable and healthy city

To deliver this we will:

- Reduce carbon emissions, protect the environment and adapt to climate change, both in the council's own operations and more widely.
- Protect and invest in our parks, green spaces and biodiversity.
- Make it easier for residents and businesses to reduce, reuse and recycle more and dispose of their waste efficiently; and keep the city's streets clean.
- Work with partners to increase sustainable transport and improve air quality.

Aim 3 – Norwich has the infrastructure and housing it needs to be a successful city

To deliver this we will:

- Refine and deliver the strategic framework for city development.
- Develop and regenerate areas such as East Norwich and Anglia Square.
- Provide and encourage others to provide new homes, open spaces and infrastructure for residents.
- Secure and manage funds from a range of sources to invest in the city.
- Make the best use of our Housing Revenue Account assets and resources, maximizing our income and spending wisely to provide easy to access, high quality services and support for our tenants and leaseholders.
- Actively manage and invest in our Housing Revenue Account homes so they are safe, well maintained, and provide modern facilities.



Aim 4 – the city has an inclusive economy in which residents have equal opportunity to flourish

To deliver this, we will:

- Work with partners to support good jobs, skills and opportunities for Norwich, including making the city a Living Wage Place.
- Create the conditions for businesses to thrive.
- Use all our corporate activities (such as recruitment, contracts and use of assets) to support our key aims.
- Join up with the voluntary, community and social enterprise sector, so our services are aligned to help people succeed.



Aim 5 – Norwich City Council is in good shape to serve the city

To deliver this, we will:

- Put the council on a sustainable financial footing and deliver services effectively and efficiently.
- Change how we work in order to serve the city better, building on our Covid-19 response.
- Improve the way residents can access services by embracing new technology and making it easier for things to be done online, while providing alternatives for those unable to do so.
- Be open and transparent, with accessible data and decisions which are subject to public scrutiny.
- Value, respect and listen to our employees. Ensure our workforce reflects our community.
- Preserve and strengthen confidence in the council's governance framework, providing the foundations for a high performing council that is compliant with its statutory obligations.



8

TECHNICAL APPENDIX

Aim 1

People live independently and well in a diverse, and safe city.

Priority: Provide the right support to residents at the right time, with a focus on early help and prevention.

ACTIVITY	TARGET COMPLETION DATE
Update the Reducing Inequalities Action Plan, bringing together the council's work on themes such as financial and digital inclusion and the broad range of disadvantages affecting different people and groups in our city. Regularly assess progress and identify opportunities to do more. Report annually on progress.	September 2022
Update the Affordable Warmth Strategy ready for Winter 2022. Then deliver the strategy and its action plan over the next three years.	November 2022
Work proactively with Pathways Norwich and our statutory partners to consider the future funding options for homelessness services, including developing a more preventative approach in the future.	March 2023
Review and transform the way in which we deliver support services to residents. Develop a new model and identify opportunities for multi-discipline teams to work together to provide early help and intervention.	April 2023
Review key partnerships to identify ways we can work together to take an early intervention approach across organisational boundaries.	September 2023

Through the Reducing Inequalities Target Area framework, deliver projects in disadvantaged neighbourhoods which will improve health and wellbeing.	Ongoing
Through our policy on non-commercial debt, ensure we take a consistent approach across service areas in how we support people to manage their debt.	Ongoing

Priority: Take action against domestic abuse, hate crime and anti-social behaviour and regulate activity so our communities are places where residents feel safe.

ACTIVITY	TARGET COMPLETION DATE
Develop an improvement plan for Licensing, HMO (House in Multiple Occupation) licensing, and PSH (Private Sector Housing) and HMO Enforcement to realise the priorities resulting from the peer review to provide assurance of compliance with regulatory duties and provide customer focused, value for money services, that assure the safety of Norwich for its residents, visitors and businesses.	Develop plan by June 2022, then implement
Develop and adopt new community safety strategy and action plan, in line with the action plan from the recently adopted Norfolk Community Safety Strategy. Undertake a comprehensive review of service delivery model, resources and review Safer Neighbourhood Initiative Programme.	September 2022
Work with the new Norfolk Domestic Abuse Partnership Board to: <ul style="list-style-type: none"> • Achieve Domestic Abuse Housing Alliance accreditation for the council's front-line services. • Implement training for front-line council teams to enable them to spot signs of domestic abuse. 	March 2023
Develop a supported, safe short-term accommodation 'hub' for domestic abuse victims to replicate the 'somewhere safe to stay hub' for rough sleepers.	April 2023
Review and update the Norwich Private Renters Charter to provide clarity on the standards that private landlords and agents must meet when providing private rented accommodation.	December 2025

Priority: Celebrate culture, heritage, and diversity, inspiring and connecting communities.

ACTIVITY	TARGET COMPLETION DATE
Work with partners across the arts and culture sector to deliver the aims and objectives of the Creative City Compact, through implementing the Creative City manifesto for culture.	Launch manifesto June 2022, then implement
Develop, publish and adopt an Equality, Diversity and Inclusion Strategy for 2022-26. Report annually on progress.	September 2022
Improve and evidence the impact of community centres across the city and secure their ongoing financial viability.	March 2023
Deliver the Halls redevelopment project to support the local creative network of highly skilled producers, technicians and artists and secure the future of the Halls.	Deliver phase 1 by December 2023
Conduct a review of council-owned leisure assets across the city and implement the outcomes to secure their ongoing financial viability.	March 2024
<p>Work in partnership to inspire and connect communities, through activities such as:</p> <ul style="list-style-type: none"> • Delivering thematic networking on green spaces and food – one each theme per quarter. • Administering Get Involved grant funding for new resident projects. • Providing the LUMi.org platform to support community and voluntary groups and aid public knowledge of local activity. 	Ongoing

Priority: Listen to communities and use their views in decision-making.

ACTIVITY	TARGET COMPLETION DATE
<p>Deliver a programme of community conversations in disadvantaged neighbourhoods to better understand residents' views and ideas about their local area. Work with the Reducing Inequalities Target Area partnership to translate these findings into deliverable projects and implications for services.</p> <p>Implement the requirements from the Charter for Social Housing, including the revision of policies and procedures in relation to our approach to tenant engagement. Develop a new inclusive tenant engagement approach which ensures that a diverse and representative range of tenants are involved in shaping their housing services.</p> <p>Develop, publish and adopt a Citizen Participation Strategy which looks at how the council can work with communities, using both offline and online methods, to help them to realise opportunities and respond to the challenges they face.</p> <p>Refresh our approach to consultation, in line with Citizen Participation Strategy, to ensure effective engagement with residents.</p>	<p>Evaluation of pilot approaches by June 2022, then ongoing</p> <p>December 2022</p> <p>March 2023</p> <p>June 2023</p>

Key Performance Indicators

INDICATOR	TARGET 2022-23
Average number of days taken to process new Housing Benefit claims from point of receipt to notification of entitlement.	21 days
Number of homeless households living in temporary accommodation.	62
% of households owed a homelessness prevention duty (in accordance with the Homelessness Reduction Act) where the duty was ended due to suitable accommodation being secured for them.	66%
% of people responding as feeling safe in local area survey.	60%
% of food premises moving from non-compliant to compliant against the Food Hygiene Rating System following intervention by food safety officers.	80%

Aim 2

Norwich is a sustainable and healthy city.

Priority: Reduce carbon emissions, protect the environment and adapt to climate change, both in the council's own operations and more widely.

ACTIVITY	TARGET COMPLETION DATE
Publish an updated action plan for implementation of the council's Environmental Strategy, covering reducing carbon emissions, protecting the environment and adapting to climate change. Report annually on progress against the action plan.	September 2022
Publish a net zero 2030 carbon management plan for council operations.	September 2022
Retrofit housing across the city, using the Sustainable Warmth funding recently secured. Continue to seek further funding for sustainable warmth and retrofitting work.	March 2023
Review, respond to and implement appropriate recommendations made by the Norwich Climate Commission.	In line with the commission's reporting timetable

Priority: Protect and invest in our parks, green spaces and biodiversity.

ACTIVITY	TARGET COMPLETION DATE
Publish a new Biodiversity Strategy. Report annually on progress.	June 2022
Publish, adopt and implement a new Parks and Open Spaces Strategy.	September 2022
Develop, agree and publish a new Tree Strategy.	December 2022
Deliver a Capital Investment Programme in our parks that will improve visitor experience, maintain our heritage assets and improve community cohesion.	March 2023
Work with partners to improve access to and enjoyment of the Rivers Wensum and Yare; and protect and enhance the natural, historic and cultural environment of the River Wensum corridor through the measures set out in the Delivery Plan.	Ongoing

Priority: Make it easier for residents and businesses to reduce, reuse and recycle more and dispose of their waste efficiently; and keep the city's streets clean.

ACTIVITY	TARGET COMPLETION DATE
<p>Review Waste Strategy to meet local and national requirements and ambitions for resource management, including reviewing KPIs. This will result in redesigned services that:</p> <ul style="list-style-type: none"> • Reduce the amount of waste that we collect. • Increase recycling. • Improve customer satisfaction. • Reduce costs. 	June 2022
Review our contract with NCSL to improve the efficiency and effectiveness of our arrangements for street cleaning, including litter collection, fly tipping and litter bin emptying.	June 2022

Priority: Work with partners to increase sustainable transport and improve air quality.

ACTIVITY	TARGET COMPLETION DATE
Support the work of Norfolk County Council to produce a Transport for Norwich action plan in 2022 and implement the projects within it, so that the policies in the Transport for Norwich Strategy that promote sustainable transport are effective.	Ongoing
Support the work of Norfolk County Council to implement projects within the Local Cycling and Walking Infrastructure Plan, that will be adopted in early 2022 and contain a programme of projects lasting until 2031.	Ongoing
Deliver the Connecting the Lanes proposal, making it safer and easier to get around on foot or by bike, supporting outdoor hospitality, boosting the local economy, and improving air quality.	December 2023
Implement Air Quality Action Plan.	As defined against the deliverables in the Action Plan
Complete the 'Charge Collective' electric vehicle pilots, increasing the number of electric vehicle charging points in the city to support residents to transition to electric vehicles.	December 2023

Key Performance Indicators

INDICATOR	TARGET 2022-23
% reduction of CO ² emissions from council operations.	3%
% household waste sent for reuse, recycling, composting.	40%
Total number of private sector insulation measures completed by council.	50 (quarterly)

Aim 3

Norwich has the infrastructure and housing it needs to be a successful city.

Priority: Refine and deliver the strategic framework for city development.

ACTIVITY	TARGET COMPLETION DATE
Develop and implement council Strategic Asset Management Framework, to ensure efficiency and effectiveness in the management of the council's general fund property estate, in line with our aims.	Adoption by March 2022
	Implementation of action plan by December 2023
Develop Contaminated Land Strategy.	June 2022
Develop the 'Norwich Standard', evolving the specification for new build housing in terms of the building and also the public realm. Continue to develop the standard over time.	November 2022
Adopt and implement the Greater Norwich Local Plan, which will put in place a framework to guide development in the city and encourage it to be well designed and genuinely sustainable.	Adopt by December 2022

Priority: Develop and regenerate areas such as East Norwich and Anglia Square.

ACTIVITY	TARGET COMPLETION DATE
Work with the public and private partnership to bring forward the master plan for the regeneration of East Norwich, which has the potential to deliver 4,000 new homes and create 6,000 new jobs.	July 2022
Determine an application for Anglia Square, seeking the regeneration of this important area of the city.	December 2022

Priority: Provide and encourage others to provide new homes, open spaces and infrastructure for residents.

ACTIVITY	TARGET COMPLETION DATE
Submit plans for the redevelopment of the former council depot at Mile Cross as a council housing-led scheme, to deliver circa 200 new homes.	November 2022
Implement the changes required under the new Building Safety Bill/Act and the key performance indicators.	March 2023
Work with partners to deliver an agreed solution to the replacement of Trowse Rail Bridge which facilitates and is compatible with the redevelopment of east Norwich.	December 2022
Complete construction of the Three Score development, through the council's wholly owned housing company, Norwich Regeneration Limited.	June 2023
Deliver two public realm projects involving street improvements, new pedestrian crossings and open space improvements at St Giles Street and Hay Hill.	December 2023

Priority: Secure and manage funds from a range of sources to invest in the city.

ACTIVITY	TARGET COMPLETION DATE
Review of potential development sites, including surface car parks, to improve their management and develop a pipeline of potential housing development sites.	December 2022
Through the Internal Programme Board and the Town Deal Board, oversee successful delivery of the eight Town Deals projects, maximising benefits such as jobs, homes, skills and action to reduce our carbon emissions.	December 2023

Priority: Make the best use of our Housing Revenue Account assets and resources, maximizing our income and spending wisely to provide easy to access, high quality services and support for our tenants and leaseholders.

ACTIVITY	TARGET COMPLETION DATE
Review and implement a new 30-year housing revenue account business plan which identifies the investment required to support delivery of housing priorities and services.	Review by June 2022, then implementation.
Develop a plan to drive and implement service improvement across a range of HRA services to provide tenants with customer focused, value for money services.	Improvement plan by December 2022. Implementation to September 2024.
Draft a new HRA Development Strategy with clearly identified parameters for development sites. Create an HRA new homes development pipeline.	Development Strategy by September 2022. Pipeline ongoing.
Undertake a full review of the HRA capital programme, including commissioning stock condition surveys, developing clear investment business case parameters, five year programme planning, and identifying funding.	December 2022
Develop and implement a new housing revenue account asset management strategy which will ensure our existing council homes are safely maintained, improved and developed.	March 2023
Linked to the asset management strategy, capital programme review and stock condition surveys identify and appraise opportunities for regeneration of HRA homes.	March 2024

Priority: Actively manage and invest in our Housing Revenue Account homes so that they are safe, well maintained, and provide modern facilities.

ACTIVITY	TARGET COMPLETION DATE
<p>Agree and manage the contractual arrangements with NCSL for the delivery of repairs and maintenance services, following transfer in April 2022. Following the transfer of property services from Norfolk Property Services Norwich Ltd to the Council review the delivery model to align with the priorities of the new asset management strategy.</p> <hr/> <p>Review repairs and maintenance policies and procedures to reflect a modern, responsive, value for money service.</p> <hr/> <p>Implement the changes required under the new Building Safety Bill/Act and embed key performance indicators.</p> <hr/> <p>Ensure robust systems, policies and procedures, funding and resources are in place so that the Council's homes and buildings are compliant with the Regulator of Social Housing's Home Standard and other relevant health and safety requirements.</p>	<p>Transfer in April 2022, then review</p> <hr/> <p>March 2023</p> <hr/> <p>March 2023</p> <hr/> <p>May 2023</p>

Key Performance Indicators

INDICATOR	TARGET 2022-23
% of planning decisions upheld after appeal (where council has won).	66%
% of planning applications determined within statutory time limits.	90%
% of council housing rent collected (excluding arrears brought forward).	99.80% (Q3 & Q4) 98.75% (Q1 & Q2)
Average re-let time of council homes in calendar days (excluding major works).	21 days
% of council homes with a valid gas safety certificate.	100%
Number of private rented sector homes made safe.	50 per six months
Number of affordable homes built, purchased or enabled by the council.	50
Number of new homes (both council and private) completed.	477 homes per year

Aim 4

An inclusive economy in which residents have equal opportunity to flourish.

Priority: Work with partners to support good jobs, skills and opportunities for Norwich, including making the city a Living Wage Place.

ACTIVITY	TARGET COMPLETION DATE
Support the development and delivery of the Norwich Living Wage Place action plan.	May 2022
Complete delivery of the Norwich Good Economy Commission community skills project in Mile Cross and encourage learning from it to be embedded within partner and council operations.	June 2022
Review, respond to and implement appropriate recommendations made by the Norwich Good Economy Commission.	January 2023
Deliver improved skills infrastructure at City College Norwich (via the Towns Fund Programme) to support skilled labour that meets the needs of local businesses.	Ongoing

Priority: Creating the conditions for businesses to thrive.

ACTIVITY	TARGET COMPLETION DATE
Deliver the refurbishment of Carrow House to support interim uses ahead of the East Norwich Masterplan adoption.	April 2022
Adopt refreshed Economic Development Strategy.	June 2022
Develop a Strategy for the Council's Markets, including a Rival Markets Policy.	December 2022
Develop a new start-up and grow-on space for digital businesses in Norwich, providing a focal point for the sector as a whole.	June 2023
Work with City Fibre and the county council to deliver full fibre broadband in Norwich.	September 2024
Determine planning and licensing applications in a timely manner.	Ongoing
Promote and support inward investment in partnership with New Anglia LEP and other key stakeholders.	Ongoing

Priority: Use all our corporate activities (such as recruitment, contracts and use of assets) to support our key aims.

ACTIVITY	TARGET COMPLETION DATE
Develop a council anchor institution approach which brings together work around using our procurement, assets, employment, apprenticeships and wider levers to support an inclusive economy, and work with partners to expand this approach to other major organisations.	March 2023
Deliver the Procurement and Contract Management Strategy Action Plan, supporting the council and its wholly owned companies in the delivery of best value, innovative services and the achievement of our aims.	March 2024

Priority: Join up with the voluntary, community and social enterprise sector, so our services are aligned to help people succeed.

ACTIVITY	TARGET COMPLETION DATE
Recommission social welfare advice and support for residents in financial hardship.	April 2022
Review Neighbourhood Community Infrastructure Levy fund application and marketing to make it more accessible for VCSE partners to apply where they meet the legislative criteria.	June 2022
Carry out a review of grant-giving to the voluntary and community sector and the council's key partnerships, to ensure our approach is effective and efficient, to support our aims.	January 2023
Work with VCSE infrastructure organisations under their Empowering Communities partnership to support volunteer passport development and a VCSE-provided training framework to promote commissioning for social good.	March 2023
Support Norwich Social Enterprise Place Action Plan.	Ongoing
Identify and promote consortium funding opportunities for Norwich VCSEs and help facilitate applications for funding where needed.	Ongoing

Key Performance Indicators

INDICATOR	TARGET 2022-23
Value of external funding leveraged to support council development and place-shaping priorities.	£250,000
Area of underused council land brought into productive use (m ²).	Monitor to determine baseline

Aim 5

Norwich City Council is in good shape to serve the city.

Priority: Put the council on a sustainable financial footing and deliver services effectively and efficiently.

ACTIVITY	TARGET COMPLETION DATE
Review and update the Medium Term Financial Strategy.	Ongoing –review February and autumn each year
Consider the recommendations from the review of options for space usage and for additional income to be generated in future years in light of flexible working practices within City Hall.	April 2022
Develop a strategy for the Council’s Car Parks that will both maximise income generation, ensure the most effective use of these assets and ensure the sustainability of the current agency agreement for enforcement with the County Council.	June 2022
Develop a revised commercial strategy, and a commercial debt policy and recovery processes.	July 2022
New system procurement for Finance, purchasing and HR, incorporating a review of fixed asset register options and improvements in financial reporting capability.	April 2023

Priority: Change how we work in order to serve the city better, building on our Covid-19 response.

ACTIVITY	TARGET COMPLETION DATE
Establish a programme of change projects through Future Shape Norwich, redesigning services and reshaping teams around the needs of users.	July 2022
Provide Covid-19 response via: <ul style="list-style-type: none"> • Business and self-isolation grant schemes. • Business rate reliefs. • Income recovery scheme. • Monthly government returns. • Grant reconciliations and assurance – County and Government. • Employee support. 	Ongoing

Priority: Improve the way residents can access services by embracing new technology, investing in customer services, and making it easier for things to be done online, whilst providing alternatives for those unable to do so.

ACTIVITY	TARGET COMPLETION DATE
Implement Phase 2 of the new NEC Housing IT System.	June 2022
Implement online housing benefit services for landlords.	September 2022
Implement online services for housing benefit discretionary payments.	September 2022
Deliver improved customer experience and digital transformation in line with our strategy.	Ongoing
Upgrade IT systems and improve information management that will enable streamlined and proactive customer services.	Ongoing

Priority: Value, respect and listen to our employees, supporting them through change. Ensure that our workforce reflects our community.

ACTIVITY	TARGET COMPLETION DATE
Develop and agree a mental wellbeing strategy and action plan for the council's workforce and drive forward delivery via CLT and the Mental Wellbeing Steering Group.	Initial strategy and action plan adopted by May 2022. Delivery ongoing.
Conduct a culture, values and behaviours review.	June 2022
Roll out Hybrid Working Policy, with support of appropriate technology and culture change, with a first year evaluation.	January 2023
Develop our Workforce Strategy, which will include health and wellbeing, succession planning, talent, apprenticeships, work experience and kickstart. Staged approach.	March 2023
Deliver Equality Diversity and Inclusion Action Plan to improve the diversity of the council's workforce in line with	March 2024

Priority: Be open and transparent, with accessible data and decisions which are subject to public scrutiny.

ACTIVITY	TARGET COMPLETION DATE
Embed revised risk management strategy, including through staff training and review of all risk registers.	April 2022
Implement the changes required following a review of our housing complaints handling process.	May 2022
Provide effective support for the development of our members and committees, including measures to promote and encourage the use of technology in committee and working group meetings.	September 2022
Information governance review. Develop a more consistent use of data and intelligence to improve evidence-based decision-making and drive service improvement.	Review by October 2022 Implementation by April 2024

Priority: Preserve and strengthen confidence in the council's governance framework, providing the foundations for a high performing council that is compliant with its statutory obligations.

ACTIVITY	TARGET COMPLETION DATE
Develop a programme for delivering the new legal requirements in light of the Elections Act.	TBC confirming Act and regulations
Successful and lawful delivery of the annual elections and management of the electoral register.	Annually in May and publication of the Electoral Register in November annually
Delivery of recommendations arising from the peer review of Corporate Governance and Contract Management.	TBC pending review
Review of the Council's Code of Corporate Governance and the production of the Annual Governance Statement.	July 2022

Key Performance Indicators

INDICATOR	TARGET 2022-23
Council Tax Collection – the amount of in-year council tax plus arrears from old years collected (target set according to budget requirement).	100%
Business Rates Collection – the amount of in-year business rates plus arrears from old years collected (Target set according to budget requirement).	100%
Council on track to remain within General Fund budget (£).	0 (ie no overspend)
Council income from investment property portfolio expressed as % of target income.	95%
% of customers responding as satisfied with customer contact team service.	>77%
% of customer contact that takes place through digital channels.	>53% digital
% of FOI requests responded to within statutory timescales.	90%
% of corporate complaints responded to within stated timescales.	80%
IT System availability expressed as % of time available during core hours.	>99%



If you would like this information in another language
or format such as large print, CD or Braille please visit
www.norwich.gov.uk/Intran or call 0344 980 3333

Produced by Norwich City Council – January 2022

www.norwich.gov.uk



Committee Name: Cabinet

Committee Date: 09/02/2022

Report Title: The council's 2022/23 budget and medium-term financial strategy

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Executive director of corporate and commercial services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

To consider proposals for the council's 2022/23 budget (general fund, HRA and capital programme) along with the council's medium-term financial plans and the treasury management strategy.

Recommendation:

- a) Note the 2022/23 budget proposals and the Medium-Term Financial Strategy.
- b) Note the budget consultation process that was followed and consider, as part of finalising the 2022/23 budget proposals for Council, the feedback as outlined in Section 2, Appendix 2 (I).
- c) Note the Section 7 report of the chief financial officer on the robustness of the budget estimates, the adequacy of reserves, and the key financial risks to the council.
- d) Note that the Council Tax resolution for 2022/23, prepared in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011, will be calculated, and presented to Council for approval once Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk have agreed the precepts for the next financial year.

Cabinet is asked to recommend to Council to approve:

General Fund

- i. The council's net revenue budget requirement as £17.713m for the financial year 2022/23 including the budget allocations to services shown in Section 2, Appendix 2 (C) and the savings and growth proposals set out in Section 2, appendices 2 (F) and 2 (G).
- ii. An increase to Norwich City Council's element of the council tax of 1.99%, meaning that the Band D council tax will be set at £280.21 (Section 2,

paragraph 2.26) with the impact of the increase for all bands shown in Section 2, Appendix 2 (E).

- iii. The prudent minimum level of reserves for the council as £5.100m (Section 2, paragraph 2.53).
- iv. Setting aside the council's distribution of £0.675m from the Norfolk business Rates Pool into a new earmarked reserve to support future spend in line with the economic development objectives of the fund (Section 2, paragraph 2.6).
- v. Setting aside any 2021/22 underspend more than £0.426m into the business change earmarked reserve (Section 2, paragraph 2.5).
- vi. Delegation to the chief finance officer (S.151 Officer), in consultation with the portfolio holder for resources and the portfolio holder for social inclusion, the award of any new business rates reliefs announced by government using discretionary relief powers. The full cost of granting this relief will be compensated through a section 31 grant from Government.
- vii. Delegation to the chief financial officer in consultation with the portfolio holder for resources inclusion of any minor changes consequent on the publication of the final local government settlement or subsequent additional grant allocations.

Housing Revenue Account

- viii. The proposed Housing Revenue Account gross expenditure budget of £70.364m and gross income budgets of £70.610m for 2022/23 (Section 3, paragraph 3.24).
- ix. The use of the estimated surplus of £0.246m along with a further £6.096m of HRA general reserves to make a revenue budget contribution of £6.342m towards funding the 2022/23 HRA capital programme (Section 3, paragraph 3.24).
- x. A 4.1% increase in dwelling rents for 2022/23, in accordance with the Secretary of State issued Direction on the Rent Standard 2019. This enables authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%. This will result in an average weekly rent increase of £3.30 for Norwich tenants (Section 3, paragraphs 3.30 to 3.35).
- xi. That garage rents increase by 3.1%, based on CPI in September 2021 (Section 3, paragraph 3.36).
- xii. That the setting of tenants' service charges is delegated to the executive director of community services in consultation with the portfolio holder for Social Housing after engagement with tenant representatives (Section 3, paragraph 3.37)
- xiii. The prudent minimum level of Housing Revenue Account reserves as £5.848m (Section 3, paragraph 3.56 and Table 3.4).
- xiv. The creation of an earmarked reserve to fund the costs associated with HRA service transformation linked to a programme of review and improvement detailed in Section 3, paragraphs 3.3 to 3.18. This reserve will be used to fund costs linked to the programme which are not delivering specific savings, for example project management and benchmarking with the release of funds being approved in accordance with paragraph 26 of the

Council's Financial Regulations.

Capital and Commercial Strategy

- xv. The proposed general fund capital programme 2022/23 to 2026/27 (2022/23: £29.347m; 5 years: £45.766m) and its method of funding as set out in Section 4, table 4.2, table 4.4 and Appendix 4 (B).
- xvi. Delegating to Cabinet, approval to include in the capital programme additional capital schemes funded wholly by grant where it meets the Council's aims (Cover report, paragraph 27).
- xvii. The proposed HRA capital programme 2022/23 to 2026/27 (2022/23: £38.860m; 5 years: £171.579m) and its method of funding as set out in Section 4, table 4.2, table 4.5 and Appendix 4 (B).
- xviii. The capital strategy, as required by CIPFA's Prudential Code.

Treasury Management Strategy

- xix. The borrowing strategy 2022/23 through to 2026/27 (Section 5, paragraphs 5.27 to 5.29).
- xx. The capital and treasury prudential indicators and limits for 2022/23 through to 2026/27 contained within Section 5, paragraphs 5.18 to 5.25 and table 5.3, including the Authorised Borrowing Limit for the council.
- xxi. The Minimum Revenue Provision (MRP) policy statement described in paragraphs 5.37 to 5.41 and contained in Appendix 5 (Section 5)
- xxii. The (financial) Investment Strategy 2022/23 including changes to counterparty limits (Section 5, paragraphs 5.42 to 5.88).

Summary of key financial indicators

- xxiii. The indicators for 2022/23 through to 2025/26 contained in section 6.

Policy Framework

Subject to approval as part of another report on this agenda, the Council has five corporate aims, which are:

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

This report is relevant for all five corporate aims.

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

Report Details

Background

1. The council continues to face a substantial financial challenge. The sustained period of austerity over the past decade has decreased the city council's own budgets whilst putting huge financial pressures not just on council resources, but those of partners, local businesses, and residents, particularly the most vulnerable residents.
2. Alongside austerity, the council must manage increasing demands for its services – from demographic change and increasing complexity of need - and the ongoing and unprecedented risks arising from the Covid-19 pandemic as well as the longer-term uncertainty around changes in future local government funding.
3. Nevertheless, the council's ambition for Norwich is undiminished. In June 2020, Cabinet agreed the Covid-19 Blueprint for Recovery, one of the first in the country to do so. This document provided an overview of the council's initial response to the virus and identified several priority themes and actions which would frame the council's – and the city's – recovery. An update was provided to Cabinet on progress in October 2021, across the 8 Blueprint themes:
 - Securing the Council's finances
 - Modernising the Council; Re-imagining local services
 - Supporting the most vulnerable
 - Business and the local economy
 - Housing, regeneration, and development
 - Arts, Culture and Heritage
 - Climate change and the green economy
 - Harnessing social capital
4. The Blueprint made clear that the city's response to Covid 19 would require a partnership approach and over the last 2 years the city council has continued to work with City Vision partners within business, the community and beyond, to make progress on key issues to steer the city through this challenging period. The Norwich 2040 City Vision, of a city which is connected, creative, dynamic, fair, and liveable, is as vital as ever.
5. Alongside the Covid 19 Blueprint for recovery, the Council's Corporate Plan, which is on this meeting's agenda, sets out the council's contribution to the Norwich 2040 Vision, whilst this budget report sets out the financial framework and strategy for aiding the delivery of the Corporate Plan over the medium term. The Corporate Plan contains the following key aims:
 - Aim 1 - People live independently and well in a diverse and safe city.
 - Aim 2 – Norwich is a sustainable and healthy city.
 - Aim 3 – Norwich has the infrastructure and housing it needs to be a successful city.
 - Aim 4 – The city has an inclusive economy in which residents have equal opportunity to flourish.
 - Aim 5 – Norwich City Council is in good shape to serve the city.

6. The council is ambitious and wants to make a real difference to both the physical fabric of the city and to the lives of residents who live and work here. But given the financial constraints the council is unable to fund all the investment required itself and, in some cases, there will be other groups and sectors better placed to lead the response to the challenges and opportunities ahead.
7. The council will therefore work with others to secure investment in the city's future and deliver the ambitious shared vision for Norwich, acting as an "enabler" or "catalyst" for change, and ensure that its own resources, particularly its capital investment, are flexed as far as possible to deliver the key outcomes set out in the Corporate Plan.

Summary

8. This report sets out 2022/23 budget proposals across the General Fund, the Housing Revenue Account, and the capital programme along with expenditure and financing plans for the following four years – the Medium-Term Financial Strategy.

General Fund

9. Although, for the first time in a decade, Whitehall funding to local government will see an increase in 2022/23, most of the funding for the city council comes in the form of short-term grants and the level of funding overall is not sufficient to meet the increasing demand for local services. In short, the sector as a whole – and Norwich City Council – has not received the required level of funding for over a decade and 2022/23 continues that trend. This, together with increased pressures from Covid, means that the council will not receive adequate resources to cover its costs over the medium term.
10. The financial settlement covered only 2022/23, with the government again implementing a 'roll forward' finance settlement. This means a further delay to the government's longer-term reforms to local government finance (see section 1).
11. Given the lack of clarity on future local government funding from April 2023, local authorities have no reliable basis on which to appropriately plan their medium-term budgets as it is unclear how much funding there will be, how it will be distributed, and the means of delivery particularly the extent to which some will be conditional. This makes financial planning over the medium term very difficult.
12. Consequentially, the forecasts for 2023/24 onwards in the MTFs are not to be taken as robust figures and they are largely based on the current status quo continuing, particularly concerning how much business rates income the government allows the city council to retain in the future. These forecasts will be monitored and adjusted at least annually in line with further detail from Government about future funding for the sector.
13. Current forecasts, given the caveats highlighted above, show that a further £9.95m of gross savings will need to be found from the General Fund over the four-year period from 2023/24. This level of savings represents 15% of the 2022/23 proposed gross expenditure budget (excluding the housing benefits budget).

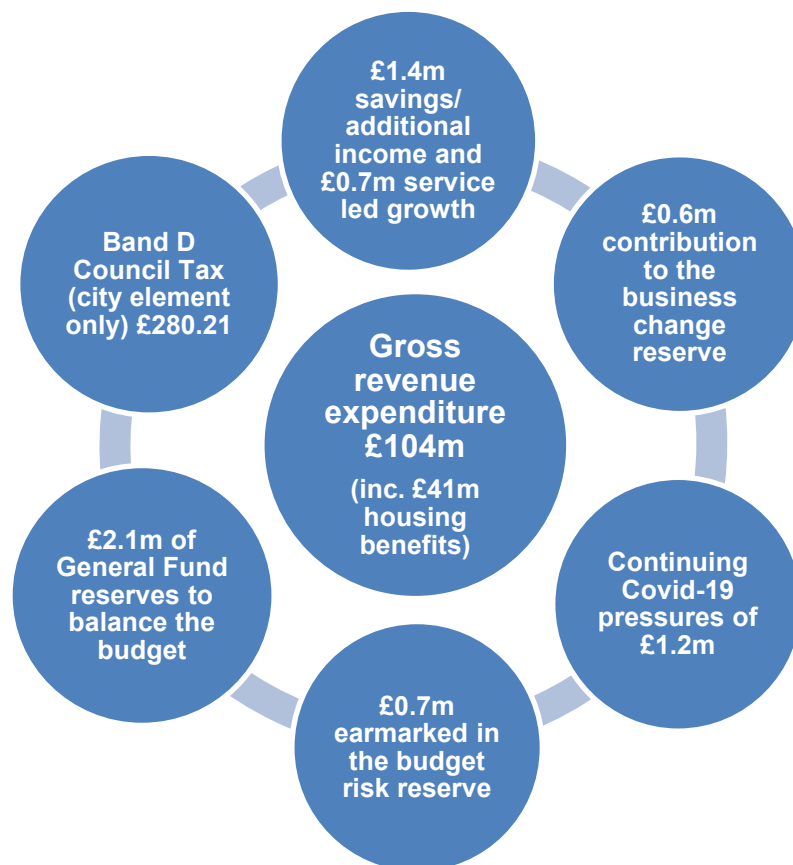
14. It is important to note that the council's approach to business planning and setting its budget annually – and over the medium term – seeks to take a holistic approach to ensure that adequate resources are allocated to priority services. As well as identifying opportunities for efficiencies through service transformation and income generation, our approach to business planning also seeks to identify service areas which require increased funding – both in the short and medium term – to respond to increased demand or other pressures such as inflation.
15. Through this approach, the council also identifies areas which might require increased resources because they are a particular priority or because current resources are insufficient to deliver the quality of service required. A good example of this is the increase in resources allocated to regulatory services through this year's budget process, to ensure these crucial resident facing services are better able to respond to the needs of the city.

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

16. The council will be required to generate ongoing income and/or permanently reduce the cost of delivering local services if it is to balance its budget in future years. As the council takes decisions about how to bridge the required gap it will need to consider the balance not only between how savings are made – for instance, savings to workforce, suppliers, and assets – but also the relative balance between spending reductions and increased income.
17. The council has developed several provisional themes that underpin the approach to addressing the medium-term financial challenges as listed below. Further detail on these can be found in the October 2021 Cabinet paper Medium Term Financial Strategy Corporate Overview.
- Driving value from our assets
 - Driving value from our contracts
 - Inward investment and growth
 - Service transformation
 - Commercialisation including fees and charges
 - Stopping areas of lower priority spend
18. The work to develop a full range of options under each of the themes is underway and will form part of the ongoing service review programme. The priority is establishing sustainable service delivery options for the future which incorporate the learning from Covid-19 and how the council interacts with its residents, customers, and businesses. These options will require time to develop and be implemented and therefore they are expected to contribute to addressing the financial challenges in the latter years of the MTFS.
19. The aim of the reviews is to improve the overall efficiency and effectiveness of service delivery to avoid a reliance on service cuts to balance the budget. However, given the scale of the challenge, reductions to some services cannot be ruled out.
20. The council will plan to implement these savings in a controlled manner and by taking a strategic and medium-term and doing whatever it can to avoid a

short-term approach. It can do this because it has built-up general fund reserves in recent years, both purposefully and through in-year underspending of the approved budget. These will be used to partially fund the budget in a planned way over the next four financial years until the reserves are forecast to reduce gradually towards the minimum prudential level as recommended by the chief finance officer.

Chart 1: Key figures in 2022/23 proposed general fund revenue budget

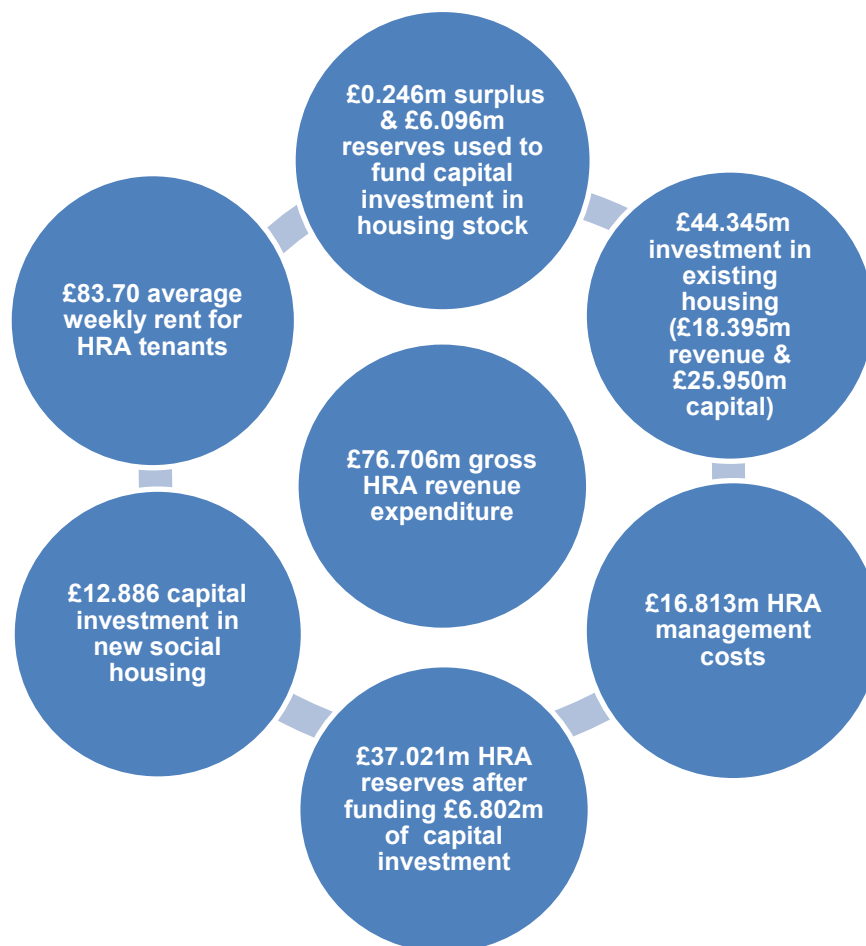


Housing Revenue Account (HRA)

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 on the budget linked to the council's ambitions around continuing to develop high quality new council housing and maintaining and renewing existing homes. The fund has also lost significant income in recent years from the government's enforced four-year rent reduction enacted in the Welfare Reform and Work Act 2016.
23. Additionally, there continues to be potential risks to rental income streams arising from the Covid-19 pandemic, the accelerated roll out of Universal Credit and the continuing Right-to-Buy legislation.
24. The HRA is forecast to make a surplus of income over expenditure of £0.246m in 2022/23 and it is proposed to use this surplus along with £6.096m of existing reserves to fund capital investment in new social housing.

25. The Direction on the Rent Standard 2019 enables authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1%, which would result in the average HRA rent increasing to £83.70. The increase in rents is necessary to fund the council's future ambitions to continue to build new council homes in response to increasing demand and further investment existing homes.

Chart 2: Key figures in 2022/23 proposed HRA Business Plan



Capital and Commercial Strategy

26. The council's proposed capital investment programme for 2022/23 is £68.208m, with £217.346m to be invested in housing and vital infrastructure over the five years of the programme. An illustration of some of the key projects and programmes are given in charts 3 and 4 and the detail can be found in Appendix 4 (B).

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

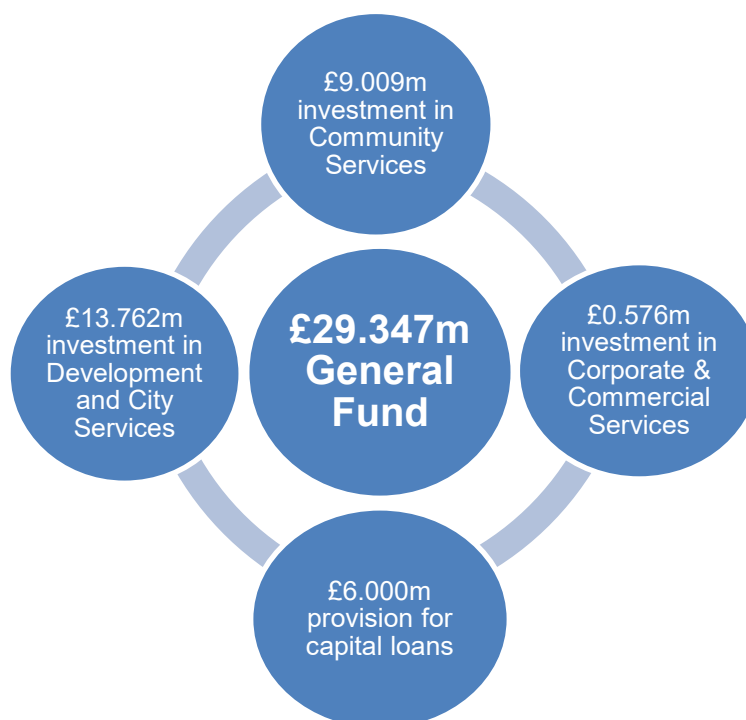
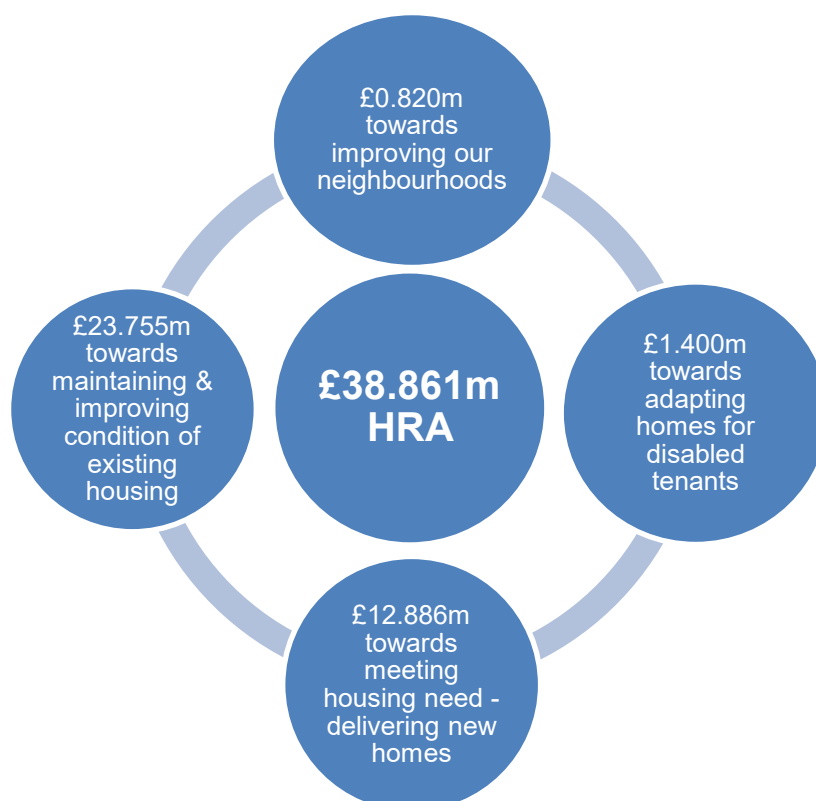


Chart 4: Illustration of proposals within the HRA capital programme



27. During the year the council is sometimes in receipt of additional grants which support new capital expenditure, and which can only be spent for that specific purpose. Provided that these schemes meet the council's corporate priorities, and the relevant conditions are acceptable to the chief financial

officer, it is proposed that delegated authority be given to Cabinet to add both the scheme and financing resources to the capital programme and allow such schemes to progress at pace.

28. The lifting of the HRA debt cap combined with the council's long term business planning approach means that the council, through its HRA, will seek to build more affordable homes in the city in the future. It has significant reserves that can be used for this purpose (see paragraph 3.55) and the HRA Business Plan demonstrates significant "headroom" for the HRA to borrow for this purpose whilst still ensuring the borrowing is prudent and affordable.
29. A revised asset management strategy is being finalised which is due to go to Cabinet in March, which will act as a framework for determining which assets the council should retain and invest in and which assets can be sold to stimulate renewal and generate capital receipts.

The council's overall financial position

30. The council has a strong balance sheet and owns over £1 billion of long-term assets (mostly land and property). In addition, it has significant reserves both for the general fund and HRA (see table 2.3 and table 3.3).
31. The council's general fund services are under the most financial pressure, both for revenue and capital expenditure. The huge uncertainties surrounding the changes in the local government finance regime from 2023/24 hinder robust forward financial planning for the general fund.
32. Total commercial income will equate to 11% of the general fund's gross expenditure budget for 2022/23 (table 6.6). To smooth any potential short term revenue losses associated with these commercial activities, income is set aside in earmarked reserves to mitigate against the risks.
33. The council's underlying need to borrow is forecast to reduce overall across the period to 2024/25 by £12.8m which is a 4% reduction from 2020/21. The balances are decreasing as there is limited capital expenditure forecast which is to be funded from borrowing, combined with the ongoing minimum revenue provision payments which reduce the capital financing requirement. The total indebtedness compared to the value of the council's assets (gearing ratio) decreases from 30% in 2021/22 to 29% in 2025/26 (table 6.5).
34. The council's policy for using borrowing as a means of funding capital expenditure is also described in Appendix 4 (C). Essentially the council will only borrow money (increase its capital financing requirement) in cases where there is a clear financial benefit, such as a new income stream or budget saving, that, at the very least, will fund the costs arising from the borrowing (interest and MRP costs).

The council's approach to financial planning

35. 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 of 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 collection and the impact of Covid on both business rates 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 the current uncertainties surrounding Covid-19 and its potential impact on the national and 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 external borrowing to fund capital projects (interest and MRP costs) into the revenue budget, even if in practice the expenditure is temporarily funded from internal borrowing (use of the council's cash holdings).
- Other specific capital funding strategies as set out in Appendix 4 (C).

Contents of this budget report

36. The council's budget and finances are becoming 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.
37. In addition, regulatory codes of practice require Members to form views on the council's proposed change to commercial investments, its lending to third parties including its wholly owned subsidiary companies, and its equity investments whilst understanding new financial indicators showing the risks, proportionality and affordability of the commercial activities being proposed.
38. This report comprises a series of interlinked and comprehensive papers setting out proposals for the 2022/23 budget along with medium term expenditure and financing plans across the whole of the city council's

activities. Members may wish to consider each section in turn. A brief explanation of the contents is shown below.

1: Local Government Finance – economic and statutory context

This gives a summary of the current key national economic indicators and the state of public sector finances. It reflects on the uncertainty of changes that are intended to be made by government to the local government finance regime and describes all the regulatory changes that have recently been introduced or are under consideration where they might affect the preparation of the budget and MTFS report.

2: General Fund 2022/23 budget and MTFS

This sets out the proposed general fund revenue budget and its financing for 2022/23, including the proposed Council Tax for 2022/23, along with a forecast of the medium-term position.

3: Housing Revenue Account 2022/23 Budget and Business Plan

Contains expenditure and income proposals that relate to the ownership and management of the council's social housing stock, including 2022/23 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.

It also includes the council's non-financial investment strategy. This is a requirement of DLUHC Investment Code. The Strategy covers the council's change of approach to investments in commercial property, as well as its lending and equity investments in third party organisations.

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.

6: Summary of key financial indicators

This section gives various indices, required under the Prudential and Investment 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.

7: 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.

8: Financial glossary

The budget papers by their very nature contain technical financial terms and concepts. An attempt is made in the glossary to explain these.

Equality Impact of budget proposals

Background

1. Norwich City Council has identified permanent budget savings of £1.350m for the financial year 2022/23. To ensure that we discharge our public sector equality duty we must have due regard to the need to:
 - Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the act.
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2. Information on the residents of the city as well as council customers and employees can be found in the annual Equality Information Report published on the council's website.

Budget Context

3. The aim of the Equality Impact Assessment Process is to support good decision making; it encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs. The aims of an EIA become especially important at times of tightened budgets, enabling us to:
 - Think about what the council is trying to achieve.
 - Consider what impact the decision will have on different groups.
 - Target resources to those who may be most vulnerable.
 - Fund services which respond to people's diverse needs and save money by getting it right first time.
4. As part of the Corporate Plan 2022-2026 it is proposed that we must focus our priorities and resources towards:
 - People live independently and well in a diverse and safe city.
 - Norwich is a sustainable and healthy city.
 - Norwich has the infrastructure and housing it needs to be a successful city.
 - The city has an inclusive economy in which residents have equal opportunity to flourish.
 - Norwich City Council is in good shape to serve the city.
5. It is also important to understand the national and local context in which the budget and medium-term financial plan are being developed. The council has seen reductions in its long-term funding allocations from central government and with only a one-year local government settlement there remains significant uncertainty over future funding levels including the operation of the business rates retention scheme.
6. The level of funding allocated to local government continues to be insufficient to support the increasing demand for council services. This, together with

increased pressures from Covid-19, means that the council will not receive adequate resources to cover its costs over the medium term.

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

Cumulative Equality Impact Assessment of Budget 2022/23

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 2022/23. It highlights:
 - The key differential impacts of potential budget decisions for legally protected groups.
 - Where a single decision or series of decisions might have a greater negative impact on a specific group.
 - Ways in which negative effects across the council may be minimised or avoided, and where positive impacts can be maximised or created.
9. We have undertaken an initial screening of all budget proposals, including those relating to the HRA, to ascertain where a potential change impacts on service provision. This has identified those proposals that require an Equality Impact Assessment or consultation. In those cases, an Equality Impact Assessment template has been completed by service leads to identify the main potential impacts on groups covered by legislation (the protected characteristics in the Equality Act 2010).
10. Equality Impact Assessments (EIA) for specific proposals are developed as proposals are being finalised. This ensures that the impact is understood and mitigating actions that minimise disadvantage and tackle inequality are identified where possible. These initial assessments are made available so that members can make informed decisions. There may be some proposals that have implications for council employees for which details of consultation or Equalities Impact Assessments cannot be published owing to data protection or employment legislation.
11. The EIA process and consultation have been based on identifying whether service delivery impacts are likely to be different for a person because of their protected characteristic (with a focus on where impacts may be worse).
12. While assessing the cumulative impact of our proposals on equality groups, we have identified an additional factor that could compound the impact. This is the risk of financial exclusion (due to low income).

Equality Impact Assessment Findings

Council Tax Increase

13. The proposal within the report is that the 2022/23 budget includes an increase of 1.99% in the rate of council tax. The proposed 2022/23 Band D rate is therefore £280.21 compared to the current year rate of £274.74 – an increase of £5.47 per year.

14. Overall, this would result in an additional £0.2m of revenue to support council expenditure, therefore reducing the amount of savings which may otherwise need to be achieved by cutting or reducing service provision for customers, including those who may be from vulnerable groups. An increase in council tax values will, however, have a financial impact for most households in Norwich. The increase may be particularly difficult for those who are already under financial pressure.
15. In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one group, rather it is an increase that is applied across the board. It should be noted that most Norwich residents are within council tax Bands A and B where the annual increase is lower; the impact on all individual council tax bands is shown Appendix 2(E).
16. The main mitigation is that many people on low incomes can get Council Tax Support to help them pay their Council Tax bills. The council has retained a 100% Council Tax Support Scheme and the proposal is to maintain current levels of support and assistance in 2022/23. In addition, further support is in place through the council's discretionary policies for those who suffer hardship and other support such as the council's go-for-less scheme.

Rent and Service Charge Increase

17. The proposal within the report is that rents increase by 4.1% in line with the government's formula set out in the Direction on the Rent Standard 2019 which allows an increase up to the level of CPI in the preceding September plus 1%. This equates to an average increase of £3.30 per week. This increase applies equally to all properties and so is not considered to have a differential impact on any group having a protected characteristic. Support is however available for those on low incomes through the operation of Housing Benefit or in some cases Universal Credit.
18. Garage rent increase are proposed at 3.1%, based on the level of the September 2021 CPI inflation index; this also applies across the board and so is not considered to have any differential impact on those with protected characteristics.

Savings and Income Proposals

19. There has been an overall assessment of the Equality Impact Assessments that have been produced for the savings and income proposal and the findings are:
 - We acknowledge the need to ensure that our services are as accessible as possible. This will be central when looking at alternative models of delivery, including the use of technology to reduce our costs.
 - There are some fee increases for non-statutory services that we provide, and we understand that these fee increases all add up. This may not impact on specific protected characteristics but will impact on those who have a low income.
20. The equality impact assessments will continue to be updated as projects move through the feasibility appraisal and into implementation.
21. If there is a requirement to adapt the proposals as the full EIAs are finalised, there is financial mitigation (in the form of the budget risk reserve) put aside for any non-delivery or amendments to proposals.

Consultation

In line with the approach used in previous years, citizens, partners, and local businesses have been consulted on the proposed approach to meeting the savings target for 2022/23 and the proposed council tax level. The council carried out an online budget consultation survey which closed on 19 January 2021.

Appendix 2 (I) provides further detail on the results of the online budget consultation responses.

Tenant Involvement Panel representatives have been consulted over the proposed HRA rent increase. The impact was discussed with concerns raised regarding the effect of an increase on those struggling financially in the current climate, particularly considering the continued Covid-19 pandemic. However, the panel recognised that increases are inevitable if the level of investment in existing and new homes is to be maintained and endorsed the proposed rent increase in line with the Rent Standard 2019.

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.

Implications

Financial and Resources

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

This report presents the council's proposed 2022/23 budgets across all its activities along with its medium-term financial strategy. The financial implications of these proposals are given throughout the report.

Legal

There is a statutory duty to consult on the Council's budget with business ratepayers (S65 Local Government Finance Act 1992). It is also considered best practice to seek broader views through meaningful consultation with service users, residents, and partners.

Further duties to consult on specific proposals impacting users, including staff and unions also exist prior to implementation.

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

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

Statutory Considerations

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

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	Equality Impact Assessments are required for any specific budget proposals and the impact of the totality of all measures. The overarching assessment is included within the cover report.
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. It includes provision for the retrofitting of loft and cavity insulation and the provision of solar panels for 200 properties across both social and privately owned dwellings.

Risk Management

The budget paper clearly outlines several financial risks to the council, some of which have increased considering changes to the wider economic environment. These are further outlined in section 7 of the report.

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

- a) Maintaining earmarked reserves, established to help mitigate risk, including:
 - The budget risk reserve to manage the financial risks associated with both the continuing impacts of the pandemic and the delivery of the 2022/23 budget savings.
 - The business change reserve to fund costs linked to the council's transformational change programme.
 - The commercial property reserve to manage the risks and costs associated with holding commercial property.
 - The Norwich Regeneration Limited reserve to mitigate financial risks from lending to the council's wholly owned company.
- b) The maintenance of a Prudent Minimum Level of General Fund reserve.
- c) The requirement to produce robust business cases for large capital projects (many of which will generate returns or savings) before a project commences. The process is further detailed in paragraph 4.63.

Reasons for the decision/recommendation

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

Background papers: None**Appendices:**

- Section 1: Local Government Finance – Economic and Statutory Context
- Section 2: General Fund – MTFS and 2022/23 Budget
- Section 3: HRA Business Plan and 2022/23 Budget
- Section 4: Capital and Commercial Strategy including Capital Programme
- Section 5: Treasury Management Strategy 2022/23
- Section 6: Summary of Key Financial Indicators
- Section 7: Chief Finance Officer's Statement
- Section 8: Glossary

Contact

Name: Annabel Scholes, Executive Director, Corporate & Commercial Services (S.151 Officer)

Telephone number: 01603 989201

Email address: annabelscholes@norwich.gov.uk

1. LOCAL GOVERNMENT FINANCE – ECONOMIC AND STATUTORY CONTEXT

Key Economic Indicators and State of Public Finance

- 1.1 A summary of the key economic indicators, as at the time of writing this report (January 2022), is given below.

Table 1.1: Key economic indicators & state of public sector finances

Inflation:

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the government's 2% inflation target, and in a way that helps to sustain growth and employment.

On 15 December 2021, the Office for National Statistics (ONS) published data showing that twelve-month inflation on the Consumer Prices Index (CPI) was 5.1% in November. As required by the remit for the Bank of England's Monetary Policy Committee (MPC) when inflation moves away from the 2% target by more than 1 percentage point in either direction, a letter is provided to the Chancellor which addresses the following:

- the reasons why inflation has moved away from the target, and the outlook for inflation;
- the policy action that the MPC is taking in response;
- the horizon over which the MPC judges it is appropriate to return inflation to the target;
- the trade-off that has been made by the MPC with regard to inflation and output variability in determining the scale and duration of any expected deviation of inflation from the target; and
- how this approach meets the Government's monetary policy objectives.

Why has inflation moved away from the 2% target?

The economic effects of Covid have led to a volatile evolution of price pressures. CPI inflation was at or below 1% during the first year of the pandemic, before rising rapidly towards, and then materially above, the MPC's 2% target over the recent period. As set out in recent Monetary Policy Reports and the minutes of MPC meetings, inflation has been expected to rise further above target in the near term.

In the November 2021 Report, CPI inflation was expected to peak at 5% next spring, and to average around 4.5% over 2022. However, CPI inflation rose to 5.1% in November, 0.6 percentage points higher than expected in the November report.

Inflation has continued to be affected by global developments, particularly the economic recovery from the pandemic, and supply constraints in certain sectors. Consumer energy price inflation has risen further over recent months, as previous increases in wholesale electricity and gas prices were reflected in Ofgem's caps on household energy prices in October, and as the previous strength in oil prices has been passed on to the cost of fuel.

Disruption to supply chains, alongside elevated global demand for goods, has led to bottlenecks, which have exerted upward pressure on inflation globally. Commodity prices have also risen sharply accounting for some of the increase.

The outlook for inflation CPI inflation is expected to remain around 5% through most of the winter period, and peak at around 6% in April 2022. The latter would be around one percentage point higher than expected in the November 2021 Monetary Policy Report. The further rise in inflation next spring is in large part expected to reflect current developments in wholesale gas and electricity futures prices, which will feed into Ofgem's updated retail price caps from April. CPI inflation is still expected to fall back in the second half of 2022.

What policy action is the MPC taking in response?

The MPC sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. The framework recognises that there will be occasions when inflation will depart from the target because of shocks and disturbances. In circumstances when shocks to the economy are particularly large or the effects of shocks persist over an extended period, there may be trade-offs between the speed with which it aims to bring inflation back to the target and the consideration that should be placed on the variability of output.

In the recent unprecedented circumstances, the economy has been subject to very large and repeated shocks. Given the lag between changes in monetary policy and their effects on inflation, the MPC will focus on the medium-term prospects for inflation, including medium term inflation expectations, rather than factors that are likely to be transient. This approach is to set monetary policy so that inflation returns sustainably to its target at a conventional horizon of around two years.

Source: Bank of England – December 2021

Bank Base Rate:

At its November meeting, the MPC judged that, provided the incoming data, particularly on the labour market, were broadly in line with the central projections in the November Monetary Policy Report, it would be necessary over coming months to increase Bank Rate to return CPI inflation sustainably to the 2% target.

Recent economic developments suggest that these conditions have been met. The labour market is tight and has continued to tighten, and there are some signs of greater persistence in domestic cost and price pressures. Although the Omicron variant is likely to weigh on near-term activity, its impact on medium-term inflationary pressures is unclear at this stage.

The MPC judged that an increase in Bank Rate of 0.15 percentage points to 0.25% was warranted at the December MPC meeting. The MPC will review developments, including emerging evidence on the implications for the economy of the Omicron variant, as part of its forthcoming forecast round ahead of the February 2022 Monetary Policy Report.

Source: Bank of England – December 2021

The Council's Treasury Management advisers (Link Group) have also reviewed their own forecast of the base rate in the light of the December announcement by the Bank of England; their rationale is set out below:

"We are not expecting Bank Rate to go up fast after the initial rate rise; our view is that the supply potential of the economy has not taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to 5%. We **are, therefore, forecasting four**

increases in Bank Rate over the forecast period to March 2025, ending at 1.25%. However, we are far from confident that these forecasts will not need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Source: Link Group December 2021

Unemployment Rate and Average Earnings:

Government schemes to sustain viable jobs and support household incomes through the pandemic have proved successful. The furlough scheme has allowed firms to keep paying workers – who might otherwise have been laid off – a large fraction of their normal earnings and the self-employment scheme has provided similar income support to them. As a result, unemployment rose only slightly from 4.0 per cent in the first quarter of 2020, to a peak of 5.2 per cent in the final quarter of 2020, far less than the shortfall in output over the same period would have implied. The recovery in output since the spring has led to a notable rise in the

demand for labour and growing evidence of shortages in parts of the labour market.

The success of the furlough scheme has meant that much of the impact of the pandemic on total hours worked has come through average hours rather than employment. While on the scheme, workers were initially unable to work at all, weighing heavily on average hours which fell by 17 per cent between the first and second quarters of 2020. Hours have subsequently recovered faster than expected in the March 2021 forecast, leaving them only 2.7 per cent below pre-pandemic levels in the second quarter of 2021, compared to the 5.7 per cent assumption in the March 2021 forecast. This was largely the result of both activity and output recovering faster than expected, which contributed to there being approximately 1.2 million fewer people remaining on furlough in August than assumed in March. A rise in the proportion who are on part-time furlough, record levels of vacancies (over 1.1 million), and the fact that those left on the scheme were particularly concentrated in high-vacancy sectors suggests that many of them will either remain with their existing employer or will be able to find alternative work quite easily now that the scheme has closed. Although there remains a good deal of uncertainty, we expect the numbers flowing into unemployment after closure to be rather lower than we did in March (180,000 compared to 310,000).

Average earnings have held up much better than output over the pandemic and by the second quarter of 2021 were 4.9 per cent above pre-pandemic levels. Headline measures of annual average pay growth soared in the second quarter of 2021, with the ONS average weekly earnings growth series hitting 8.8 per cent on the year before. In part, this reflects a recovery from the unusually depressed wage levels a year earlier. It also reflects other effects, as job losses since the start of the pandemic have been concentrated in low-wage positions. These effects have begun to unwind since the summer, with job creation skewed towards social consumption sectors and younger age groups, where wage levels tend to be lower than average. Alongside this, the effect of furlough, which had been weighing on earnings during 2020, has reversed and since April 2021 begun to push up earnings as significant numbers flowed off furlough. Earnings growth has also been stoked by the tightening in labour market conditions, which has pushed vacancies to record levels.

Source: Overview of the November 2021 Economic and fiscal outlook (Office for Budget Responsibility)

Public Finances

The rebound in economic activity means that the public finances have performed better than expected in the OBR's March forecast. Public sector net borrowing (PSNB) and public sector net debt (PSND) in 2021-22 are forecast to be, respectively, £50.9 billion and 9.2 percentage points of GDP lower than expected in March 20.

Tax receipts have performed better than expected, while spending on support schemes has been lower than forecast. These improvements mean that the government's 2021-22 financing requirement has been revised materially downwards.

However, the unprecedented package of support for jobs and businesses has still placed significant burdens on the public finances. Although lower than previously forecast, borrowing and debt remain at historically high levels. PSNB reached

£319.9 billion in 2020-21, the highest level since World War Two, and the OBR expects borrowing will remain high at £183.0 billion this year. PSND increased from 84.2% of GDP in 2019-20 to 96.6% of GDP in 2020-21 and is forecast to reach 98.2% of GDP this year.

While the higher level of borrowing is currently affordable as the interest rate the government pays on its debt remains close to historical lows, the public finances remain vulnerable to future shocks. Taxpayer money spent servicing debt is money which could have been invested in public services, and a sustained one percentage point rise in interest rates and inflation is estimated to cost an extra £20.3 billion in 2024-25, rising to £22.8 billion in 2026-27.

Source Autumn Budget and Spending Review 2021 – HM Treasury

Provisional Local Government Finance Settlement

- 1.2 On the 16th December 2021 the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, set out the Provisional Local Government Finance Settlement covering the year 2022/23 only.
- 1.3 The proposals set out relate to 2022/23 and are focused on stability. The government has said that it is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in several years. Over the coming months, they have proposed that they will work closely with the sector and other stakeholders to update the data and to look at the challenges and opportunities facing the sector before consulting on any potential changes.
- 1.4 The key announcements with relevance to Norwich City Council are summarised below. The specific funding allocations for Norwich are detailed in Part 2 of the Report.
- 1.5 On 27 October 2021 the Chancellor announced the 2021 Spending Review covering the government finances for the period 2022/23 to 2024/25. That set out that, on a like for like basis, the increase in local government funding is £4.9bn, or around 1.0% annually in real terms. However, only the one-year settlement for 2022/23 has been announced.
- 1.6 **Business Rates:** The business rates multiplier will be frozen again for 2022/23. It will remain at 49.9p (small business multiplier) and 51.2p (national business multiplier). Councils will continue to receive compensation in 2022/23 for the under-indexing of the business rates multiplier in this and previous years.
- 1.7 On the 8th November 2021 the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, announced that the proposals for moving to a nationwide 75% scheme for business rates retention was being stopped.
- 1.8 Since 2013/14 Authorities have retained a proportion of business rates revenue generated in their area, alongside the ability to retain an element of business rate growth above government set baselines. This superseded an arrangement whereby business rates were pooled centrally and distributed as part of the local government settlement.

- 1.9 Since its inception a variety of variants have operated including several 100% pilot schemes. Currently most authorities operate a 50% retention scheme and a move to 75% had been expected before it was delayed firstly because of BREXIT and associated delays to the spending review and then more recently due to the COVID pandemic.
- 1.10 **Council Tax:** For 2022/23, shire district councils will be able to increase their Band D council tax rate by up to 2%, or up to and including £5, whichever is higher (referendum limit).
- 1.11 **New Homes Bonus:** There is a final legacy payment of the New Homes Bonus due in 2022/23 which the government has confirmed it will continue to pay, however the government has now also said that it is proposing to roll-over last year's policy on NHB for a new round of NHB payments in 2022/23 using the 2021/22 methodology. The allocations for 2022/23 will be funded through a £554 million top slice of the Revenue Support Grant.
- 1.12 The previously announced additional funding streams, including allocations for the £200m of "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency" were not made in the provisional settlement and are to be subject to subsequent announcements.
- 1.13 The Lower Tier Services Grant was expected to be a one-off grant in 2021/22 however, as the primary purpose of this grant is to ensure that no authority has a reduction in Core Spending Power (CSP) the government has continued it for a further year in 2022/23, maintaining the overall level of the grant at the same level as previously.
- 1.14 A new 2022/23 Services Grant has been creating worth £822 million. This will be a one-off grant for 2022/23. The government has said it will work closely with the sector on how to best distribute this money for 2023/24 onwards. This funding will be excluded from any proposed baseline for transitional support which may be payable as a result of any proposed system changes. This new funding stream includes funding for local government costs for the increase in employer National Insurance Contributions.

Local Government Finance Post 2023

- 1.15 As highlighted previously the financial settlement covered only 2022/23, with the government implementing a 'roll forward' finance settlement. This means a further delay to the longer-term local government financial reforms.
- 1.16 The Secretary of State has announced that the government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. He has pointed out that the data used to assess this has not been updated in several years, dating from 2013/14 to a large degree, and even as far back as 2000. He has also stated that over the coming months, the Department for Levelling Up Housing and Communities (DLUHC) will work closely with the sector and other stakeholders to update this data and to look at the challenges and opportunities facing the sector before consulting on any potential changes.
- 1.17 As part of this, options will be considered to support local authorities through transitional protection. It should be noted that one off grant funding, such as for the 2022/23 Services Grant, provided in the Local Government

Finance Settlement in 2022/23 will be excluded from potential transitional protections.

Regulatory Changes

Changes to the Prudential Code and Treasury Management Code

- 1.18 On the 21st of September 2021 CIPFA released the second stage of consultation covering both of the above codes of practice, setting out proposed wording changes and associated explanatory information.
- 1.19 There are linkages between the proposed changes to the Prudential Code and the Treasury Management code of practice, particularly in relation to commercial investments.

The Prudential Code Changes

- 1.20 The focus of the Prudential Code proposals is to address the risks associated with commercial investments, including property acquisitions, known as debt for yield transactions, following comment from the Public Accounts Committee and National Audit Office reports. CIPFA have set out clearly their views on the appropriateness, or otherwise, of borrowing to enable commercial investments and have re-affirmed this position in a separate publication issued alongside the consultation documents entitled “Why authorities should not borrow to invest”.
- 1.21 Norwich CC currently has £103m of Investment Property on its balance sheet (31 March 2021) and so is directly impacted by the proposed code changes.
- 1.22 Despite CIPFA’s stated position, the Code’s statement that authorities ‘must not borrow to invest for the primary purpose of financial return’ is not intended to require the forced sale of existing commercial investments, whether commercial properties or financial investments. Selling these investments and using the proceeds to net down debt does, however, reduce treasury risks and is therefore an option which should be kept under review, especially if new long-term borrowing is being considered.

The Treasury Management Code Changes

- 1.23 The second consultation, relating to changes to the treasury management code including prudential indicators, again reflects the detailed wording changes necessary to implement the principles set out in earlier consultation, alongside a number of other minor wording changes. In the main they support the changes to the prudential code i.e. that debt for yield transactions are to be avoided.
- 1.24 The main additional measures introduced is the use of the liability benchmark, maturity indicators a revised indicator for long term treasury management investments and an interest rate exposure indicator. These are covered in more detail in the Council’s Treasury Management Strategy.

Consultation on Changes to the Capital Framework – Minimum Revenue Provision (MRP)

- 1.25 The government published a consultation document on the above topic on 30 November 2021.
- 1.26 The consultation focuses on addressing two issues:
 - (i) The use of capital resources to meet a revenue charge - in this case the minimum revenue provision.

- (ii) The exclusion of some capital items from the MRP calculation, in respect of investment assets or capital loans.
- 1.27 Norwich CC, like several other authorities use capital loans for a variety of purposes including as loan finance for wholly owned companies and also to support regeneration activity in its area. Currently the council's MRP policy provides for no MRP charge to be made where there is sufficient evidence to demonstrate that repayment of the loan will be made. This assumption is tested on an annual basis with any impairments being made as a charge to revenue in the form of a voluntary revenue provision (VRP).
- 1.28 In cases where repayment continues to be likely the eventual capital receipt is then used to appropriately reduce debt.
- 1.29 There are a few reasons why requiring an MRP charge would cause particular difficulties:
- (i) In the case of a repayable loan, if an MRP charge was required over the life of the loan, the debt would be fully amortised in addition to there being a capital receipt at the point of the loan redemption. As capital receipts can only be used for capital purposes, for example to undertake new capital expenditure or repay debt, effectively revenue resources have been converted into capital resources at a time when council's revenue resources are severely stretched.
 - (ii) In cases where capital loans are used for development or regeneration purposes the repayment period can often be short, to minimise risk, and in that circumstance the required MRP can be prohibitively high having the effect of preventing appropriate schemes progressing.

2. GENERAL FUND 2022/23 BUDGET AND MTFS

Forecast 2021/22 Outturn

- 2.1 The latest position on the General Fund, as at Quarter 3 shows a forecast underspend of £0.426m.
- 2.2 The Covid-19 pandemic has continued to have an impact right across the council's budgets in 2021/22. When the 2021/22 budget was set it incorporated a number of short-term growth items, including assumed reductions in the council's car parking and rental income levels as a result of continuing restrictions and market changes. These were prudent budget adjustments as income streams continue to operate below their pre-pandemic levels, while the governments income compensation scheme only covered the period to 30 June 2021.
- 2.3 Within the forecasts there is an underspend in relation to interest costs on council borrowing. The council budgeted to borrow £55m in relation to the general fund during 2021/22. Although the council does not maintain separate balance sheets for the general fund and housing revenue account, it has historically allocated borrowing between the two funds. This year to date, the council has taken £45m of new long-term borrowing, of which £15m was taken in relation to the general fund. The remaining £30m was in relation to the housing revenue account and was to secure new borrowing at historically low levels ahead of a scheduled repayment of self-financing debt in March 2023. The general fund borrowing in year two fixed rate 50-year loans with PWLB; one for £5m at an interest rate of 1.64% and another £10m at an interest rate of 1.70%. Cashflows are currently benefiting from government grant money in relation to business rates (due to be repaid later in the year) and therefore the current forecast assumes no further general fund borrowing in 2021/22. This has meant an in-year forecast saving on borrowing costs.
- 2.4 In November, Cabinet agreed the principle of setting the forecast borrowing costs underspend of £0.591m aside into an earmarked reserve to support the budget position in 2022/23. This transfer of funds has therefore been incorporated into the forecast position at Quarter 3.
- 2.5 In the updates to the medium-term financial strategy in this report, it has been assumed that the Period 9 underspend level of £0.426m is returned to general fund reserves to provide resilience for the future financial challenges. It is proposed that if any additional underspend materialises by the end of the 2021/22 financial year that this is set aside into the council's business change reserve to support the delivery of the council's change programme.
- 2.6 It has been confirmed that the council will be receiving a distribution of £0.675m from the Norfolk Business Rates Pool as agreed by Norfolk Leaders. It is proposed to set aside this income into an earmarked reserve to support future spend in line with the economic development objectives of the fund. The 2022/23 capital budget contains a proposal to complete a refurbishment of the recently purchased Carrow House site which is proposed to be funded from this pool distribution.
- 2.7 As part of the response to the pandemic the government announced additional business rates reliefs to businesses in the retail, hospitality and

leisure sectors. These reliefs have reduced the income received directly from business rates payers, with the lost income compensated for by a Section 31 grant from central government. The overall impact will be a deficit on the business rates collection fund and additional grant income received into the general fund. Due to the required accounting treatment, there will be a timing difference between when the two elements impact on the general fund (S31 grant income in 2020/21 and the deficit in 2021/22). To manage the impact of this it is proposed that the additional grant income received in 2021/22 is transferred into the S31 Earmarked reserve and returned into the general fund in 2022/23 to offset the impact of the business rates deficit.

Proposed 2022/23 Revenue Budget

- 2.8 The savings options for 2022/23 have been proposed from service areas and reviewed by the Resources, Performance & Delivery Board which includes representation from each directorate, finance, strategy, HR and legal. Proposals have then been reviewed by the Corporate Leadership Team to assess the deliverability and impacts on the corporate plan. Service leads have completed deliverability assessments for savings items setting out key milestones, resource requirements and risks.
- 2.9 In line with the approach used in previous years, the council has consulted the public on the proposed approach to setting the budget and on the potential for a council tax rise. The consultation closed on 19 January 2022. An analysis of the results is given in Appendix 2 (I) and will provide useful feedback as the council shapes its future budget proposals. The consultation found that 50% of people agree or strongly agree with the proposed council tax increase, while 62% of people either agree or strongly agree with continuing to provide council tax relief at 100 per cent for those working age residents on low incomes.
- 2.10 Appendix 2 (A) summaries the key movements in the base budget (i.e. 2021/22 approved budget) to arrive at the proposed 2022/23 budget. Appendix 2 (B) shows a subjective breakdown of the gross income and expenditure proposed.
- 2.11 Permanent savings/additional income of £1.350m have been identified. This is lower than the savings target of £2.1m shown in the MTFS update presented to Cabinet in October 2021. The decision to build in a lower level of permanent savings in 2022/23 reflects both an improvement in the overall 4-year MTFS saving requirement of £0.650m and the decision to use some short-term savings measures (see paragraph 2.15) to ensure sufficient time and resources to implement the longer-term service reviews. A detailed summary of the proposed budget savings and growth is shown in Appendices 2 (F) and 2 (G).
- 2.12 The budget proposals include £0.714m of permanent budget growth (i.e. increases to the budget not arising from inflationary factors). The full list is shown in Appendix 2 (G).
- 2.13 The impacts of Covid-19 are still expected to impact the budget in 2022/23, in particular around the council's car parking and rental income levels. In 2021/22 budget growth relating to the pandemic totalled £3.175m. While there has been a recovery in income streams, the 2022/23 budget proposals still includes £1.230m of short-term impacts from Covid-19. It is

currently assumed that these budgets recover to pre-pandemic levels in 2023/24.

- 2.14 The budget proposals include short term growth of £0.727m. This includes investment in the East Norwich Masterplan, Greater Norwich Local Plan and the production of a Contaminated Land Inspection Survey. There is also short-term holding costs associated with the Towns Fund projects to redevelop Carrow House and Townshend House which will be offset by rental income in future years. The full list is shown in Appendix 2 (G). There is also investment of £1.662m from the business change, invest to save and commercial property earmarked reserves to support specific projects in 2022/23. The full detail is shown in Appendix 2 (H).
- 2.15 The budget position has been closed by taking on some additional short-term options which total £1.877m (Appendix 2 (F)). These decisions are assumed to be reversed in 2023/24 in the MTFS. The largest elements of this balance relate to:
- £0.591m of 2021/22 borrowing cost underspend set aside into an earmarked reserve to support the budget position in 2022/23 (see paragraphs 2.3 and 2.4);
 - £0.690m reduction in interest costs as a result of a lower borrowing requirement in 2022/23. This follows the decision to take £30m of Housing Revenue Account borrowing ahead of a planned loan repayment in March 2023; enabling the HRA to lock in favourable long term interest rates and reduce the cash borrowing need in year.
- 2.16 It is important to note whilst one-year measures assist in setting a balanced budget, they do not address the structural financial gap over the medium term. The council has significant financial challenges and will require the cross-cutting service reviews to drive forward the savings options for future years. Whilst service reviews will look at how services can be delivered differently and more efficiency, it is likely – given the scale of the challenge – that they will lead to a reduction in service capacity in some areas.
- 2.17 The updated MTFS presented to Cabinet in October 2021 forecast that £2.904m of general fund reserves would be needed to balance the budget in 2022/23. There has however been a significant shift in the reserves requirement since the October Cabinet paper following confirmation of the outcomes from the Local Government Finance Settlement. The main factor in this movement is additional grant funding confirmed for 2022/23, including a new Services Grant and the continuation for a further year of the New Homes Bonus scheme. As a result, rather than drawing down £2.904m from general reserves to balance the budget, the requirement is now reduced to £2.100m as well as topping up the Business Change earmarked reserve by £0.600m.

Chart 2.1: 2022/23 gross expenditure budget analysed by type of spend

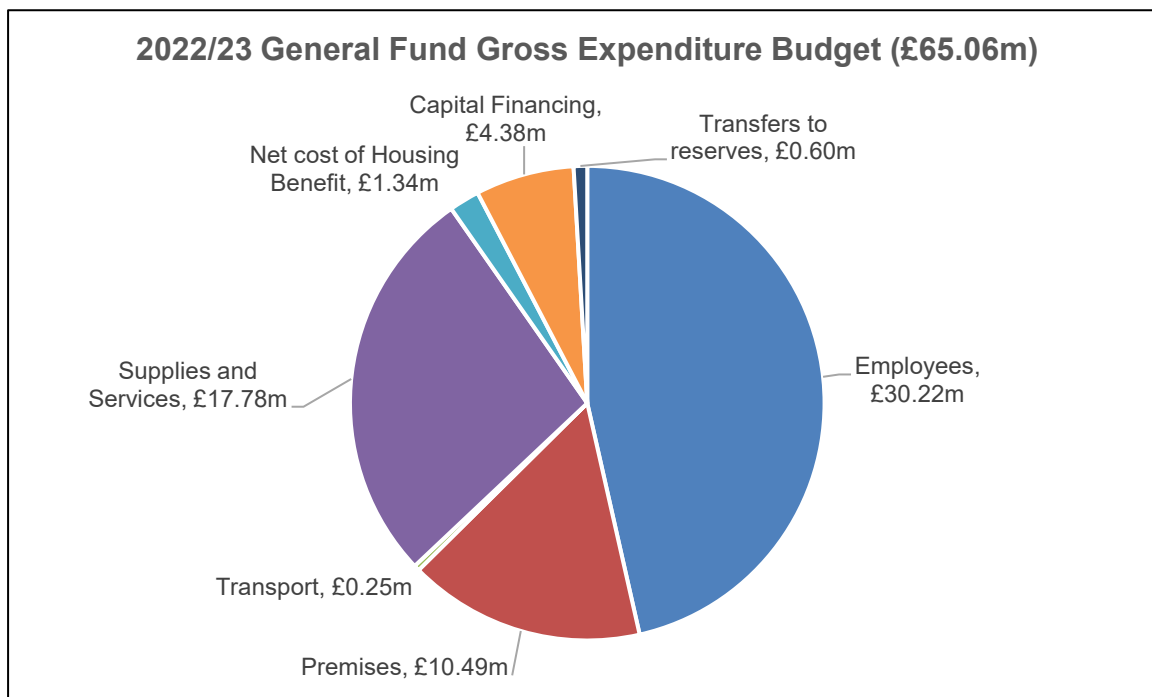
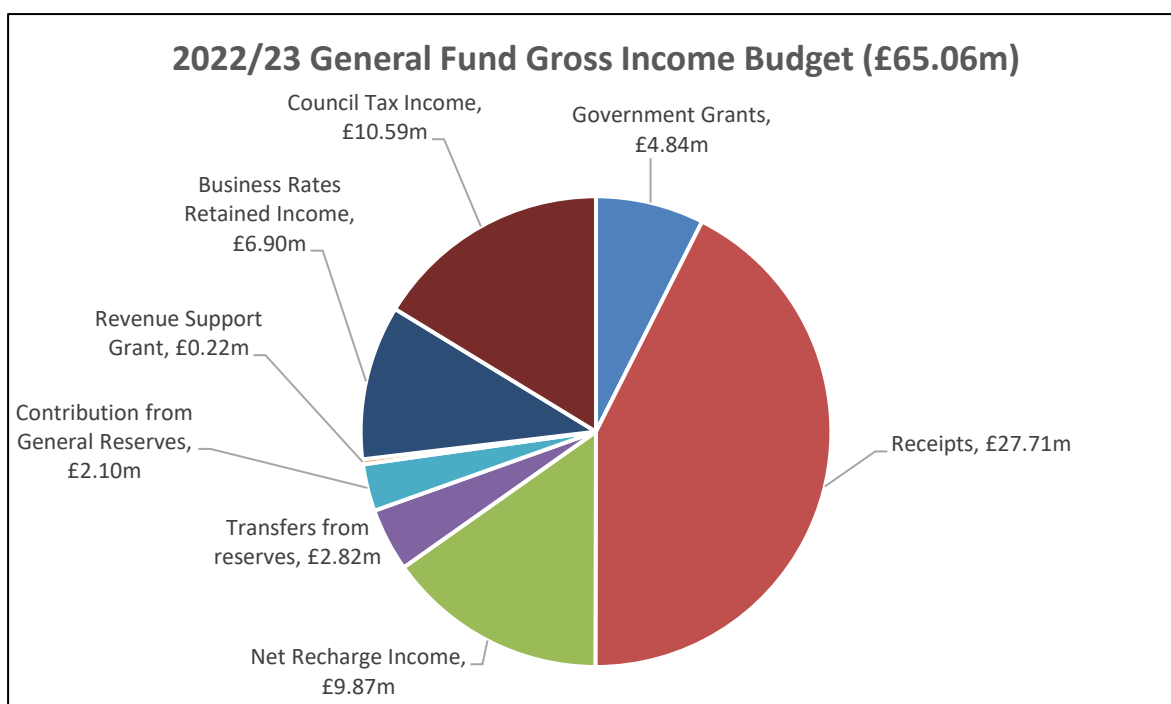


Chart 2.2: 2022/23 gross income budget analysed by type of income



Medium Term Financial Strategy (MTFS)

- 2.18 The MTFS is a forecast of the estimated cost of delivering current services over the next five years, compared to the anticipated funding streams to support council services. This results in a projected budget gap from which the future savings requirements are estimated.
- 2.19 The principle adopted for a number of years has been to smooth the savings requirement over the medium term. This has been to prevent significant annual fluctuations in savings requirements and ensure a strategic approach can be taken to delivering savings projects. In order to smooth the savings requirements, however, it means that the council needs

to draw down on general reserves. These are a one-off source of funding; therefore, utilisation of reserves is not sustainable in the long term and the ongoing service reviews will need to form a key element of bringing the budget into balance over the next 12 months.

- 2.20 The 2022/23 MTFS maintains the previous approach of presenting a strategy to deliver a smoothed savings requirement over a 4-year period and utilising general reserves (down the prudent minimum level of £5.100m). Table 2.1 below shows the medium-term financial projections for the years 2023/24 to 2026/27. The full MTFS by subjective group is shown in Appendix 2 (D).

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

	2023/24	2024/25	2025/26	2026/27
Budget base	21,688	24,416	27,128	29,230
Resources	(17,334)	(18,240)	(18,768)	(19,280)
Savings required (cumulative)	4,354	6,176	8,360	9,950
Planned use of reserves	(1,654)	(776)	(260)	0
Permanent savings (cumulative)	(2,700)	(5,400)	(8,100)	(9,950)
<i>Of which savings are:</i>				
<i>Identified (cumulative)</i>	<i>(£1,072)</i>	<i>(£1,571)</i>	<i>(£1,739)</i>	<i>(£1,800)</i>
<i>Still to be identified (cumulative)</i>	<i>(£1,628)</i>	<i>(£3,829)</i>	<i>(£6,361)</i>	<i>(£8,150)</i>

- 2.21 The MTFS shows a need to make permanent gross savings of £9.95m over the next four years, assuming demand-led growth of £0.75m per annum. Following the existing “smoothed” approach this equates to gross savings of £2.70m each year to 2025/26 and £1.85m in 2026/27.
- 2.22 The council has identified potential future savings of £1.800m against the cumulative target of £9.950m. These provisional options will continue to be investigated and potential savings values refined as part of the 2023/24 corporate business planning cycle. Further detail is shown in Appendix 2 (F).

Table 2.2: Smoothed net savings required 2023/24 to 2026/27 - Figures are in £000s

	2023/24	2024/25	2025/26	2026/27
Assumed annual service growth	750	750	750	750
Gross saving requirement	(2,700)	(2,700)	(2,700)	(1,850)
Net annual saving requirement	(1,950)	(1,950)	(1,950)	(1,100)

- 2.23 As noted in the introduction to this report, the estimates for 2023/24 onwards cannot to be taken as robust figures given the changes are expected to be introduced to the local government finance regime from 2023/24 onwards (and as described in Section 1 of this report).
- 2.24 The MTFS shows that the council has a significant savings challenge over the next 4 years and will require the cross-cutting service reviews to drive

forward the savings options for future years. Whilst service reviews will look at how services can be delivered differently and more efficiently, it is likely – given the scale of the challenge – that they will lead to a reduction in service capacity in some areas. The risks over the deliverability of the saving requirement and mitigating actions are discussed in Section 7.

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

Council Tax

- 2.25 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 2% or £5 each year for 2022/23.
- 2.26 A 1.99% increase to the Band D rate is proposed in the 2022/23 budget figures (£0.2m additional income). The proposed 2022/23 Band D rate is therefore £280.21 compared to the current year rate of £274.74 – an increase of £5.47. This is for the Norwich City Council share of total council tax only and does not include the amounts required from preceptors - Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk. Appendix 2 (E) shows the proposed increases by each Council Tax band.
- 2.27 The figures shown will be reduced, for qualifying council taxpayers, by the council's Council Tax Reduction Scheme (CTR). Currently the total cost of the CTR scheme is £14.8m, of which the Norwich share is £2.0m.
- 2.28 The Council Tax base has been set at 37,788 which combined with the Band D rate gives a budgeted income of £10.589m in 2022/23.
- 2.29 For future years of the MTFs, the same referendum principles have been assumed with the maximum increase allowed being taken each year. An increase in the council tax base of 1.25% per annum is also assumed for estimated growth in the number of dwellings in the Council's area. Given the 2020/21 council tax deficit is required to be spread over three years, no surplus is included in 2022/23 or 2023/24. The full calculation shown in Appendix 2 (E).

Business rates

- 2.30 The business rates collected during the year by billing authorities are split between central government and local government. Billing authorities such as Norwich City Council initially retain 40% of the business rates collected in their area, with then either a tariff or top-up applied to redistribute business rates more evenly across authorities.
- 2.31 A baseline funding level is set by central government and a 'safety net' system operates to ensure that no authority's income drops by more than 7.5% below their baseline funding level.
- 2.32 On 8 October 2021, all Norfolk local authorities confirmed to MHCLG a provisional intention to create a Norfolk business rates pool in 2022/23.
- 2.33 The key benefit of the pooling arrangement is that rather than pay a 50% levy to government on business rates growth above the baseline, the income is retained locally by the Norfolk authorities in line with an agreed Memorandum of Understanding (MOU). Under the terms of the MOU, the collective pooled will be split:

- One third to Districts shared equally
 - One third to the County Council
 - One third to be distributed to Districts based on actual growth achieved, after an allocation of one third to the County Council.
- 2.34 There are also financial risks associated with pooling. Under the terms of the Governance Agreement, the Norfolk Pool operates a safety net guarantee; this means the pool members collectively ensure that each authority receives as a minimum 92.5% of their baseline funding.
- 2.35 The retained business rates forecasts are based on actual amounts collectable at December 2021 which are then adjusted for local knowledge (i.e. appeals, charitable relief) and the uplifted by an inflationary increase to allow for the increase in the business rates multiplier.
- 2.36 The 2022/23 retained business rates have been budgeted at £6.691m along with a forecast deficit distribution from 2020/21 and 2021/22 of £10.807m. The deficit will be offset by income from the S31 Earmarked Reserve of £11.015m (as detailed in paragraph 2.7) and reflects the additional reliefs awarded as part of the government's response to the pandemic for which grant income was received in 2021/22. A breakdown of the business rates calculation is shown in Appendix 2 (E).
- 2.37 The forecasts for retained Business Rates income from 2023/24 assume current baseline amounts subject to inflationary increases. The MTFS also includes an allowance for the known final instalment of the spreading of the 2020/21 deficit (£0.288m) as allowed by government.
- 2.38 There remains a financial risk on business rates income from the impact of valuation appeals, in particular over the 2017 valuation list. The risk however for valuation appeals as a result of Covid-19 has been addressed as part of the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 which received Royal Assent on 15 December 2021. By virtue of section 1 of the Act, the Valuation Office Agency, when making an alteration to a rating list, will not be permitted to take into account any matter that is directly or indirectly attributable to coronavirus.

Payroll

- 2.39 The MTFS shows growth in the Council's payroll cost (assuming current levels and numbers of staff employed). Payroll-related inflation has been estimated at 2.75% in 2023/24 and beyond to allow for an annual pay settlement, payroll drift, and the impact of the Living Wage. Additional estimates have been included for expected increases to pension deficit contributions, although these will be subject to the outcome of future triennial valuations of the pension scheme.
- 2.40 Included in the 2022/23 budget is a £300k vacancy factor. This reflects an assumed 1.5% assumed saving on staffing expenditure during the year due to staff turnover and is within the levels of underspend seen in recent years. The allowance has been budgeted at the directorate level and will be allocated to service areas during the year as underspend are identified using a technical virement. The allowance is assumed to be fully unwound in the MTFS by 2023/24.

Revenue contribution to capital

- 2.41 Previously the MTFS included an assumed £1.5m revenue contribution to capital as a funding source for the capital programme. This assumption was adjusted in the paper to Cabinet in October 2021 to reflect the impact of the decision to dispose of the airport industrial estate site, which is owned by Norwich City Council and held on express trust for Norfolk County Council, effectively giving joint ownership. Income derived from the estate is divided 60% Norfolk County Council and 40% Norwich City Council.
- 2.42 It is assumed that the estimated capital receipt will enable the capital programme for the next 4-5 years to be funded from receipts rather than requiring a contribution from the revenue budget. This contribution was previously assumed in the MTFS at £1.5m in 2022/23 onwards. To enable this approach, it is assumed the sales of the site will be completed during 2022/23. The budget adjustments also take into account the loss of the council's share of the net income generated by the industrial estate.

Inflation

- 2.43 Based on advice from the Office for Budget Responsibility's (OBR) Consumer Price index (CPI) forecasts, future inflation has been included on premises costs, supplies and services, and transport throughout the MTFS planning timeline. Inflation has been assumed at 3.5% in 2023/24, reducing gradually to the Bank of England's 2% target by 2026/27. Inflation on income however is prudentially set to run below expenditure at 1.5% per annum.

Government Grants

- 2.44 The provisional Local Government Finance Settlement confirmed a number of specific grant allocations for the 2022/23 financial year only:
- Lower Tier Services Grant £0.269m
 - Services Grant £0.413m
- 2.45 The provisional settlement confirmed a new single-year allocation of New Homes Bonus of £0.389m, which when combined with legacy payments means total grant of £0.546m in 2022/23.
- 2.46 The council has received confirmation of its allocation of Homelessness Prevention Grant of £0.596m and has assumed the Rough Sleeper Initiative Grant at the same level of funding as 2021/22. These grant receipts are matched by corresponding expenditure assumptions. The MTFS assumes the continuation of the grants and related expenditure for future years; any changes in the grant levels are therefore assumed will be offset by reductions in the related expenditure.
- 2.47 Other specific grants for future years have been estimated at 2021/22 levels, with the exception of Housing Benefit which have been estimated to reduce annually by 10% based on the service experience for other authorities moving to full universal credit service.
- 2.48 As a result of receiving only a one-year local government finance settlement allocation, the council does not have certainty over the future format of grant allocations – in particular, New Homes Bonus, Lower Tier Services Grant and Services Grant. In 2022/23 these allocations totalled £1.452m and an assumption has been made that the council will continue to receive two-thirds of that grant funding in some form in the future years of the MTFS. This is based on the understanding that the funding will be retained in the

local government sector going forwards but is likely to be subject to revised allocations between authorities based on the updated resource need assessment (see Section1 for further background).

Capital financing budget

- 2.49 The capital financing budget includes interest charges from external borrowing and Minimum Revenue Provision charges. The budget for 2022/23 provides coverage for all existing external borrowing and an allowance for a further £15m of external borrowing spread across the financial year at a rate of 2%. Additional allowance for further general fund borrowing of £42m in subsequent years has been allowed for across the life of the MTFS to reflect that the council is currently under-borrowed relative to its capital financing requirement. The treasury position will continue to be actively managed as set out in Section 6: Treasury Management Strategy.

Income from wholly owned companies

- 2.50 The MTFS assumes a steady state loan interest income budget of £0.410m per annum arising from lending to Norwich Regeneration Ltd (NRL) for the life of the MTFS. The actual interest charges will be dependent on the cash flow requirements of the company and pace at which schemes are developed and loans repaid. The budget and MTFS forecasts do not include any possible dividend (profit share) income from the company.
- 2.51 The MTFS assumes £0.041m of interest income from Norwich City Services Ltd from the loan advanced to the company to undertake depot improvement works. The budget and MTFS forecasts do not include any possible dividend (profit share) income from the company.
- 2.52 Service level agreement charges, as agreed with the wholly owned companies, are included in the budget along with the related employee and services costs.

General Fund Reserves Position

The General Fund reserve

- 2.53 The prudent minimum level for the general fund reserve has been set at £5.100m. The smoothed MTFS brings the forecast reserves down to around Prudent Minimum Balance plus 10% by the end of 2025/26.

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

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Brought forward	(9,980)	(10,406)	(8,306)	(6,652)	(5,876)	(5,616)
Forecast outturn	(426)	0	0	0	0	0
Transfers (to)/from	0	2,100	1,654	776	260	0
Carried forward	(10,406)	(8,306)	(6,652)	(5,876)	(5,616)	(5,616)

- 2.54 After 2025/26 savings will still need to be required if any inflationary increases or growth in costs are not able to be offset by rises in council tax,

business rates and other income generated by the council. These savings will need to be made without relying on reserve contributions to balance the budget.

Earmarked Reserves

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

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

	Actual 31 March 2021	Forecast 31 March 2022	Forecast 31 March 2023
Invest to Save Reserve To support the delivery of savings and efficiencies through the Future Shape Norwich Programme over the next 2-3 years.	2,513	1,929	1,016
Budget Risk Reserve To manage the financial risks associated with both the future impacts of the pandemic and the delivery of the 2022/23 budget savings identified.	700	700	700
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.	913	126	661
Commercial Property Reserve Established to reduce the risks associated with holding commercial property by providing funding for any future void and rent-free periods as well as repairs and upgrades to the investment portfolio.	2,465	2,376	1,851
Insurance Reserve This is to cover the excesses carried in respect of claims under various insurance policies and is subject to annual review.	1,081	1,081	1,081

	Actual 31 March 2021	Forecast 31 March 2022	Forecast 31 March 2023
<p>Norwich Regeneration Ltd Reserve</p> <p>Originally established to smooth any fluctuations in net income received by the Council from lending to NRL. The reserve level was increased in 2019/20 to mitigate against any potential future Minimum Revenue Provision charges required to cover for estimated non-recovery of the loan balance.</p> <p>The recoverability of the loan will continue to be reviewed and should any element of the reserve not be required it can be returned to general reserves.</p>	3,350	2,700	2,050
<p>S31 Grant Reserve</p> <p>Unutilised balance of S31 grant monies received in prior years from Central Government to fund Business Rates reliefs.</p> <p>The increase in the reserve as at 31 March 2021 reflects the additional grant income received in 2020/21 to compensate the council for additional business rates reliefs announced by HM Treasury as part of the Covid-19 response. These will be returned to the general fund over the next two years to match the timing of the related collection fund deficits (see paragraph 2.7).</p>	19,518	13,422	2,350
<p>Revenue Grants Unapplied</p> <p>Holds grants and contributions received which have yet to be applied to meet expenditure. The use of the balance is restricted and can only be used to fund the specific service area awarded the grant income. The majority of the balance is made up of Section 106 contributions which are released each year to support the maintenance costs on specific assets e.g. play areas.</p>	3,491	1,801	1,681

	Actual 31 March 2021	Forecast 31 March 2022	Forecast 31 March 2023
General Fund Repairs Reserve To provide future funding for required maintenance on general fund properties. £0.2m budgeted to be used in 2021/22 to fund required property maintenance.	831	573	573
Other minor reserves	143	143	143
Total	35,005	24,851	12,106

Appendix 2 (A): Budget Resources breakdown and 2022/23 movements from the approved 2021/22 base budget

Budget Resources Analysis:

	2021/22	2022/23	
	£000		£000
<i>Council Tax</i>			
Projected tax base (2021/22: 37,408)		37,788	
<i>Planned Council Tax increases</i>			
Council Tax Increase		1.99%	
Council Tax Band D (2021/22: £274.74)		£280.21	
Council Tax Yield	10,277		10,589
Surplus/(deficit) on Collection Fund	75		0
Council Tax Support Grant	320		0
	10,672		10,589
<i>Business Rates Retention Scheme</i>			
Local Business Rates (including levy)	6,250		6,691
Surplus/(deficit) on Collection Fund	(17,293)		(10,807)
S31 grant transfer from reserves	17,167		11,015
	6,124		6,900
Revenue Support Grant	217		225
Budget Resources	17,013		17,713

Movements from 2021/22 approved budget:

		£000
2021/22 Budget Resources		(17,013)
Budget movements:		
Increase in revenue support grant		(8)
Reduction in business rates income		(775)
Increase in council tax income		(236)
Loss of Council Tax Support Grant		319
2022/23 Budget Resources		(17,713)

2021/22 Budget Requirement		17,013
Budget movements		
Reversal of one-off items in the 2021/22 budget		161
MTFS and other movements		(210)
Inflation including pension deficit contributions		1,876
Reduction in grant income		929
Continued Covid-19 related short term growth		1,230
Permanent growth - Appendix 2 (G)		714
Short term growth - Appendix 2 (G)		727
Permanent savings & additional income - Appendix 2 (F)		(1,350)
Short-term savings - Appendix 2 (F)		(1,877)
New service investment from earmarked reserves		1,386
Earmarked reserve transfers to meet new service investment		(1,386)
Contribution to Business Change Reserve		600
Required contribution from general reserves		(2,100)
Revised 2022/23 Budget Requirement		17,713

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

Subjective group	Budget 2021/22 £000	Budget 2022/23 £000	Movement £000
Employees	24,145	30,224	6,079
Premises	9,706	10,493	787
Transport	220	249	29
Supplies & services	19,331	17,775	(1,556)
Housing benefit payments	47,770	41,492	(6,278)
Capital financing	3,573	4,377	804
Gross expenditure	104,744	104,610	(135)
Government grants	(51,919)	(44,993)	6,926
Fees, charges & rental income	(26,236)	(27,713)	(1,477)
Net recharge income	(8,832)	(9,873)	(1,041)
Gross income	(86,987)	(82,579)	4,408
Contribution from General Reserves	0	(2,100)	(2,100)
Contribution to/from Earmarked Reserves	(744)	(2,218)	(1,474)
Total Budgetary Requirement	17,013	17,713	699

Explanation of key variances:

- Employee costs have increased by £6.079m. Included within this increase are inflationary adjustments for salaries, the increase in the national insurance rate for employers, and the council's pension deficit payments to the Norfolk Pension Fund (£1.3m). Salary costs have also been increased to reflect the transfer of employees from the council's joint venture NPS Norwich into the council (£2.6m), a significant proportion of these costs will be recharged to the housing revenue account.
The remaining increase reflects service growth items (Appendix 2 (G)) and additional resource costs to support the Towns Fund projects (the majority of which will be recharged to the specific capital projects).
- Supplies and services line has reduced in part to the transfer of employees from NPS Norwich, the costs of which move from contractual spend into the employee costs line. Also within the movement there is contractual inflation as well as the impacts of the savings (such as a reduction in environmental service contract costs) and growth items (such as the investment in the East Norwich Masterplan and implementation of the council's customer and digital strategy). Further detail in Appendices 2(F) and 2(G).
- The expected housing benefit expenditure and subsidy levels have been re-based on current levels. This has resulted in a reduction in the housing benefit payments line and corresponding reduction in assumed grant subsidy (shown with the Government Grants line).
- Income from fees and charges has increased following the partial reversal of the Covid-19 impacts in 2021/22 on car parking and rental income. There is also new income assumed in relation to a review of car parking charges (see Appendix 2(F)).

Appendix 2 (C): 2022/23 proposed General Fund budget by service

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Chief Executive	335	(55)	280
Corporate Financing	2,643	(4,051)	(1,408)
Corp & Commercial Services Management	512	0	512
Finance, Audit & Risk	2,000	(1,120)	880
HR & Organisational Development	1,190	(402)	788
Legal & Procurement	3,280	(1,462)	1,818
Revenues & Benefits	44,379	(41,471)	2,908
Total Corporate & Commercial Services	51,362	(44,456)	6,906
Community Services Management	862	0	862
Customers, IT & Digital	7,669	(2,718)	4,952
Strategy, Engagement & Culture	3,933	(1,239)	2,694
Housing & Community Safety	6,488	(5,285)	1,203
Total Community Services	18,952	(9,242)	9,710
Development & City Services Management	583	0	583
Environment Services	16,773	(13,070)	3,703
Planning & Regulatory Services	4,410	(2,050)	2,360
Property & Economic Development	9,553	(9,656)	(102)
Total Development & City Services	31,319	(24,776)	6,544
Total General Fund	104,610	(82,579)	22,032
Contribution from General Reserves		(2,100)	(2,100)
Contribution from Earmarked reserves		(2,818)	(2,818)
Contribution to Earmarked reserves	600		600
Budget Requirement	105,211	(87,497)	17,713
Revenue Support Grant		(225)	(225)
Business Rates Retained Income		(6,900)	(6,900)
Council Tax Income		(10,589)	(10,589)
Budget Resources		(17,713)	(17,713)

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

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

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
Employees	30,224	31,188	32,352	33,557	34,780
Premises	10,493	10,568	10,782	10,965	11,115
Transport	249	249	250	251	251
Supplies & Services	17,775	16,847	17,100	17,320	17,502
Capital Charges	3,288	4,016	4,300	4,593	4,622
Housing Benefit Payments	41,492	39,727	38,270	36,940	36,940
Benefit Subsidy	(40,149)	(38,124)	(36,396)	(34,781)	(34,781)
Net recharge income	(9,873)	(10,048)	(10,048)	(10,048)	(10,048)
Contribution to Capital	525	0	0	0	0
Fee, charges, rental income	(27,713)	(29,001)	(29,277)	(29,558)	(29,842)
New Homes Bonus	(546)	0	0	0	0
Benefit/CTS Admin grant	(1,197)	(1,129)	(1,068)	(1,013)	(963)
Other Government Grants	(3,102)	(3,078)	(3,074)	(3,071)	(3,069)
Earmarked reserves transfer	(1,653)	(277)	(277)	(277)	(277)
Assumed growth cumulative		750	1,500	2,250	3,000
Subtotal budgets (no savings)	19,813	21,688	24,414	27,128	29,230

Business Rates	(6,900)	(6,400)	(6,874)	(7,033)	(7,164)
Formula Funding (RSG)	(225)	0	0	0	0
Council Tax	(10,588)	(10,934)	(11,366)	(11,735)	(12,116)
Total funding	(17,713)	(17,334)	(18,240)	(18,768)	(19,280)

Budget Gap	2,100	4,354	6,174	8,360	9,950
-------------------	--------------	--------------	--------------	--------------	--------------

Gross savings needed (cumulative)	0	(2,700)	(5,400)	(8,100)	(9,950)
Planned use of reserves	(2,100)	(1,654)	(776)	(260)	0
Funding the budget gap	(2,100)	(4,354)	(6,176)	(8,360)	(9,950)

Appendix 2 (E): Calculation of retained Business Rates income and Council Tax

A. Business Rates Retained Income

	£000
Retained Income (including S31 grants for reliefs)	6,778
Less: Levy to the Norfolk Pool for economic development & pooled growth	(86)
Less: Norwich Business Rates 2020/21 and 2021/22 deficit distribution	(10,807)
Plus: Transfer of prior year S31 grant from earmarked reserves	11,015
Total Business Rates Income 2022/23	6,900

B. Council Tax Calculation 2022/23

	No.	£
Budgetary requirement		17,713,373
- Revenue Support Grant		(224,804)
- Business Rates Distribution		(6,899,838)
= Council tax requirement		10,588,731
- Deficit on collection fund 2020/21		11,250
- Surplus on collection fund 2021/22		(11,406)
=Total Council tax income		10,588,575
Band D Equivalent properties	37,788	
Council tax (Band D)		280.21

C. Council tax increases 2021/22 to 2022/23, Bands A to H

Band	A	B	C	D	E	F	G	H
2021/22	£183.16	£213.69	£244.21	£274.74	£335.79	£396.85	£457.90	£549.48
Increase	£3.65	£4.25	£4.87	£5.47	£6.69	£7.90	£9.12	£10.94
2022/23	£186.81	£217.94	£249.08	£280.21	£342.48	£404.75	£467.02	£560.42

Appendix 2 (F): 2022/23 list of proposed budget savings/increased income

Theme	Directorate	Description	2022/23 £000	2023/24* £000	2024/25* £000	2025/26* £000	2026/27* £000
Efficiencies, funding changes and budget rebasing	Community	Refreshed council events programme after review of demand and impact	82				
	Community	Norman centre contract and efficiency improvements	6				
	Community	Deletion of unused grants budget	22				
	Community	Stationery savings -reduced stationary cost in line with current spend.	25				
	Development & City	Gypsy and Traveller Site Management – resulting from a change in provider of site management	4		50		
	Corp & Commercial	Household Notification Letters – cease sending every household annual confirmation of their electoral register entry.	30				
	Community	Housing Improvement Agency team to be funded from Disabled Facilities Grant	200				
	Development & City	Increase in planning fee income based on forecast demand	105				

Theme	Directorate	Description	2022/23 £000	2023/24* £000	2024/25* £000	2025/26* £000	2026/27* £000
Service Reviews	Community	Customer Contact service review - the savings as a result of a customer contact restructure.	106				
	Community	Efficiencies from the implementation of the customer and digital strategy from improved processes and channel shift.		112	160		
	Development & City	City Development service review	10				
	Corp & Commercial	Internal shared service – to assess how we can generate efficiencies through sharing of administrative functions	15	25	35	35	35
	Development & City	Review of waste and recycling collections – savings to be delivered through increased efficiencies of collection service		210	50		
	Community	Estimated longer term savings from move to community centre leases			16	49	
Fees & Charges	Community	The Halls – increased income assumptions after market analysis	10	10			
	Development & City	HMO licence fee increase based on 5yr licences	36	20			
	Development & City	Expansion of charges for Parking in parks – charges for parking in parks to be extended to car parks that have suitable infrastructure and space	25	10	10		

Theme	Directorate	Description	2022/23 £000	2023/24* £000	2024/25* £000	2025/26* £000	2026/27* £000
	Development & City	Review of Car Parking charges – charges have not been reviewed for a number of years, and new charges will be introduced to reflect the current market	360	480	120		
	Development & City	Review of Markets Income – the cost of renting a stall at the market increased last year for the first time in a number of years. This is a continuation of this process	38	38	38		
	Development & City	City Hall rental – income from potential rental of accommodation in City Hall	28	56			
	Development & City	Rental income from Old Carrow House following refurbishment as part of the Towns Fund project – income following associated capital expenditure to bring the building back into use.		100			
	Development & City	Introduction of food safety pre-inspection audits		10	20	24	26
	Development & City	Introduction of additional HMO licensing scheme				60	
Contracts	Development & City	Review of NCSL Contract – the specification for Grounds Maintenance and Street Cleaning is being reviewed to identify locations and activities that can be reduced or stopped, in consultation with stakeholders	195				

Theme	Directorate	Description	2022/23 £000	2023/24* £000	2024/25* £000	2025/26* £000	2026/27* £000
	Corp & Commercial	Reduction in contract costs for transactional banking services	53				
			1,350	1,072	499	168	61

* The council has identified potential future savings of £1.800m against the cumulative target of £9.950m. These provisional options are shown the table above and will continue to be investigated and potential savings values refined as part of the 2023/24 corporate business planning cycle.

Short Term Savings

Directorate	Description	2022/23 £000
Community Services	Temporary reduction in provision of council events	62
Development & City	Q1 Norwich Airport Industrial Estate income – decision has been made to sell the estate which is anticipated to complete at the start of Q2 resulting on one quarters income.	70
Development & City	Additional rent income from vaccination centre – anticipated income from the vaccination centre	47
Corporate	Risk-based deferral of commercial property reserve contribution	417
Corporate	2021/22 borrowing cost underspend set aside into an earmarked reserve to support the budget position in 2022/23	591
Corporate	Reduction in interest costs as a result of a lower borrowing requirement in 2022/23. This follows the decision to take £30m of Housing Revenue Account borrowing ahead of a planned loan repayment in March 2023; enabling the HRA to lock in favourable long term interest rates and reduce the cash borrowing need in year.	690
		1,877

Appendix 2 (G): 2022/23 list of proposed budget growth

Permanent Growth

Directorate	Description	2022/23 £000
Community	Additional staff resource for Environmental Strategy Team to support delivery of ambitious environmental agenda	60
Community	New platform to improve quality of community engagement and council consultations	25
Community	To fund the cost of the IT service review / restructure.	61
Development & City	Planning & regulatory service review / restructure	143
Corporate & Commercial	Legal and Procurement service review – to support the services within the legal and procurement area in the capacity to deliver their team, directorate and corporate priorities effectively	115
Community	To upgrade our CRM system, including a new master data management system which is a key priority of the customer experience and digital strategy	90
Community	Additional mobile phone and lone worker system costs	80
Corporate & Commercial	Reduction in finance staff time to be capitalised	30
Development & City	Commercial property management and void costs – costs of property voids in terms of rates and service charges and rent collection fees for multi-let properties.	65
Development & City	Recycling contract costs in line with new contract.	35
	Other minor growth	10
		714

Short Term Growth

Directorate	Description	2022/23 £000
Community	Temporary increase in environmental strategy resource to support delivery of ambitious environmental agenda	30
Community	To fund the costs of ICT contracts. Savings have been made but the full £175k stretch savings have not been fully met.	58
Development & City	Biodiversity strategy evidence report to support development of planning policy	30
Development & City	East Norwich Masterplan development of SPD and stage 3	110
Development & City	Update to evidence base of HMOs across the city to support the potential for an additional licensing scheme	30
Development & City	Greater Norwich Local Plan – examination costs	100
Development & City	Contaminated Land Inspection Strategy – costs for desk-based assessments of sites	75
Development & City	Multi-storey car park asset life care plan – a structural inspection regime of the car parks in accordance with best practice	35
Development & City	Hold costs on Carrow House and Townshend House as part of the Towns Deal funded schemes – costs to cover void periods between construction completion and full letting, such costs cover interim rates, cleaning and service charges.	259
		727

Appendix 2 (H): Invest to Save Spend & Business Change Reserve Allocations 2022/23

Invest to Save Reserve allocations		2022/23
		£000
1	Strategic funding role to enable access to grants and funding opportunities	45
2	Resource to support the expansion of charges for parking in parks	15
3	Building surveying consultancy to support asset management strategy – consultancy costs to improve data on assets including condition and energy performance information.	430
4	Professional advice to review the medium-term options to council accommodation with a view to reducing costs and generating income from the consolidation and use of space	80
5	Client property manager to continue service improvements to property services following the insourcing of property services	15
6	To fund the cost of additional technical IT resources to support the delivery of the customer & digital strategy.	200
7	Revenues and Benefits overpayment and revenue collections resource	84
8	Joint venture transfer resource	8
		877

Business Change Reserve allocations		2022/23
		£000
1	Transformation resource including change manager, graduate scheme members, programme manager and project accountant	250
2	Options appraisal for leisure provision	10
		260

Commercial Property Reserve allocations		2022/23
		£000
1	Commercial property roof upgrades – improvements to roofs of two commercial properties to prolong life and reduce future liabilities for repair and maintenance.	125
2	Minimum Energy Efficiency works on general fund properties – improvements to commercial properties to ensure minimum energy efficiency standards are met and exceeded.	400
		525

There are also proposed transfers from other earmarked reserves in relation to the 2021/22 borrowing costs underspend (£0.591m) and from the Business Rates Pool reserve (£0.565m) to support the Carrow House capital project.

At this stage the figures are estimates of the required funding and other projects are expected to be identified during the year as part of the service reviews. Updates to the use of the Invest-to-Save and Business Changes reserves will be made through the budget monitoring reports taken to Cabinet throughout 2022/23.

Appendix 2 (I): Update on consultation responses on the proposed budget for 2022/23

This appendix gives members the results of the online consultation budget survey.

Summary:

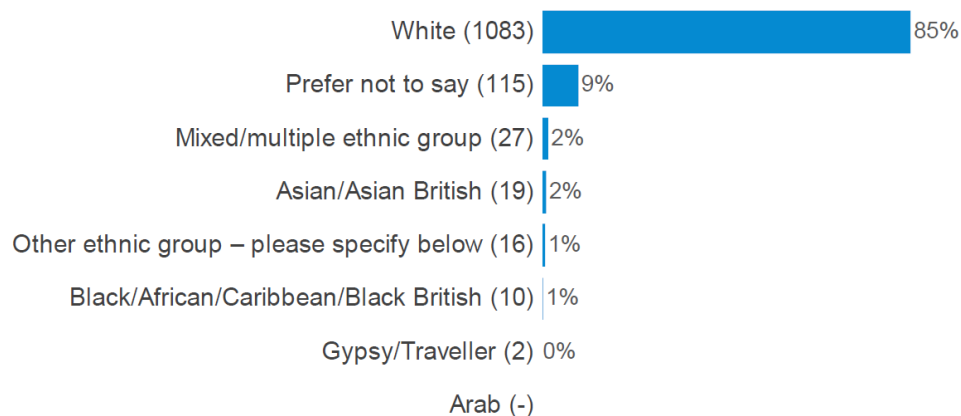
- The consultation received a total of 1307 responses.
- The majority of respondents either support or are indifferent towards increasing Council Tax (50% agree or strongly agree), with only 38% disagreeing or strongly disagreeing.
- A majority (62%) either agree or strongly agree that Norwich City Council should continue to provide council tax relief at 100% to residents on low incomes.
- A strong majority (80%) either agree or strongly agree that Norwich City Council should stop outsourcing services. This sentiment is also reflected by the open comment section.
- A majority (63%) either agree or strongly agree that the council should use its one-off reserves to smooth the budget gap.
- The three most valued services are waste and recycling, parks and open spaces, and housing services.
- Common themes throughout the open comments question, focusing on how the council might balance its budget, involved council operations (e.g. staff/offices/procedures), transport, and housing (among others).

Respondents' Profile:

The survey closed at midnight on Wednesday 19th January with a total of 1307 responses. The median age of those who responded was 49, this is significantly older than the Norwich median of 33.3. The survey did not ask any questions relating to gender. 85% (802) of respondents identified as white; this is less than Norwich as a whole (90.8% white) according to the 2011 Census (the latest data we have), but it is hard to know for sure due to the number of "Prefer not to say" answers received (9%). A full breakdown is shown in Figure 1. Other relevant respondent statistics include:

- 15% (192) of respondents identified as having a disability, while 77% (976) did not, and 8% (104) preferred not to say.
- The majority (56%) of those who responded work full time, with 15% also working part-time and 15% wholly retired from work. Only 1% (8) of the respondents are in full-time education.
- 83% (1068) of the respondents do not receive help from the council to pay their council tax, but 15% (190) do. 3% (33) replied "Don't know".
- 62% (802) of the respondents own their own home (with or without a mortgage), while many rent from the council (17%), from a private landlord (15%) or from a housing association (4%).

Figure 1. “Which of these groups do you consider you belong to?”



Full Results:

The following section breaks down the responses by question, little analysis/ commentary is provided as this is generally unnecessary when including the figures.

1. Please choose your **FIRST** most valued service from the drop-down list.



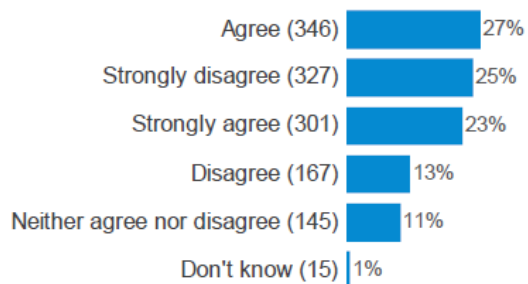
2. Please choose your **SECOND** most valued service from the drop-down list.



3. Please choose your THIRD most valued service from the drop-down list.



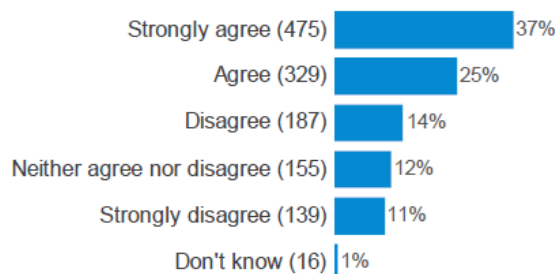
4. To what extent do you support the council raising its share of council tax by the maximum permitted level (subject to confirmation of up to 2 per cent) in 2022/23 to protect key services?



The majority either **support** or are indifferent to raising council tax.

- 50% strongly agree or agree
- 38% strongly disagree or disagree

5. To what extent do you support continuing to provide council tax relief at 100 per cent of those working age residents on low incomes?

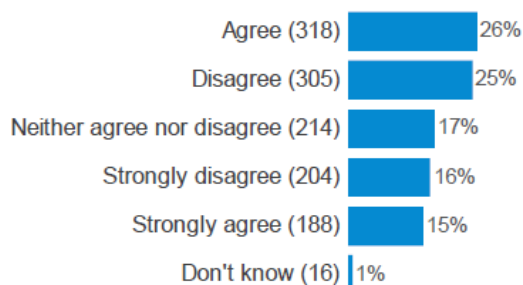


The majority **support** continuing to provide council tax relief at 100% to low-income residents.

- 62% strongly agree or agree
- 25% strongly disagree or disagree

6. To what extent do you agree that the council should review its assets by putting in place the following options?

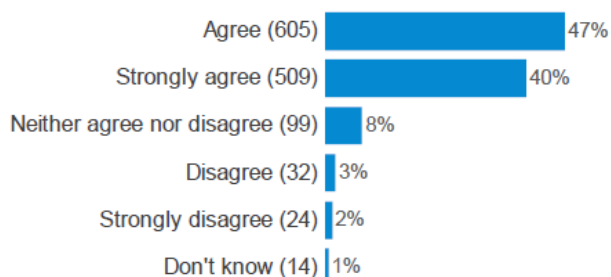
a) Review and dispose of assets



There is **no clear majority** supporting or opposing reviewing and disposing of assets.

- 41% strongly agree or agree
- 41% strongly disagree or disagree

b) Generate additional income from letting out our assets

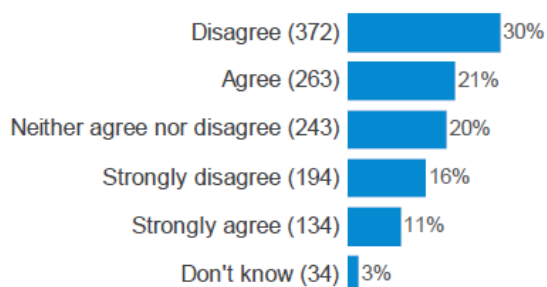


The majority **support** generating additional income from letting out assets.

- 87% strongly agree or agree
- 5% strongly disagree or disagree

7. To what extent do you agree that the council should review its contracts by putting in place the following options?

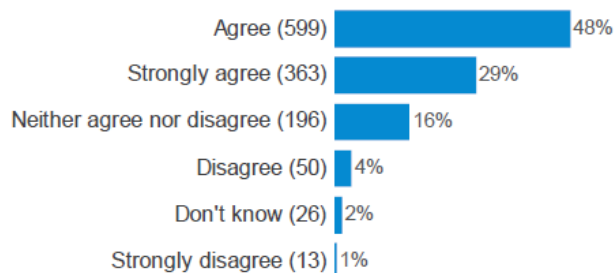
a) Reduce service delivery levels and costs at renewal



A significant proportion **oppose** reducing service delivery levels.

- 32% strongly agree or agree
- 46% strongly disagree or disagree

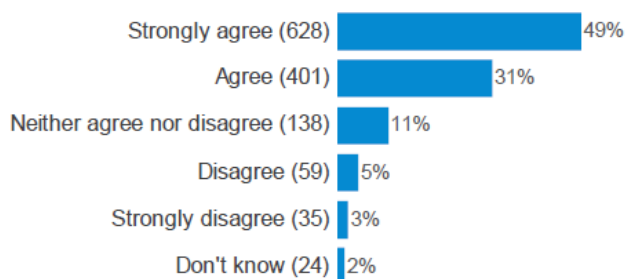
b) Improve service delivery for the same cost during the life of the contract



A majority **support** improving service delivery for the same cost.

- 77% strongly agree or agree
- 5% strongly disagree or disagree

c) *Seek to create capacity in the council to deliver those services currently contracted for and stop using external contractors*

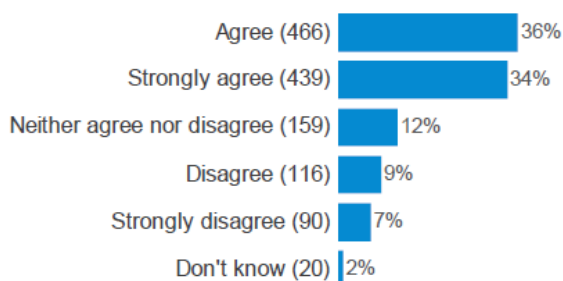


A majority **support** the council creating internal capacity and ending the outsourcing of services.

- 80% strongly agree or agree
- 8% strongly disagree or disagree

8. To that extent do you agree that the council should pursue opportunities for investment and growth proposals in its area?

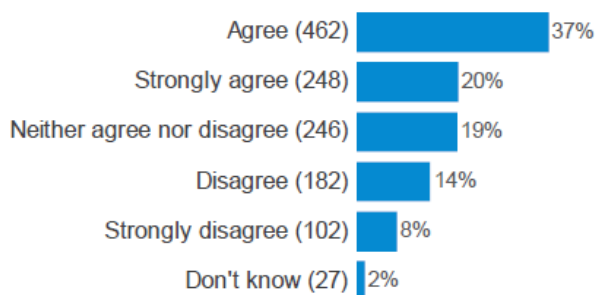
a) *For social or mixed tenure housing schemes*



A majority **support** pursuing opportunities for investment in social or mixed tenure housing schemes.

- 70% strongly agree or agree
- 16% strongly disagree or disagree

b) *For commercial development*

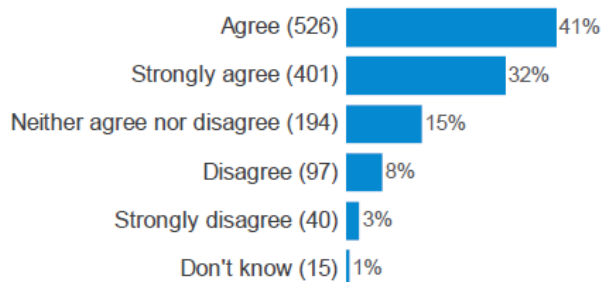


A majority **support** pursuing opportunities for commercial development

- 57% strongly agree or agree
- 22% strongly disagree or disagree

9. To what extent do you agree that the council should review its services to residents?

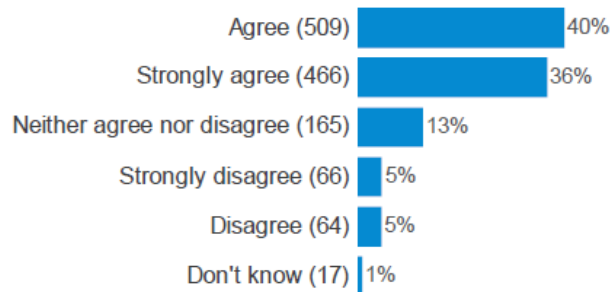
a) Through increased use of information technology



A majority **support** the council reviewing its services to residents with increased use of IT.

- 73% strongly agree or agree
- 11% strongly disagree or disagree

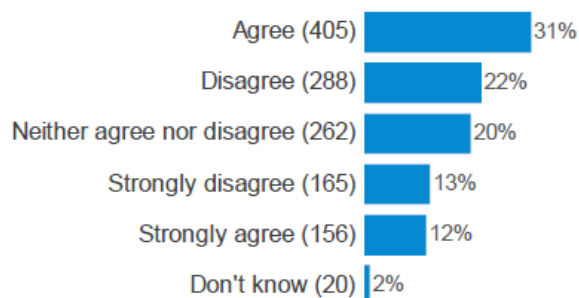
b) Through hybrid working or more flexible work patterns for its staff



A majority **support** the council reviewing its services to residents through hybrid working or more flexible work patterns.

- 76% strongly agree or agree
- 10% strongly disagree or disagree

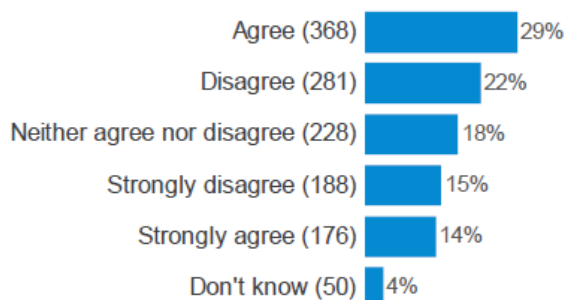
10. To what extent do you agree that the council should prioritise increasing fees and charges for services to protect service delivery?



A significant proportion **support** increasing fees and charges for services to protect delivery.

- 43% strongly agree or agree
- 35% strongly disagree or disagree

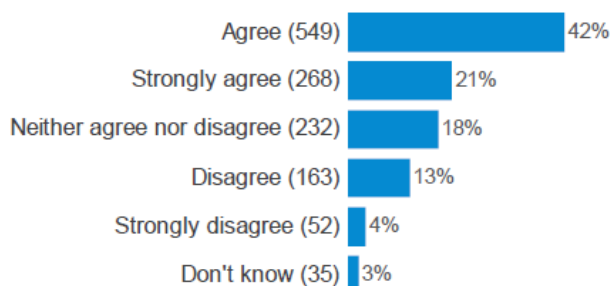
11. To what extent do you agree that the council should review its services and consider stopping some discretionary services?



A significant proportion **support** reviewing services and considering stopping some discretionary services.

- 43% strongly agree or agree
- 37% strongly disagree or disagree

12. To what extent do you agree that the council should use its one-off reserves to smooth the budget gap?



A majority **support** the council using its one-off reserves to smooth the budget gap.

- 63% strongly agree or agree
- 17% strongly disagree or disagree

13. Do you have any other ideas about how we can balance our budget through doing things differently, finding additional funding or making efficiencies?

Question 13 gave an open text box to answer this question, with respondents expressing their own ideas how Norwich City Council might balance its budget. Out of the 1307 responses, 653 gave additional comments. Due to the number of comments, these have been grouped into 10 key themes so that they can be analysed appropriately. These themes are, in no particular order, the following:

- Council operations (staff/offices/procedures)
- Council housing and related comments
- Transport-related comments
- Procurement and outsourcing of services
- Council-run events
- Revenue-raising ideas & comments
- Tax-related comments
- Local business-related comments
- Welfare-related comments (i.e. benefits)
- Miscellaneous

The following section will illustrate how many of the additional comments fell within each of these themes and will list a selection of comments that are both a) representative of the wider responses and b) insightful. The themes will be

presented in order, with the most common appearing first. Comments have not been edited, so appear as typed by respondents. Comments often alluded to multiple themes, so the following percentages will not equal 100.

1. 37% (243) of the comments mentioned council operations related to, for instance, staff, offices, and procedures. A selection of these comments, chosen to reflect the wider tone, are below:

- *“Reduce the amount of post you send out to households for communications and swap to other type of notices.”*
- *“By renting out city Hall to businesses and not refurbishing the other council building unless absolutely necessary”*
- *“Cut salaries of those in higher management and not offer such high salaries for new management recruitment”*
- *“Focus on delivery of key services, e.g repairing houses and emptying bins rather than "engagement schemes" and one off projects”*
- *“Freeze pay at top band levels in order to reduce staffing costs, as staffing costs is the biggest expenditure for the council. Reduce or scrap any yearly bonuses to senior and supervisory staff, like other public sector workers. This money could be diverted or invested into other services or money generating schemes.”*
- *“From my own experience of working for local government, I would say there is scope for cost cutting in terms of reviewing systems and procedures, staffing and cutting back waste in the use of resources such as stationery.”*
- *“Nothing specific, however, I would imagine that most of your processes are horribly bureaucratic and inefficient driven largely by institutionalised apathy and lethargy.”*
- *“Reduce allowances for expenses, cut down on unnecessary management, pay cuts for senior managers. Sell City Hall and move into a more affordable, smaller building with staff working remotely as much as possible. Use technology to your advantage.”*
- *“Share staff and deduplicate services with NCC and district councils. Structures services around population/customer needs and not outdated organisational structures”*

2. 29% (191) of the comments were grouped under “Miscellaneous”; this category accounts for the fact that not all responses would fit into one of the themes, so the comments include an eclectic mix of ideas, comments, and criticisms:

- *“Why isn't more being done to create a better family-orientated nighttime economy on Gentleman's Walk and around the market? In European countries such a space would be the focal point of a city with bars and cafes.. etc... not 'phone shops and opticians. In short, there's nothing drawing family groups into the city centre at night and its daft to limit footfall to just shop opening hours when there is money in licensing ...business rates etc... By having more family-friendly hospitality businesses on Gentleman's Walk NCC would stretch the retail day.. whereas at present the heart of the city dies at 5.00pm”*

- *“Allow and empower community groups to take on volunteers for some tasks like keeping streets clean so that Norwich can once again call itself a fine city.”*
 - *“No. Please do not cutback services any more. If possible. We are feeling the effects of losing vital services, especially ones that support and protect vulnerable people”*
 - *“Concentrate on making Norwich attractive to tourists.”*
 - *“I would consider (1) an increase on tourism advertising, (2) taking a levy off private car parks, (3) a city-centre drop-off area for cars in return for a payment (like Stansted airport), (4) a water taxi park and ride, (5) obtaining sponsorship of street cleaning.”*
 - *“Reduce to rates for independent retailers in city centre in order to attract more footfall and charge more for the services they use - parking, office space etc. Find more space for outdoor dining and hospitality which will also attract more footfall. In order to attract more visitors to our city we need to show that it is a good and safe night out.”*
 - *“What about running a local lottery. Run an event to raise money”*
 - *“Make more green spaces in the city which could encourage footfall and potentially regenerate the high street and increase income to city council”*
3. 25% (166) of the comments mention transport-related issues. While many of these relate more to Norfolk County Council policy, a selection are included below for illustration. There was a significant proportion of anti-bike lane and/or bus lane sentiment, but also plenty of praise for these initiatives. For instance:
- *“Stop put cycling and bus lanes when roads are not wide enough making all the road closure and so many shops going out of business and before long people will just stop going into city”*
 - *“I am unsure if the council foots the bill for continuous road alteration projects for cycling or pedestrianisation, but this could be reduced until funds are more readily available.”*
 - *“Become an eco city that massively improves cycle access and pathways by closing many main car routes into the city - see Amsterdam”*
 - *“Create more cycle lanes and bike infrastructure. Consider low traffic neighbourhoods. Charge for motorists driving into the city centre, and put towards initiatives to benefit the environment and encourage more cycling and walking.”*
4. There was also a considerable amount of comments in favour of introducing a congestion-charge/ULEZ type scheme in Norwich city centre. A selection of comments include:
- *“A congestion charge on non electric vehicles would be one idea.”*
 - *Car-use causes major social, economic and environmental issues in Norwich. Not just congestion, pollution and the enormous CO2 emissions but by having a negative impact on the economic viability of communities (lack of good small grocery shops etc...). Surely Norwich City Council now needs to start charging cars to enter the city..*
 - *“Congestion charging for vehicles in the city centre - not enough drivers using park and ride, good for the city, pollution and environment”*

- *“Introduce a scalable ULEZ charge for vehicles entering the city with the most polluting and powerful paying most.”*
 - *“Introduction of a tiered congestion charge in the city would be a logical step to generate revenue and address the horrendous level of congestion that plagues our fine city. It would also allow Norwich to begin to stand up for environmental issues, with unnecessarily large vehicles (eg SUVs) being penalised hardest.”*
5. There was a mix of comments relating to parking in and around the city. Again, there is a mix of comments with many arguing that parking is too expensive, but a sizeable proportion arguing that the council should increase fees to maximise revenue from car parks. For instance:
- *“Increase parking charges using auto reg systems to monitor”*
 - *“Increase car parking charges to the maximum.”*
 - *“Allow people to who have more than 2 adults living in the house and paying council tax to buy extra parking permits”*
 - *“Hurting peoples wallets in car parks will not attract them to the city.”*
 - *“car park fees are extortionate and people just won’t shop there”*
6. 14% (89) responses focus on council housing related issues. A selection of these are included below:
- *“Build more houses for renting that the revenue goes to NCC”*
 - *“using some reserves of capital to build more properties and buying properties to be rented out for additional income”*
 - *“Invest in repair faster as long term delays create more damage to council and tenant”*
 - *“The subsidised housing for council residents should be reviewed and subjected to new household income test. Residents with a greater ability to pay market value rent should be made to do so and not be subsidised by the council.”*
 - *“Dispose of housing to a Housing Association or similar”*
7. 10% (65) of the comments focus on the council’s procurement strategy and outsourcing of services. The vast majority of these relate to outsourcing and, as question 7c has already illustrated, most of these are in favour of bringing services back in house. Comments include:
- *“Being more rigorous in contracting out services and negotiating fees, particularly roadworks and maintenance services.”*
 - *“Decrease in using outside contractors”*
 - *“Efficiencies - stop using costly consultants and find the skills in house by developing those skills in your staff.”*
 - *“Make sure that the council is as efficient as possible and use your own employees to provide services. Don’t use external contracts.”*
 - *“Outsourcing contracts can be more expensive and are used for convenience. I’d like to see councils creating their own jobs and taking some control away from the private sector.”*

- *“Stop all contracting - if an external company is making profit from a council contract then it's clear the council can reduce that cost by doing that service themselves at a reduced cost - lets stop external companies making profit from our services.”*
8. Several comments question the council's current procurement strategies, with several specifically mentioning the Preston Model. Examples include:
- *“Use local suppliers wherever possible rather than huge outsourcing companies; bring as much as possible in house or use local companies to supply services, taking the example of Preston”*
 - *“Try to buy goods and services locally as in the Preston model.”*
 - *“A procurement policy that prioritises local businesses and social enterprises, this would boost the local economy, reduce the council's carbon footprint and make a positive social impact on the city's residents. I think residents would accept a council tax rise more readily if they knew the money was being invested locally.”*
9. 8% (54) of responses mentioned (council) tax-related issues, for instance:
- *“Adopt a more robust strategy for recovering unpaid Council Tax, Business Rates etc”*
 - *“Re-banding (or lobbying for) council tax, so higher value properties pay a bigger contribution.”*
 - *“Please do not raise council tax anymore.”*
 - *“Stop increasing council tax and business rates every year. You're aggressively attacking the working class.”*
 - *“Re weight the council tax levels to increase the cost of the higher cost bands. Norwich is a comparatively low council tax city and higher earners in larger properties could afford to pay more for living in a fine city. But there is also a significant low pay sector that needs protection from living cost increases.”*
10. There were also several comments noting support for increasing council tax, for instance:
- *“I am a pensioner with only a government pension but I would be prepared for an increase in council tax to help pay for the wonderful amount of services we get.”*
 - *“No but I feel very happy to pay increased council tax as I firmly believe in quality council services”*
 - *“We are fortunate to have many discretionary services and it seems to me that the Council may need to consider them carefully. Increases in fees are desirable but the less well-off must not be forgotten. Thank you for what you do”.*
 - *“Increasing council tax and price for services is a better option for me than reducing services.”*
11. 6% (40) of responses gave ideas as to how the council could increase revenue, or suggested profit-making ideas, for example:
- *“Introduce a tourism hotel levy.”*

- *“Create small units that the council rents out to start up businesses. This is an urgent requirement within Norwich”*
- *“Can the council run a lottery to raise money? This seems a really good way for charities to raise money.”*
- *“Look to invest in sustainable technologies including local generation of power”*
- *“Personally I believe you should employ more parking wardens and generate money through fines , as there is still many cars parked illegally”*

12.6% (39) of responses gave comments relating to local businesses, mainly focusing on how businesses can be better supported. For instance:

- *“Promote Cafes to open on Gentlemans Walk , put tables and chairs out across the street during the Spring -Autumn period. Beautiful as it is when empty at night, that whole area of cultural beauty is kept dead, like a ghost town at night. Promote family cafes, not phone shops..”*
- *“Make more commercial premises available to small businesses by offering reductions in business rates. The city centre is facing challenges and any help to improve the viability of commerce would help the council’s coffers long term.”*
- *“Maybe reduce rents on some of your city centre commercial properties to encourage businesses to fill empty shops.”*
- *“Reduce to rates for independent retailers in city centre in order to attract more footfall”*
- *“Reducing rates on hard to let commercial properties to boost neighbourhood economies.”*

13.6% (38) of responses gave comments relating to council-run events, with many comments claiming that cutting spending on these should be a priority:

- *“In times of budget deficits do you really need to spend so much money on civic events? e.g. Lord Mayors Procession, Fireworks Display etc etc...”*
- *“Cut spending on fireworks.”*
- *“Maybe reduce fireworks displays/ Christmas decorations”*
- *“Reduce spending on cultural or entertainment projects, unless they are forecast to produce additional income for the council.”*
- *“The lord mayor's parade, fireworks & new year fireworks are an unnecessary waste of public money”*

14.4% (28) of responses gave comments relating to welfare (i.e. benefits) issues, with comments including:

- *“Better detection of - and action against - fraudulent claims on council support and services.”*
- *“Not sending multiple assessments of Housing/Council tax benefits in different envelopes requiring payment. Why send out multiple configurations at all?”*
- *“The subsidised housing for council residents should be reviewed and subjected to new household income test.”*
- *“Cut back on councils office costs and cut benefits to the unemployed”*

- *“Stop wasting money by ensuring those that claim benefits are actually entitled.”*

3. HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN AND 2022/23 BUDGET

Introduction

- 3.1 The city council owns, lets and manages approximately 14,500 homes and estates, and provides services for approximately 3,500 leaseholders who own homes within its buildings. The money that tenants pay in rent, coupled with income from a small number of other assets, goes into the 'ring fenced' Housing Revenue Account (HRA). It is this money, alongside receipts for sold properties, any grants received and borrowing that pays for services to our tenants, building new homes and the repair and improvement of our tenant's homes.
- 3.2 As we continue to support our residents to manage and recover from the impacts of the Pandemic over the last year, we have seen an increase in demand for the services we provide to support our most vulnerable residents and those with complex lifestyles. We have acknowledged issues in relation to health, safety and compliance in our homes which we are working to rectify, and we have prepared to transfer our building repairs and maintenance services to our own company and bring our property services back to the city council from the 1st April 2022.
- 3.3 Going forward, we face the challenge of funding improvements our council homes in line with our zero carbon ambitions. We will implement and meet the requirements outlined in the draft Building Safety Bill which bring forward necessary reforms to building and fire safety, and the Social Housing White Paper which sets out a Charter for Social Housing Residents and outlines plans for new consumer regulation, a strengthened Housing Ombudsman to speed up complaints resolution, and proposes future sector wide reporting against tenant satisfaction measures.
- 3.4 The current HRA Strategy 'Fit for the Future' describes our four primary goals:
- Delivering new homes
 - Maintaining and improving condition of existing housing
 - Improving the use and management of our existing housing
 - Improving our neighbourhoods
- 3.5 The HRA budget 2022/23 reflects and underpin the priorities we have set to meet our ambitions and the challenges ahead.

Delivering new homes

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

Maintaining and improving condition of existing housing

- 3.7 Each year more that £10m is spent on repairing and maintaining our tenants' homes. From the 1st April 2022, the city council's new company, Norwich City Services Ltd will deliver these services. In 2022/23 a new approach will be

developed to deliver a stronger, more responsive, and efficient service for our tenants. New services will be implemented and improved over a three-year period up to 2025.

- 3.8 Stock condition surveys of our homes form the basis of a 30-year investment plan and capital improvement program. The work which is planned to maintain and improve our existing homes is based on meeting the 'Norwich Standard'. The national Decent Homes standard is currently under review, alongside this review we will review our own 'Norwich Standard'.
- 3.9 Our major works investment programs were disrupted during 2020/21 by the lockdown restrictions implemented as part of the Pandemic response. It has taken time to catch up on delayed works and this will continue as necessary in 2022/23. We have committed to funding a programme of £23.755m over the next 12 months.

Improving our neighbourhoods

- 3.10 Our ambition is for all our neighbourhoods to be clean and well cared for, feel safe to live in and have facilities and activities that provide for the community. We know that there are some neighbourhoods where we need to improve standards.
- 3.11 This year we will continue to invest £0.820m in our programme of estate works, continue to resource and fund the reducing inequalities action areas (RITAs) and undertake a full review our estate services and standards. We will set a robust performance framework to drive improvements and residents' satisfaction.
- 3.12 We will also develop a new community safety strategy and review our anti-social behaviour services; this is in addition to our ongoing programmes to improve community safety and deter crime.

Improving the use and management of our existing housing

- 3.13 Overall demand for housing, the services and support required to sustain and retain a tenancy is increasing. This year we will invest in developing a new approach to service delivery, one which will seek to provide early intervention and the right level of support for our residents, at the right time. We will bring services and partners together where appropriate to improve services for residents.
- 3.14 We will develop a new asset management strategy, in which capital investment and revenue spending programmes take account of the age and condition of our homes, the future needs of the residents of Norwich, and the need to respond to new agendas such as climate change. Options to consider will be to remodel existing homes and buildings, and/or redevelop some properties to improve suitability and condition. We will continue to invest £1.400m in services which deliver disabled adaptations.
- 3.15 Investment of £0.387m in 2022/23 in continued development of our new housing IT system will provide enhanced digital services, meaning that our tenants can self-serve and access account information online. In response to the Social Housing White Paper, we will develop a wide range of tenant involvement opportunities to engage our tenants in the management and shaping their services.

The HRA Business Plan

- 3.16 The HRA 30-year Business Plan is refreshed each year to reflect the updated budget. The Business Plan is based on data sets, which includes stock condition data and rental income streams, and a set of financial assumptions e.g. inflation and loan costs.
- 3.17 The refreshed HRA Business Plan confirms that the income, investment and expenditure the Council has budgeted for in 2022/23 is sustainable within the 30-year term.
- 3.18 In 2022 we will carry out a comprehensive review of the HRA business plan (including stock condition data) which will support us in understanding how HRA financial capacity (over the 30-year term of the plan) can be aligned to invest in existing priorities and ambitions to meet new investment challenges arising from building safety legislation and climate change targets, including retrofitting our homes.

Financial Background and Budget

- 3.19 The Housing Revenue Account (HRA) was established by the Local Government and Housing Act 1989 as a ring-fenced account separate to the general fund and contains income and expenditure related to the ownership and management of the council's social housing stock.
- 3.20 Prior to 2012/13, the HRA was funded at a national level through the housing subsidy regime. Since then, it has been run on a self-financing basis i.e. all revenue and capital expenditure needs to be funded from the rents and service charges paid by tenants or funded by housing benefit.

Forecast 2021/22 Outturn

- 3.21 The latest position on the Housing Revenue Account (HRA), as at period 9, shows a forecast underspend of £1.576m.
- 3.22 On the 1st April 2022, building maintenance and repairs services will be delivered by Norwich City Services Ltd (a Council wholly owned company). The services are currently delivered by Norwich Norse Building Ltd, which is a joint venture company owned by the Council and Norfolk Property Services. The finalisation of outstanding contractual issues and the winding up of the company will take place during 2022. Funding will be drawn from HRA balances when financials are fully reconciled and agreed.
- 3.23 On 12th November 2021, members approved the creation of a new HRA Compliance earmarked reserve to enable any HRA amounts established to support the Compliance Improvement Plan, unspent at year end, to be utilised in future years in relation to compliance works to HRA properties. approved the utilisation of HRA revenue repairs and maintenance budget to fund revenue works relating to the Compliance Improvement Plan.

Proposed 2022/23 Revenue Budget

- 3.24 The budget proposes gross revenue expenditure of £70.364m and gross income of £70.610m, generating a surplus of £0.246m, as shown in appendices 3 (A) and 3 (B). It is proposed to utilise this surplus along with a

further £6.096m of HRA reserves to make a revenue contribution of £6.342m towards the funding of the 2022/23 HRA capital programme.

Chart 3.1: 2022/23 HRA gross revenue expenditure budget

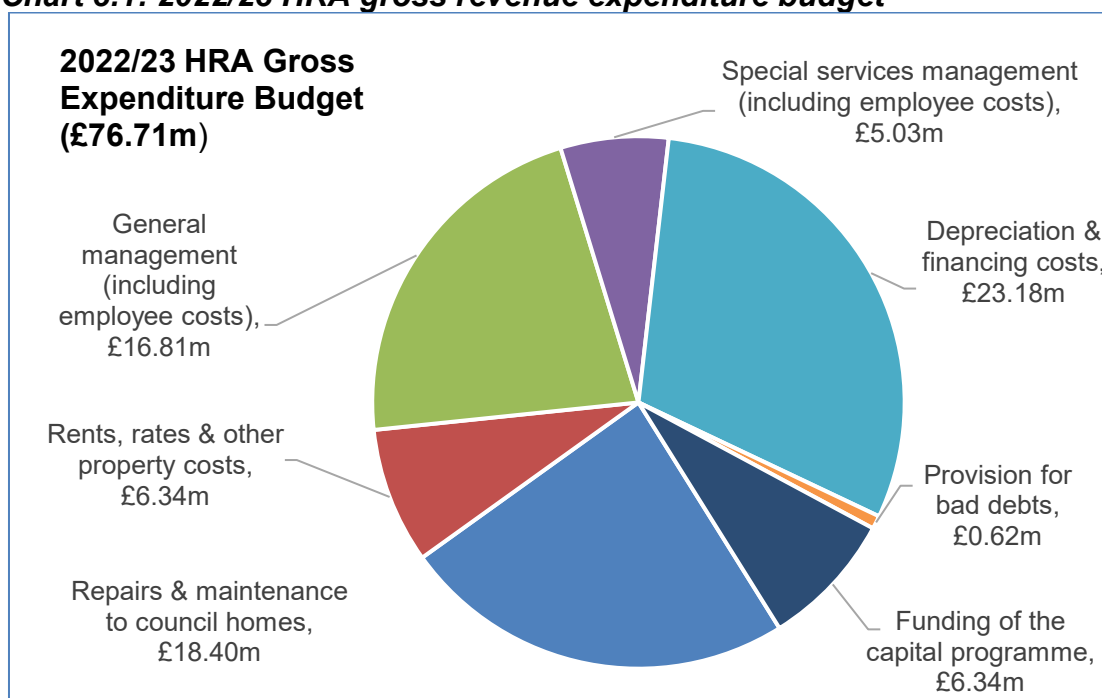
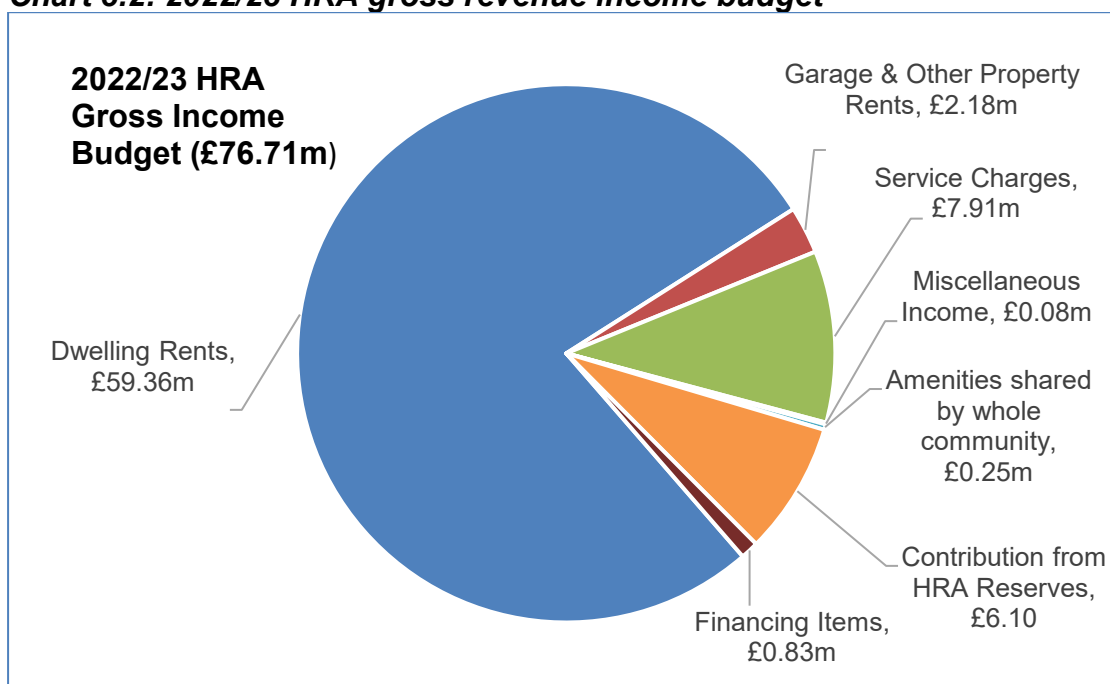


Chart 3.2: 2022/23 HRA gross revenue income budget



3.25 The key movements in the base budget (i.e. 2021/22 approved budget) to arrive at the proposed 2022/23 budget are summarised in Appendix 3 (C).

3.26 It is proposed to create an earmarked reserve to fund the costs associated with HRA service transformation linked to the programme of review and

improvement detailed in paragraphs 3.3 to 3.18. This reserve will be used to fund costs linked to the programme which are not delivering specific savings, for example project management and benchmarking with the release of funds being approved in accordance with paragraph 26 of the Financial Regulations.

HRA Business Plan

- 3.27 Longer term financial strategy for the HRA is based upon a 30-year business plan, which models the revenue costs of intended capital investment alongside other forecasts of revenue expenditure and income to determine the resultant surplus or deficit over the life of the plan and the resources required to implement the HRA Strategy.
- 3.28 The longer-term perspective is crucial to ensure that the service and its primary assets, the housing stock, are fit for purpose and that intended investments in the stock are affordable and sustainable for the whole plan.
- 3.29 The business plan relies upon a combination of known and assumed economic factors and government announcements to generate a financial forecast. The key assumptions within the business plan are summarised in the paragraphs that follow.

Council housing rents, garage rents, and service charges

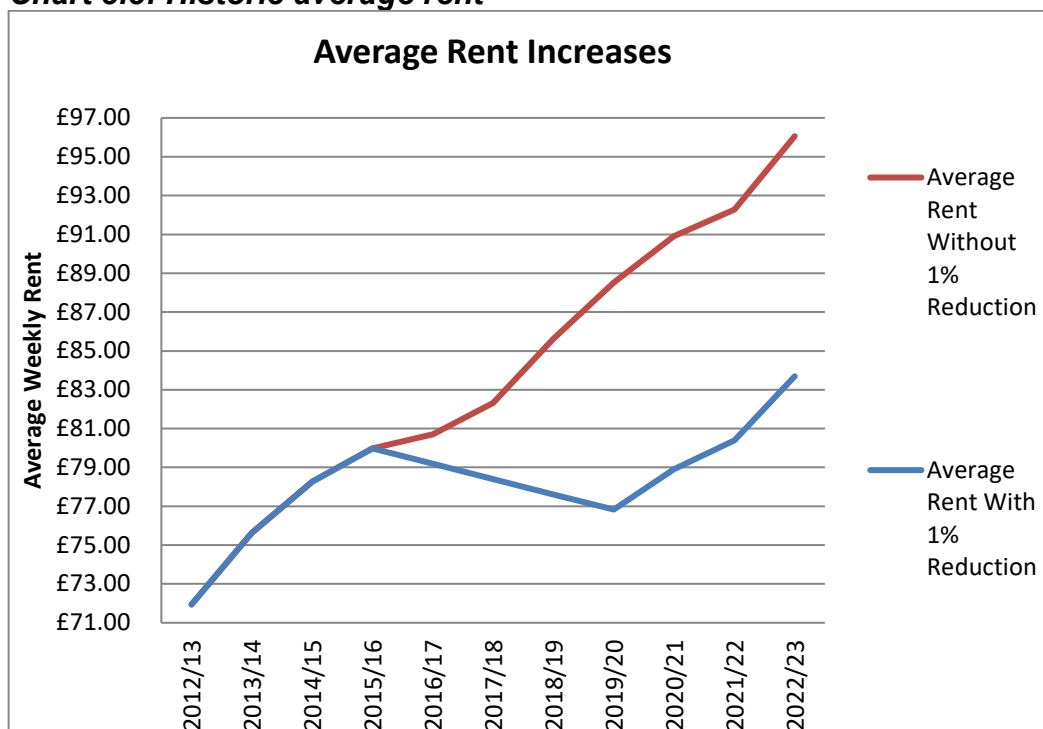
- 3.30 Historically, the level at which council housing rents were set was decided by the Council in line with guidance set out by the government and information provided by the HRA Business Plan. However, in 2016/17 the government's rent policy was replaced by an enforced minimum 1% reduction in rent for a four-year period until March 2020, as set out in the Welfare Reform and Work Act 2016. The impact of this over a 30-year period was a loss of over £200m in rental income.
- 3.31 From 2020/21, the enforced 1% rent reduction ended and the Secretary of State issued the Direction on the Rent Standard 2019 which enabled authorities to increase rent annually by up to CPI (Consumer Price Index) as at the preceding September plus 1% from April 2020.
- 3.32 This results in a dwelling rent increase for 2022/23 of 4.1% which would generate an average weekly rent increase of £3.30 for Norwich tenants. The table below shows the minimum and maximum rent increases at 4.1%.

Table 3.1: Proposed dwelling rent increase 2022/23

Item	Average £	Maximum £	Minimum £
Rent 2021/22	80.40	142.57	57.23
CPI (@ 3.1%)	2.49	4.42	1.77
Additional 1%	0.80	1.43	0.57
Rent 2022/23 (at 4.1%)	83.70	148.42	59.58
Increase	3.30	5.85	2.35

- 3.33 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. The proposed increase of 4.1% would mean that the average weekly rent is still lower than the 2018/19 average weekly rent had the reduction not been enforced.

Chart 3.3: Historic average rent



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

Table 3.2: Impact of rent increase 2022/23

Rent Increase	Average increase	Resulting Loss of Rental Income over period	
		30 Years	60 Years
Formula 4.1%	£3.30	-	-
No increase	£0.00	£85.107m	£208.259m

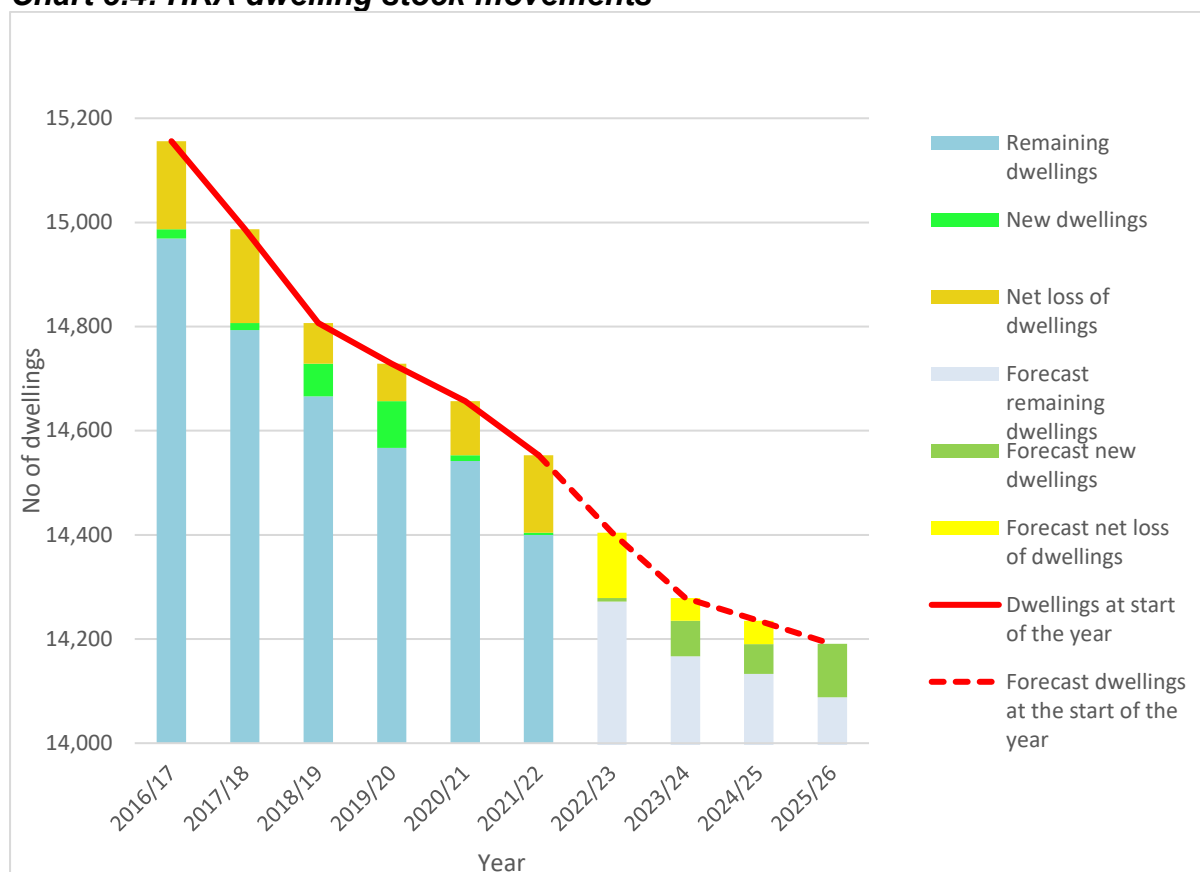
- 3.35 Tenant Involvement Panel representatives have been consulted over the proposed increase at a meeting on 10th January 2022. The impact was discussed at length with concerns raised regarding the effect of an increase on those struggling financially in the current climate, particularly in light of the continued Covid-19 pandemic. However, the panel recognised that increases are inevitable if the level of investment in existing and new homes is to be maintained and endorsed the proposed rent increase of 4.1% in line with the Rent Standard 2019.

- 3.36 For 2022/23 it is proposed to increase garage rents by 3.1%, based on CPI in September 2021.
- 3.37 In accordance with the constitution, levels of tenants' service charges will be determined by officers under delegated powers, in consultation with the portfolio holder and after engagement with tenant representatives.
- 3.38 The bad debt provision budget was increased for 2021/22 to reflect the impact on rent collection and associated bad debt resulting from the Covid-19 pandemic combined with the continued roll out of Universal Credit. Based upon current forecasts, it is proposed that this provision may now reduce for 2022/23, although an additional provision of £1m included within prudent minimum balance to mitigate against further pressures will remain.
- 3.39 The void turnaround (period during which a property is unoccupied) has increased to 44 days. Initially this was due to the Covid-19 pandemic, but a backlog of voids work now exists which is resulting in longer periods between re-lettings. Work is underway to secure additional contractors to address the backlog of works and properties are being let promptly as soon as they are ready. The impact of the backlog is likely to last until at least the end of quarter 2 of 2022/23.
- 3.40 The current budget provision is calculated on a void rate of 0.80%, which equates to rental income loss for void periods of £0.483m for 2022/23.

Council dwelling stock levels

- 3.41 Following a reduction in 2020/21, the number of Right-to-Buy purchases of HRA dwellings has started to increase during the first half of 2021/22. This is reflected in the business plan, but it is anticipated that although the numbers of purchases may increase again in the short term, they will start to reduce in coming years, with a loss of 130 homes in 2022/23 and 110 in 2023/24, reducing to 100 homes each year for the following 5 years.
- 3.42 Over the past five years, 756 homes have been lost from social rent. Whilst the council is ambitious in its plans to build new social housing to meet local need, these are at risk of being subject to Right to Buy.
- 3.43 Chart 3.4 below sets out the movement in the level of council housing stock over the past five years along with a forward projection over the next five years. Further detail is provided in Appendix 3 (D).

Chart 3.4: HRA dwelling stock movements



Capital expenditure plans

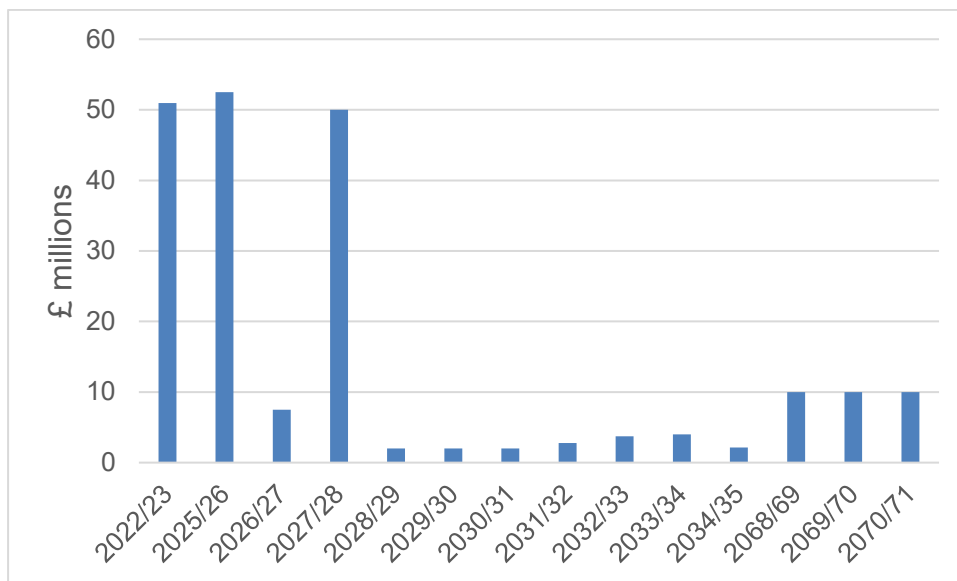
- 3.44 The HRA business plan includes expenditure arising from the proposed HRA capital budget as set out in section 4 of this report (capital strategy and 2022/23 capital budget).
- 3.45 The proposed HRA capital programme is based upon the HRA Strategy which contains the following neighbourhood housing primary goals:
- Delivering new homes
 - Maintaining and improving condition of existing housing
 - Improving the use and management of our existing housing stock
 - Improving our neighbourhoods.

Capital financing plans

- 3.46 Following the government abolition of the HRA borrowing cap in 2018, the council can determine how much it will borrow to fund capital expenditure, as long as it can demonstrate that the borrowing is affordable, prudent and sustainable as required by CIPFA's Prudential Code. The council does this for general fund capital expenditure by agreeing and monitoring a number of prudential indicators. These indicators now need to include the HRA and can be found in section 6 of this report (Treasury Management Strategy 2022/23).

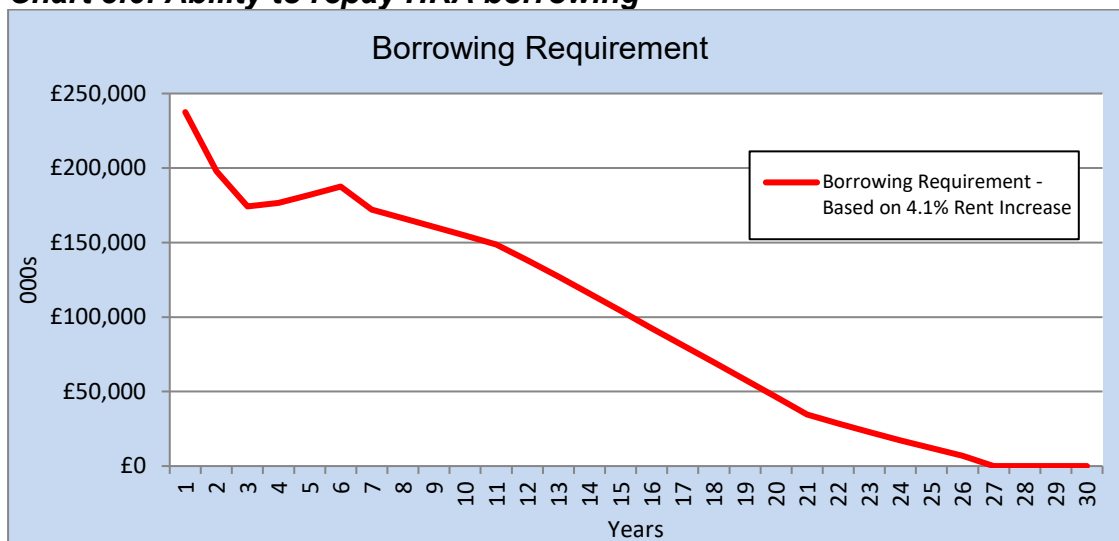
- 3.47 The decision to remove the borrowing cap gives the council more ability to invest in the existing housing stock and to increase its holdings. Future investment will be guided by the housing strategy
- 3.48 How an individual capital scheme is funded will depend on the prevailing financial circumstances and the nature of the scheme (e.g. new build or enhancement of an existing asset). In practice, there are six key funding sources which the council uses in the following priority order (more information is given on capital financing strategy in Appendix 4 (C):
1. Right-to-Buy Retained 'One for One' capital receipts.
 2. Capital Grants
 3. Major Repairs Reserve
 4. General HRA capital receipts
 5. General reserves
 6. Revenue budget contributions
 7. Borrowing
- 3.49 The current HRA Capital Financing Requirement (the need to borrow) is £207.517m. The most recent HRA external borrowing of £30m has been taken in advance to support the refinancing in 2022/23 of an existing loan of £49m which formed part of the £149m loan undertaken to fund the HRA self-financing settlement in 2012 when the HRA subsidy system was abolished. This meant that the council no longer had to make payments of approximately £9m per annum to the Government subsidy system and was able to retain all future rental income in return for taking on a calculated share of the national housing debt. The remaining borrowing consists of £31m of historic external borrowing, the most recent being taken over 24 years ago.
- 3.50 HRA assets are currently valued at £833.529m (31 March 2021), which against a borrowing requirement of £207.517m equates to a loan-to-value gearing of 24.896%. This is lower than the national average gearing for local authorities of 28% and the national average for registered providers which is in excess of 60%.
- 3.51 Chart 3.5 sets out the redemption dates and values of current HRA external borrowing. The most recent borrowing in 2021 and 2012 is represented by loans totalling approximately £179m from the Public Works and Loans Board, whilst all other loans shown constitute historic borrowing which will be repaid within 13 years.

Chart 3.5: Existing HRA external borrowing



- 3.52 The 2021/22 HRA capital budget proposed in section 4 of this report does not require any new borrowing, although it is anticipated that in order to deliver significant levels of new social housing, additional borrowing will be required in future years.
- 3.53 The chart below shows that the implementation of a rent increase in line with the government formula (CPI+1%) of 4.1% will enable all borrowing assumed in the HRA business plan to be repaid within 26 years. Any increase lower than government formula will extend the repayment period. The chart also demonstrates that the business plan remains sustainable over the 30 year planning period.

Chart 3.6: Ability to repay HRA borrowing



HRA Reserves Position

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

Table 3.3: Estimated HRA reserves position

Item	£000
Brought Forward from 2020/21	(43,368)
Budgeted utilisation of balances in 2021/22	10,640
Adjustment to forecast utilisation of balances in 2021/22	(9,519)
Forecast HRA underspend 2021/22	(1,576)
Carried Forward to 2022/23	(43,823)
Proposed utilisation of balances in 2022/23	6,802
Carried Forward to 2023/24	(37,021)

- 3.55 The level of general reserves is forecast to reduce in 2022/23, but this is due to the council's significant planned investment in new social housing during the year. The estimated reserves to carry forward into 2023/24 remain substantial (£37.021m) which not only provides a flexible funding resource for the HRA, but also ensures the financial resilience of the account, and provides the council with options for service delivery and the funding of future capital expenditure whilst managing overall debt.
- 3.56 It is proposed that the prudent minimum level set for the HRA reserve should remain unchanged for 2022/23 as set out in Table 3.4. Provision has been made for the risk of additional costs arising from the impact of welfare reforms and the Covid-19 pandemic on the economy and jobs in the city. Further provision is also made for potential interest costs that may arise from having to pay over unspent retained one for one Right to Buy receipts to central government plus other potential risks and unforeseen events.

Table 3.4: Prudent minimum level of HRA reserves

Potential Financial Risk	£000
Calculated operational risk	1,348
Potential issues arising from welfare reform	500
Potential issues arising from Covid-19 pandemic	1,000
Potential interest costs relating to retained one for one receipts	1,000
Unforeseen events	2,000
Estimated required level of HRA reserves	5,848

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

Division of Service	Budget 2021/22 £000	Budget 2022/23 £000	Change £000
Repairs & Maintenance	14,273	18,395	4,122
Rents, Rates, & Other Property Costs	5,875	6,336	461
General Management	14,315	16,813	2,497
Special Services (not provided to all tenants)	5,119	5,025	(94)
Depreciation & Impairment	23,176	23,176	0
Provision for Bad Debts	910	619	(291)
Gross HRA Expenditure	63,669	70,364	6,695
Dwelling Rents	(58,179)	(59,358)	(1,178)
Garage & Other Property Rents	(2,138)	(2,177)	(39)
Service Charges – General	(7,860)	(7,914)	(54)
Miscellaneous Income	(82)	(82)	0
Amenities shared by whole community	(254)	(254)	0
Adjustments & Financing Items	(196)	(827)	(631)
Gross HRA Income	(68,708)	(70,610)	(1,903)
Total Housing Revenue Account	(5,039)	(246)	4,792
Revenue contribution to capital	15,679	6,342	(9,336)
Contribution to/(from) HRA reserve	(10,640)	(6,096)	4,544
Total	0	0	0

Explanation of key variances:

- Repairs & maintenance costs have increased by £4.122m. Included within this increase is short-term growth of £2.130m for the backlog of repairs, £0.463m for additional sub-contractor costs for the first year only of the NCSL contract and £0.150m for compliance works. Permanent growth includes £0.697m for the increased cost of repairs, £0.295m of repairs contingency to cover increases in material costs and £0.200m for compliance works.
- Rents, rates & other property costs have increased by £0.461m, £0.250m of this is to cover an update to the HRA stock condition survey.
- General management costs have risen by £2.497m, which includes a £0.500m contribution to a service transformation reserve, £0.492m for additional staff (building safety managers, asset consultants, senior housing team and apprentices), £0.396 increased corporate recharges, £0.387m to improve system and service working practices following the implementation of new IT systems and £0.144m as the net cost of the housing delivery team.

Appendix 3 (B): 2022/23 proposed HRA budget

Division of Service	Budget 2022/23 £000
General repairs	3,683
Major & minor repairs	3,558
Other repairs	108
Repairs contingency	295
Void repairs	4,023
Heating servicing & repairs	1,800
Structural, drainage, watermains & insulation	1,340
Electrical & mechanical servicing & repairs	959
Compliance works	708
Painting programme	600
Minor disabled adaptations	250
Estate aesthetics	150
Repairs recharges	1,026
Rechargeable repairs	(105)
Repairs & Maintenance Total	18,395
Rents, rates, & other property costs Total	6,336
Housing management costs	1,061
Neighbourhood services & void management	2,638
Tenancy services & support	224
Anti-social behaviour, domestic abuse & specialist support	1,350
Income collection	1,867
Innovation & improvement	692
Home ownership	655
Transformation reserve	500
Contingency	250
Housing delivery	575
Property related costs	66
General management recharges	6,934
General Management Total	16,813
Estate management	2,580
District heating	560
Sheltered housing service	1,182
Caretaking service	703
Special Services Total	5,025
Depreciation & impairment Total	23,176
Provision for bad debts Total	619
Gross HRA Expenditure	70,364

Division of Service	Budget 2022/23 £000
Dwelling rents	(59,358)
Garage & other property rents	(2,177)
Service charge income	(7,914)
Miscellaneous Income	(82)
Amenities shared by whole community	(254)
Adjustments & financing items	(827)
Gross HRA Income	(70,610)

Appendix 3 (C): 2022/23 movements from the approved 2021/22 base budget

Item	Adjustment to Base & Other Movement £000	Inflation £000	Permanent Savings/ Increased Income £000	Permanent Growth £000	Short Term Growth £000	Total £000
HRA revenue contribution to capital	(9,336)	0	0	0	0	(9,336)
HRA contribution to/(from) reserves	4,544	0	0	0	0	4,544
Software packages	(415)	0	0	0	0	(415)
Contingency	78	0	0	0	0	78
Staff salary growth, inflation and increments	0	350	0	0	0	350
Business & system process improvements	0	0	0	214	173	387
Pension added years and pension deficit inflationary adjustments	0	15	0	0	0	15
Other (individually under £10k)	0	22	0	0	0	22
Repairs relating to HRA properties	0	0	(1,262)	1,747	1,443	1,928
Repairs relating to HRA properties contingency	0	0	0	295	0	295
Void works relating to HRA properties	0	0	(23)	120	1,150	1,246
Housing delivery team	0	0	0	568	8	575
Contribution to service transformation reserve	0	0	0	0	500	500
Software packages	0	0	0	15	0	15
Compliance works to HRA properties	0	0	0	200	150	350
Professional fees – stock condition survey, asset consultants & legal	0	0	(20)	0	411	391
Salary & pension costs – building safety managers, apprentices & environmental improvements staff	0	0	0	303	78	381
Environmental improvements	0	0	0	75	0	75

Item	Adjustment to Base & Other Movement £000	Inflation £000	Permanent Savings/ Increased Income £000	Permanent Growth £000	Short Term Growth £000	Total £000
Caretakers – enhanced communal area cleaning	0	0	0	77	0	77
Grounds & tree maintenance for HRA areas	0	10	0	0	0	10
Grants	0	0	0	25	0	25
Insurance of dwellings sold	0	15	0	0	0	15
Rents dwelling – void element	0	0	0	0	497	497
Bad debt provision	0	0	(291)	0	0	(291)
Adaptations to newly purchased dwellings	0	0	(250)	0	0	(250)
Debt management expenses	0	0	(40)	0	0	(40)
Compensation to tenants (reduced requirement)	0	0	(35)	0	0	(35)
Proposed increase in housing rent			(1,675)			(1,675)
Proposed increased income from service charges			(54)			(54)
Proposed increase in garage rent			(39)			(39)
Corporate support to the HRA recharge	417					417
Property services support recharge	368					368
Neighbourhood housing recharge	45					45
Grounds maintenance recharge	39					39
Housing delivery team recharged to NRL & capital projects	(431)					(431)
Central departmental support recharge	(80)					(80)
Total	(4,772)	413	(3,689)	3,638	4,410	0

Appendix 3 (D): HRA dwelling stock movements

Council dwellings	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26
No of dwellings at start of year	15,156	14,987	14,807	14,729	14,657	14,553	14,404	14,279	14,235	14,190
RTB sales in year	(163)	(187)	(138)	(156)	(112)	(151)	(130)	(110)	(100)	(100)
Non-RTB sales in year	(7)	(7)	(3)	(6)	(3)	(2)	(2)	(2)	(2)	(2)
Dwellings demolished	(17)	0	0	0	0	0	0	0	0	0
Dwelling conversions	2	4	2	2	0	0	0	0	0	0
New build dwellings	16	10	61	87	0	0	5	66	55	101
Dwelling acquisitions	0	0	0	1	11	4	2	2	2	2

Shaded cells in italics denote forecast movements

4. CAPITAL AND COMMERCIAL STRATEGY

The wider context and capital investment objectives

- 4.1. Norwich City Council's Capital and Commercial Strategy provides a valuable opportunity for engagement with full council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.
- 4.2. It is also a requirement of the Investment Code and the Prudential Code that a commercial strategy exists to inform investments, which are not Treasury Management investments, but which include investing in assets, shares or loans to companies and third parties in support of its corporate priorities.
- 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. The affordability of this strategy is considered in part 6 of the budget report.
- 4.4. It covers projects and programmes and investments financed through both the council's General Fund and Housing Revenue Account (HRA).
- 4.5. At the highest level the council's proposed Corporate Plan sets out the key aims that the council wishes to deliver, either itself or with other key partners, namely:
 - Aim 1 - People live independently and well in a diverse and safe city.
 - Aim 2 – Norwich is a sustainable and healthy city.
 - Aim 3 – Norwich has the infrastructure and housing it needs to be a successful city.
 - Aim 4 – The city has an inclusive economy in which residents have equal opportunity to flourish.
 - Aim 5 – Norwich City Council is in good shape to serve the city.
- 4.6. There are however additional drivers or needs for capital expenditure. These comprise:
 - Using assets to support the transformation of council services through the service review programme. Asset investment in services can be designed to generate both new sustainable income streams as well as improving efficiency of service delivery and the reduction of costs.
 - The need to maintain or improve the physical condition of existing assets as they deteriorate, are less "fit-for-purpose", or fail to comply with regulatory requirements. These considerations are part of the Council's asset management planning processes.
- 4.7. The council's investment objectives for capital expenditure are shown in table 4.1 along with specific projects, either within the capital budget or future projects, that will deliver these objectives.
- 4.8. Until the changes to the PWLB lending criteria were confirmed in November 2020, the council had a higher risk appetite for non-financial investments than

treasury investments given the contribution the former made to the delivery of corporate priorities and the long-term financial sustainability of the council.

- 4.9. To enable the Council to continue with its ambitious investment programme, it has removed any commercial investment funded through borrowing, which was primarily for yield to ensure it can continue to utilise the PWLB as its primary lending source.
- 4.10. The council holds some data regarding the condition of its HRA property although continues to undertake condition surveys on both its general fund and HRA assets which will enable it to prepare longer term capital plans in the future.
- 4.11. This strategy will continue to evolve, and the time period it covers lengthen, as the council learns more about the condition of its general fund assets. It will be reviewed on an annual basis and officers will also keep under review good practice amongst other local authorities.

Commercial property investment

- 4.12. Whilst the council has held commercial property for decades, until recently it has been purchasing new property investments in line with the previous Commercial Property Investment Strategy and within the council's approved capital expenditure budget. Because of changes to the Treasury Management and Prudential Codes of practice, the Council will no longer be making new investments in commercial property primarily for yield where this would be funded by borrowing and the capital programme has been amended accordingly.
- 4.13. For those authorities utilising PWLB borrowing the government now requires a high-level outline of their capital planning for the years ahead, categorising projects as service delivery, housing, regeneration, or the refinancing of existing debt, based on the s151 officer's assessment of which category is the best fit for the project. At the point of applying for a PWLB loan, applicants will be asked to confirm that this outline remains current, and that the authority did not intend to buy commercial assets primarily for yield.
- 4.14. 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.
- 4.15. 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 (section 5 of the budget report). 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.

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

Setting aside net rental income into the earmarked reserve

- 4.17. The council has agreed to the establishment of a commercial property earmarked reserve. The reserve is held to help mitigate the financial risks of holding commercial property and can be used to fund any future void periods, the granting of rent-free periods to new tenants, and any landlord repairs.
- 4.18. In line with the existing commercial strategy, 20% of future new net rental income will be credited annually to the commercial property earmarked reserve. The amount of money in the reserve will be reviewed every year as part of the budget setting process and will consider the results of the annual portfolio review.

Capital Loans

- 4.19. The Council can borrow funds at preferential rates to fund capital expenditure from the Public Works Loan Board (PWLb). Once borrowed, current capital rules allow these funds to be used to make capital loans (“onward lend/on-lend”) to other organisations (specifically those that do not have access to PWLB loans).
- 4.20. In being a provider of capital finance, the Council is subject to statutory controls that restrict the loans that can be offered to avoid 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 State Aid 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.
- 4.21. Additionally proposed changes to the Capital Financing Regulations are being consulted on (until 8 February 2022) which would require all capital expenditure, including capital loans and investment assets, to be subject to a Minimum Revenue Provision (MRP) charge. Currently NCC ‘s MRP policy allows for no MRP to be charged to the revenue account where repayment of a capital loan is certain.
- 4.22. These proposed changes will have a material impact on future considerations relating to the provision of capital loans; currently the draft proposals are indicating that changes will be made no earlier than April 2023 and will not be applied retrospectively.
- 4.23. The council has a loan book of £8.063m with three borrowing organisations (as at 31 Dec 21): Norwich Regeneration Limited (£6.150m), Norwich City Services Limited (£1.820m) and the Norwich Preservation Trust (£0.093m).

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

Norwich Regeneration Limited (NRL)

- 4.25. NRL are currently finalising their business plan for 2022/23 which will be reported to Cabinet in February 2022; this seeks further investment in 2022/23 totalling an additional £2m which replaces previously approved requests for £2m in each of 2021/22 and 2022/23 (i.e. £4m in total).
- 4.26. An expected credit loss model calculation is undertaken annually to measure the credit risk of the loan book and reported in the council's Statement of Accounts. This is a requirement of International Financial Reporting Standard 9. At the end of 2020/21 there was an impairment of £3.350m on the council's loan to NRL. This was based on an assessment of how much of the current loan balance may not be recoverable from the company. The Council has established an earmarked reserve to cover the full cost of the impairment, which can be drawn down if the future business plan is not able to fully recover the investment to date.

NRL Business Model

- 4.27. Although specific details will vary for each development project undertaken by the company, and the detail of the proposals are commercially confidential, the basic business model proposed in the company's Business Plan can be described as follows:
- The council to purchase further shares in the company to meet State Aid and capitalisation requirements. This requires that the company receives a reasonable amount of its funds from shareholders rather than all the funding being obtained from external borrowing.
 - The company to develop housing that is planning policy compliant for affordable housing.
 - The remainder of the housing to be a mix of private sector sales and homes for private sector rental.
 - The company to borrow, at commercial interest rates and terms, from the council to fund the development of the private sector housing for rent and for sale.
 - The affordable homes to be purchased by the council's Housing Revenue Account (HRA) at negotiated terms and in staged payments, underpinned by a Development Agreement, considering the tenanted market value of the homes and the statutory requirement for the council to achieve value for money.
 - The company to repay the loan used to fund the development costs of the private sector homes for sale once those homes have been sold.
 - The remainder of the loan to be repaid over an agreed long-term period with the company using the rental income received from the private sector

rentals to fund the interest charges thereby providing the council with a long-term income stream to help fund core council services.

Chart 4.1: The proposed key drivers for capital investment



Table 4.1: The council's proposed capital investment objectives

People live independently and well in a diverse/ safe city	Norwich is a sustainable and healthy city	Norwich has the infrastructure and housing to be a successful city	The city has an inclusive economy which residents have equal opportunity to flourish	Norwich City Council is in good shape to serve the city
<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Supporting people to feel safe and welcomed • Providing means for people to lead connected, fulfilling lives • Ensuring there is a range of cultural, leisure and social opportunities and activities for all • Comply with health & safety and other regulatory requirements 	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Providing means for people to lead healthy, connected, fulfilling lives • Continuing with the sensitive regeneration of the city that retains its unique character and meets local needs • Keeping streets clean • Undertaking environmental improvements. 	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Building and maintaining a range of social and private housing • Tackling homelessness and rough sleeping 	<p>Capital expenditure plans can contribute to this corporate aim by:</p> <ul style="list-style-type: none"> • Supporting investment that promotes a growing, diverse, innovative and resilient economy 	<p>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:</p> <ul style="list-style-type: none"> • Investing in projects that generate or protect income streams, or which can deliver efficiencies in the revenue budget. • Maintain or improve the physical condition of assets owned by the City
<p>The capital strategy includes:</p> <ul style="list-style-type: none"> • Riverside walk and castle gardens projects • Disabled Facilities Grants • Make Space at the Norwich Halls project • Suicide prevention works in car parks 	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> • Retrofitting works to 200 properties of all tenure for cavity and loft insulation works and solar panels. • Public realm improvements at St Giles and Hay Hill • Rolling programme of major repairs to the city wall and closed churchyards 	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> • New social housing developments at Mile Cross, Three Score, Argyle Street, • Significant council house upgrade programme 	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> • Establishment of a Compulsory Purchase Order revolving fund • Establishment of the Advanced Construction and Engineering Centre • Establishment of a digi-tech factory • Establishment of a digital hub 	<p>The capital strategy includes:</p> <ul style="list-style-type: none"> • Replacement HR and Finance systems and associated process efficiencies. • Maintenance of investment property portfolio • Investment in City Hall

Asset management planning

- 4.28. The overriding objective of asset management planning is to ensure that the council's land and property is appropriate, fit-for-purpose, and affordable.
- 4.29. 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 2020/21 was £1.082 billion.

General Fund asset management planning

- 4.30. The council is working on an up-to-date Asset Management Plan for its assets. Some general fund assets have not had a condition survey undertaken in the recent past. Work is ongoing to address this, but it will take some years to complete. It has therefore been difficult to assess and quantify in this strategy the need for capital investment arising from the council's current general fund land and property holdings.
- 4.31. The focus therefore has been largely on using the council's limited capital resources on responsive rather than planned improvements. This can be seen in the pattern of investment made in each asset class over recent years with capital expenditure continuing to be being undertaken for health and safety reasons rather than being for planned and sustained strategic investment.
- 4.32. When the focus is on reactive instead of planned improvements, the cost of works tends to be greater. This also has an adverse impact on the council's revenue repairs and maintenance budget. There has also been a tendency to consider capital investment proposals for a particular asset class in isolation rather than holistically and in relation to other potential priorities.
- 4.33. Therefore, a comprehensive review of the entire general fund's land and property assets needs to be undertaken, with a view to optimising the contribution property makes to the council's strategic and service objectives by identifying assets that require investment, are not financially performing, or are surplus to service needs.

Housing Revenue Account asset management planning

- 4.34. Condition surveys exist for HRA assets, although these are being reviewed as part of the work to understand fully the backlog repairs and compliance work. They do give the council an initial understanding of the investment needs of the existing stock of HRA dwellings which are typically built with a 60–80-year life span in mind.
- 4.35. However, a shift in approach is currently moving from planned long term maintenance of the existing dwelling stock towards a strategy of remodelling existing provision, replacing existing provision, and growth in the stock held by building/purchasing new homes.
- 4.36. A council housing strategy was adopted by Cabinet in November 2019 covering a five-year period and identifies the following four primary goals:
- Delivering new homes.
 - Maintaining and improving condition of existing housing
 - Improving the use and management of our existing housing stock
 - Improving our neighbourhoods.

- 4.37. The proposed HRA capital programme seeks to contribute towards achieving these goals. Further detail is included within section 3 of this report – HRA business plan and 2022/23 budget.

Capital expenditure plans

- 4.38. The expenditure plans consist of two kinds:

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

- These are the projects and programmes that are being proposed to council as part of the 2022/23 to 2026/27 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 2021/22 outturn

- 4.39. The latest forecast position as at period 9 shows the general fund capital programme is forecast to underspend by £31.959m and the Housing Revenue Account (HRA) capital programme is forecast to underspend by £29.099m. However, it is anticipated that an element of this will form a carry-forward request to enable some of the unspent budgets to be utilised in 2022/23.

2022/23 to 2026/27 capital programme

- 4.40. Within a shorter timeframe the focus of the capital strategy is towards the delivery of schemes within an approved budget. The focus traditionally has been an annual investment plan for the next financial year, and this continues for 2022/23, although many of the projects proposed for that year will continue into later years. The council continues to work towards a five-year rolling capital programme, which will provide greater certainty for delivery as well as for financial and resource planning.
- 4.41. Table 4.2 below summarises the proposed 2022/23 overall capital budget along with indicative spending plans from 2023 to 2027. 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 2022 - 2027

	2022/23	2023/24	2024/25	2025/26	2026/27	5 yr. Total
Summary programme (Approved)	£000	£000	£000	£000	£000	£000
Community Services	5,374	1,680	1,515	1,515	0	10,084
Development and City Services	10,641	4,962	1,465	2,103	1,758	20,929
Total General Fund Approved Programme	16,015	6,642	2,980	3,618	1,758	31,013
Summary Programme (Proposed)						
Community Services	3,635	138	33	56	0	3,862
Development and City Services	3,121	51	13	6	3	3,194
Corporate and Commercial Services	576	121	0	0	0	697
Capital Loans	6,000	1,000	0	0	0	7,000
General Fund - Proposed Programme	13,332	1,310	46	62	3	14,753
Total General Fund Programme	29,347	7,952	3,026	3,680	1,761	45,766
HRA - Community Services	25,929	25,932	22,879	22,850	23,013	120,603
HRA - Development and City Services	12,931	18,094	14,381	4,000	1,570	50,976
Total HRA Programme	38,860	44,026	37,260	26,850	24,583	171,579
Total Capital Programme	68,208	51,978	40,286	30,530	26,344	217,345

4.42. In 2022/23 the capital programme aims to deliver the following key outcomes:

General Fund:

- £11.4m of investment in infrastructure, skills and economic development through projects funded by the £25m Towns' Fund grant, with the remaining grant to be utilised in future years.
- £1.8m 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 220 council homes over next 5 years
- Repair and maintenance of existing housing stock- £18.4m including 254 new kitchens, 342 new bathrooms plus 119 adapted bathrooms, 784 upgraded doors, 1,165 electrical upgrades or rewires and 33 communal sites receiving new windows.
- Improving the use and management of the existing housing stock - including improvements to communal areas, 824 new heating systems and 5 communal boiler upgrades, 110 solar/photovoltaic panel installations plus disabled adaptation and stair-lift installation programme.
- Improving neighbourhoods - including 34 door entry system upgrades and a £0.15m estate aesthetics programme.

Towns' Deal Funding

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

- 4.44. The Towns' Deal is intended to help drive forward long term, inclusive economic and productivity growth in Norwich. With this in mind an overall Towns' Deal programme board has been set up to oversee delivery which includes not only council members and officers but also the local MPs, the chair of the Norwich 2040 Vision and a variety of business and education organisations.

Future capital programme

- 4.45. As well as the proposed capital programme, the council is continuing with its ambitions to make sustainable improvements to the borough and the lives of the residents. The Council recognises that it is likely to need significant investment to advance the priorities and ambitions being identified and continues to explore the possibility of working with both the private sector and other public sector bodies to identify new funding streams and delivery mechanisms that can deliver this.
- 4.46. These schemes will all need to follow the principles as set out in this Capital Strategy and full business cases will need to be submitted and approved before the schemes are recommended for inclusion in the capital budget.
- 4.47. The future capital programme will also continue to develop and reflect the priorities identified within the Council Housing Strategy which was approved by Cabinet in November 2019. Work continues to produce an updated general fund and HRA asset management strategy, which will influence future capital programmes.

People Live Well

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

Inclusive economy

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

Meeting housing need and delivering new homes:

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

Maintaining and improving the condition of existing HRA housing:

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

Improving the quality and safety of private sector housing:

- As a private landlord, the council's wholly owned company, Norwich Regeneration Limited, aims to be an exemplar of good private landlord

practice, by ensuring that properties built for private sector rental are of good quality and managed in a way that reflects best practice.

- 4.48. The financial consequences of capital projects identified within the 2019 Future Housing Commissioning report have been considered in the council's financial plans in the following manner:
- The HRA Business Plan does not include all potential projects identified within the Future Housing Commissioning report. However, a financial viability assessment of their impact on the HRA Business Plan demonstrates that their inclusion within the HRA capital programme would continue to allow the HRA to remain sustainable over the 60 years planning period.
 - The borrowing that the council may need to undertake to finance the projects has been included in the capital financing requirement, operational boundary for external debt, and authorised limit for external debt calculations, as set out in the Treasury Management Strategy (section 5).

Funding the capital strategy

- 4.49. The availability of funding plays a key part in the size and content of the capital programme. The impact of national cuts in grant funding has significantly reduced the level of government support for capital investment since 2010 and the council must now rely more on its own funding and leveraging in other sources of external funding where this is possible.
- 4.50. The sources of funding available for capital investment by both the general fund and HRA and the proposed strategy for their use is found in Appendix 4 (C). It needs to be emphasised that many of these funding sources can only be used to fund capital expenditure and not the day-to-day costs of providing services.

Proposed funding of the general fund capital programme

- 4.51. There are two main influences on the overall size of the general fund capital programme, namely:
- The level of capital resources available, and
 - The extent to which the revenue consequences of the programme, in terms of cost of borrowing or direct revenue funding, can be accommodated within the revenue budget.
- 4.52. In the past, capital receipts have been the main funding source for the general fund capital programme. However, until the asset management review concludes the level of predicted receipts and intended sales is unclear and, except for the sale of the airport industrial estate, no further receipts are currently identified. Table 4.3 below sets out the expected availability of capital receipts over the MTFS planning period to 2027.

Table 4.3: Projected Capital Receipts 2021 - 2027

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital receipts reserve b/fwd. from previous year	(4,807)	(3,373)	(7,711)	(5,977)	(4,477)	(2,977)
Anticipated capital receipts	0	(6,960)	0	0	0	0
Return on invested equity	(450)	0	0	0	0	0
Total capital receipts	(5,257)	(10,333)	(7,711)	(5,977)	(4,477)	(2,977)
Funding requirement (incl. c/fwd. from previous year)	1,885	2,622	1,734	171	187	3
Estimated additional funding requirement	0	0	0	1,329	1,313	1,497
Estimated funding requirement	1,885	2,622	1,734	1,500	1,500	1,500
Balance at end of year	(3,373)	(7,711)	(5,977)	(4,477)	(2,977)	(1,477)

- 4.53. The level of capital receipts relies upon the completion of asset sales which cannot be guaranteed. Furthermore, additional potential capital liabilities such as costs arising from the future review of assets or other expenditure requirements that generate no income may arise, which would place a further demand on resources. To fund additional capital costs, further capital receipts will need to be raised from the disposal of existing assets or revenue budget contributions will need to be increased either to make direct revenue contributions or in support of additional borrowing.
- 4.54. The impact of a reducing level of capital receipts is that the size of the capital programme will reduce; the implication of this restriction in general fund capital investment is that many maintenance needs on the council's existing property assets cannot be currently met. Borrowing to fund this expenditure is unlikely to be an option in most cases as most capital expenditure required is unlikely to generate new income streams that could cover the resultant increase in financing costs.

Table 4.4: Proposed funding of the General Fund capital programme

Funding	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	5 yr. Total £000
General Fund	£000	£000	£000	£000	£000	£000
Capital Receipts	2,622	1,734	171	187	3	4,717
Capital Receipts (Ringfenced)	715	0	0	0	0	715
Grants & Contributions	16,420	4,364	1,440	1,440	0	23,664
Contribution from earmarked reserves	1,090	0	0	0	0	1,090
Borrowing	6,000	0	0	0	0	6,000
GNGB	502	1	8	0	0	511
CIL	1,810	1,853	1,407	2,053	1,758	8,881
Section 106	188	0	0	0	0	188
Total GF Capital Programme Funding	29,347	7,952	3,026	3,680	1,761	45,766

Proposed funding of the HRA capital programme

- 4.55. The funding of the HRA capital programme follows the funding strategy set out in Appendix 4 (C). In addition, the £5.039m surplus income estimated for 2021/22 plus £10.640m of existing HRA general reserves are proposed to be used to fund 2022/23 capital expenditure.
- 4.56. The remaining HRA general reserves (forecast at £27.485m at the end of 2022/23) will be held to provide a versatile resource to support priorities identified within the HRA Strategy, including the regeneration of existing assets and provision of new social housing.

Table 4.5: Proposed funding of the HRA capital programme

Funding	2022/23	2023/24	2024/25	2025/26	2026/27	5 yr. Total
HRA	£000	£000	£000	£000	£000	£000
Capital Receipts	7,121	10,914	7,907	1,461	2,580	29,983
Retained One for One Receipts	5,754	7,838	6,352	2,200	1,228	23,372
Major Repairs Reserve	18,454	14,768	14,722	14,676	14,572	77,192
Grants & Contributions	400	250	250	250	250	1,400
Revenue contribution	6,342	10,256	8,029	8,263	5,953	38,843
Borrowing	0	0	0	0	0	0
Section 106	789	0	0	0	0	789
Total HRA Capital Programme Funding	38,860	44,026	37,260	26,850	24,583	171,579

Enabling our future vision

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

Alternative delivery routes

- 4.58. The Council will review the best delivery routes for implementing new capital projects as part of the options appraisal undertaken in the business case. These delivery routes largely fall into the following categories:
- Self-develop: this involves the council undertaking the project independently and therefore provides the greatest level of potential return and control but also the greatest cost and exposure to risk.
 - Partnerships: these allow the council to use its assets (usually land and buildings) and possibly some finance, to attract long term investment from the private sector, in order to deliver socio-economic development and regeneration. They are designed to encourage parties to pool resources to deliver projects, with an acceptable balance of risk and return for all involved. This approach would be a new area for the council and would need considerable further work to progress.
 - Developer led: this usually involves selling the opportunity to a developer, perhaps with an outline planning consent and Development Agreement in place. As an example, the council takes a developer led approach with housing associations.

- Community Involvement: changes in legislation brought in under the Localism Act have introduced the concept of Community Asset Transfer, Community Right to Challenge and Community Right to Bid for services. This has opened up a whole spectrum of opportunities of private sector investment in community-led capital projects, where deemed appropriate.

Delivering the capital strategy

Governance

- 4.59. 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.
 - Additionally, to support the committee structure and Corporate Leadership Team with future governance, including delivery of projects, a new governance board structure will be established.
- 4.60. 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.
- 4.61. A recommendation has been included that will allow officers in future to seek approval from Cabinet to approve the inclusion of schemes where they are fully funded from additional grants, that can only be expended on the proposed scheme, and where it meets the Council's aims. This will permit such schemes to progress at pace where alternative application of the funding is not permitted, and where there is no need for additional Council resources to be used.
- 4.62. 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. For these projects, highlighted in **Turquoise** within the detailed capital programme, the broad financing has been included but these projects cannot commence until approval of the business case has been made by the Corporate Leadership Team; any funding variances will also need to follow the council's financial regulations in relation to capital virements.
- 4.63. In addition, new projects not included within the existing or proposed capital programme, require a full business case to be submitted to council for

approval as and when the information and analysis is available to make a robust decision.

- 4.64. 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

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

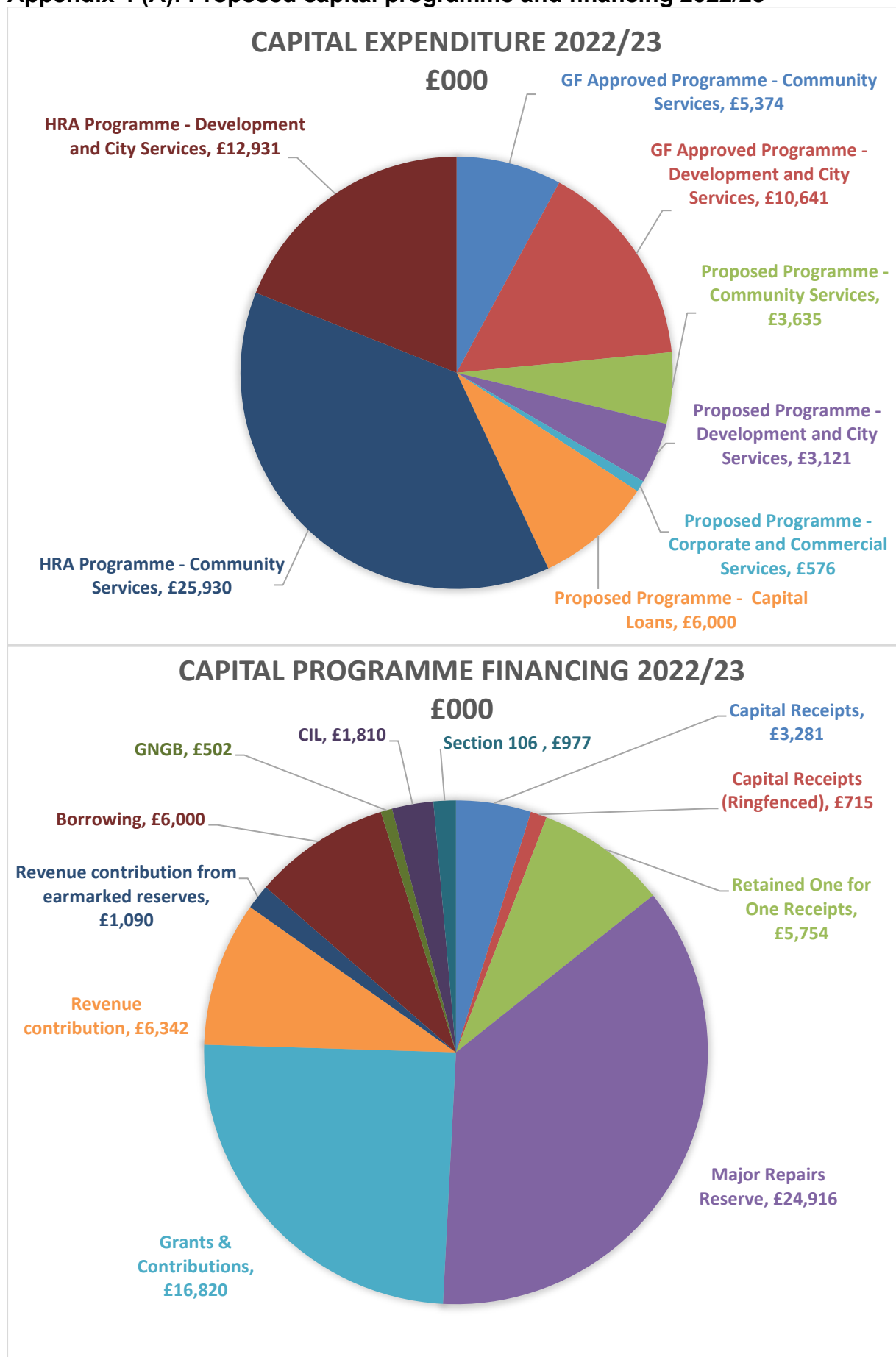
Commissioning, appraisal, and programme/project management

- 4.66. The financial restrictions on both capital and revenue expenditure in the general fund require a step change in the quality of commissioning and project management and delivery.
- 4.67. To support the council's approach to capital investment:
- An asset management strategy to inform and support the capital programme is being actively developed.
 - An evaluation and scoring mechanism to assist the prioritisation of projects submitted for inclusion within the capital programme has been developed.
 - A requirement has been established that all capital projects will be subject to comprehensive but proportionate appraisal (as part of a broader gateway approval system).

Knowledge and skills

- 4.68. 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.
- 4.69. External professional advice is taken as and when required and will always be sought in consideration of any major regeneration investment decision or joint venture development. The council has current arrangements with Link Asset Services for providing treasury management guidance, PS Tax for tax advice, covering both public sector as well as commercial tax issues, and Carter Jonas for property related matters.
- 4.70. 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 2022/23



Appendix 4 (B): Proposed capital projects 2022/23 to 2026/27

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	5 yr. Total £000
Approved Programme						
Community Services						
** Towns' Fund Programme - Make space at the Norwich Halls	3,328					3,328
St Andrew's Hall – electrical works	17					17
St Andrew's Hall – St George's kitchen electrical upgrade	6					6
Norman Centre – replacement boilers		165				165
Homes Improvement Agency - BCF/ DFG	1,782	1,440	1,440	1,440		6,102
Football pitch improvements	75					75
IT upgrades	75	75	75	75		300
Empty Homes Grant	69					69
Riverside Leisure Centre - Plant	22					22
Approved Programme - Community Services	5,374	1,680	1,515	1,515	0	10,084
Development & City Services						
Park toilet refurbishment - Wensum, Heigham and Eaton	66	134				200
Ketts Heights - access improvements & creation of biodiversity habitat	203					203
20 Acre Wood - community access improvements	1	1	8			10
City Walls - rolling programme of repairs	40	40	40	40		160
Closed churchyards - rolling repairs	10	10	10	10		40
Community Infrastructure Levy - contribution to strategic pool	1,718	1,853	1,407	2,053	1,758	8,789
** Towns' Fund - Compulsory Purchase Order revolving fund	2,000	2,924				4,924
Towns' Fund - advanced construction and engineering centre	0					0
Towns' Fund - East Norwich	86					86
** Towns' Fund - public realm improvements at St Giles and Hay Hill	3,750					3,750
Towns' Fund - programme management	47					47
** Towns' Fund - digital hub	2,215					2,215
Cemetery Railings - replacement of damaged railing panels	134					134
Eaton Park path replacement - continuation of programme	45					45

Marriott's Way/ Hellesdon Station Green - infrastructure improvements	86					86
Earlham Cemetery railing refurbishment	28					28
CIL GNGB Riverside Walk	112					112
CIL GNGB Castle Gardens	100					100
Approved Programme - Development and City Services	10,641	4,962	1,465	2,103	1,758	20,929
Total General Fund Approved Programme	16,015	6,642	2,980	3,618	1,758	31,013

Proposed Capital Schemes for approval February 2022

Community Services

* Investment in asset portfolio	147	138	33	56		374
* Civica System Upgrade	296					296
Electric vehicle charging provision – CIL Neighbourhood	92					92
* Retrofitting	3,100					3,100
Proposed Programme - Community Services	3,635	138	33	56	0	3,862

Development & City Services

* Investment in asset portfolio	110	51	13	6	3	183
* City Hall investment	290					290
* Suicide prevention works – St Andrews car park	300					300
* Replacement of equipment (for use by NCSL)	330					330
Churchman House Cupola repairs	130					130
* Gypsy and Traveller Site Re-modelling	315					315
* Old Carrow House internals	565					565
* Energy efficiency works – investment properties	400					400
* Site formation & demolition	400					400
* Wensum play park (S.106)	113					113
* Investment property roof upgrade works	125					125
* Cycle Wayfinding	43					43
Proposed Programme - Development and City Services	3,121	51	13	6	3	3,194

Corporate & Commercial Services

* HR & finance system	576	121				697
Proposed Programme - Corporate and Commercial Services	576	121	0	0	0	697
Capital Loans						
Norwich Regeneration Limited	6,000					6,000
* Norwich Preservation Trust		1,000				1,000
Proposed Programme - Capital Loans	6,000	1,000	0	0	0	7,000
Total General Fund - Proposed Additional Programme	13,332	1,310	46	62	3	14,753
Total General Fund Programme	29,347	7,952	3,026	3,680	1,761	45,766

* Projects marked with * and highlighted turquoise require further CLT approval of business case or gateway approval. ** Projects marked with ** and highlighted orange are Town's Fund projects where the profiling is under review and will be updated at quarter 1

HRA

Community Services

Community centre assets - HRA impact	25	25	25	25	25	125
HRA Upgrades - Door Access/CCTV	544	656	592	576	496	2,864
HRA Upgrades - Windows	1,150	2,500	2,500	2,500	2,500	11,150
HRA Upgrades - Composite Doors	1,222	400	400	400	235	2,657
HRA Upgrades - Re-roofing	500	1,000	1,000	1,500	1,500	5,500
HRA Upgrades - Structural	1,400	1,600	1,600	1,600	1,600	7,800
HRA Upgrades - Thermal comfort (EWI)	350	200	200	200	200	1,150
HRA Upgrades - Bathrooms	1,712	1,650	1,500	1,450	1,350	7,662
HRA Upgrades - Kitchens	1,375	1,250	1,375	1,790	2,500	8,290
HRA Upgrades - Communal boilers	2,230	1,900	1,900	1,900	1,900	9,830
HRA Upgrades - Domestic boilers	3,115	2,000	1,800	1,500	1,500	9,915
HRA Upgrades - Solar thermal & photovoltaic	550	500	500	500	500	2,550
HRA Upgrades - Electrical	2,831	2,750	2,500	2,350	2,250	12,681
HRA Upgrades - Estate aesthetics	750	500	250	200	200	1,900
HRA Upgrades - Disabled adaptations & stairlifts	1,400	1,400	1,400	1,400	1,400	7,000

HRA Upgrades - Whole house improvements	3,750	1,500	1,200	1,000	1,000	8,450
HRA Upgrades - Sheltered communal facilities	138	75	30	30	30	303
HRA Upgrades - Tower block regeneration	0	2,500	2,500	2,500	2,500	10,000
HRA Upgrades - Lift upgrades	50	75	75	50	75	325
HRA Upgrades - Sheltered alarms	200	150	150	150	100	750
HRA Upgrades - HRA shops	100	150	150	150	150	700
HRA Upgrades - Compliance	1,000	1,000	0	0	0	2,000
HRA Upgrades - Water hygiene	612	1,225	306	153	76	2,372
NCSL fees	926	926	926	926	926	4,630
Approved Programme - Community Services	25,930	25,932	22,879	22,850	23,013	120,604
Development & City Services						
Site formation and demolition	560	70	70	70	70	840
Alfred Nichols Court district lighting upgrade	45	0	0	0	0	45
New Build - Argyle Street development	2,112	1,098	56	0	0	3,266
New Build - Mile Cross development	1,500	11,740	12,545	2,430	0	28,215
New Build - Three Score phase 3 development	6,500	3,670	210	0	0	10,380
New Build - Kings Arms development	564	16	0	0	0	580
New Build - Hethersett site	150	0	0	0	0	150
Opportunities fund	500	500	500	500	500	2,500
Grants to registered providers	1,000	1,000	1,000	1,000	1,000	5,000
Proposed Programme - Development and City Services	12,931	18,094	14,381	4,000	1,570	50,976
Total HRA Programme	38,861	44,026	37,260	26,850	24,583	171,580
Total Overall Programme	68,208	51,978	40,286	30,530	26,344	217,346

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

Funding source	Description and proposed strategy for its use
Revenue budget	<p>Description: The use of the annual revenue budget to directly fund capital expenditure (also known as a Revenue Contribution to Capital Outlay (RCCO)).</p> <p>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.</p> <p>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.</p>
Capital receipts	<p>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.</p> <p>General Fund strategy: Capital receipts are held centrally and used as a corporate resource. Capital receipts income (along with the revenue budget) is used to fund capital projects where there is no financial return from the investment to cover the costs of borrowing. Some increased capital expenditure has been proposed for 2022/23 on the premise that this will be replaced once the sale of the Airport assets are disposed of.</p> <p>Where proceeds from the disposal of commercial properties, which were originally funded by borrowing, are received those sums will be applied to reduce debt.</p> <p>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.</p> <p>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.</p>

Funding source	Description and proposed strategy for its use
Leasing	<p>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.</p> <p>Strategy for its use: Some assets used by the Council are financed by a lease arrangement; for example, vehicles. There may be instances where leasing can offer value for money, and it will remain a consideration when options are being appraised. However, given the current relatively low cost of borrowing through PWLB compared to the implicit interest rates within any leased asset arrangement, it is likely to be better value for money if the council funds the asset itself via borrowing.</p> <p>Leasing cannot be undertaken without the specific approval of the S151 Officer to ensure that new accounting arrangements have been considered fully.</p>

Funding source	Description and proposed strategy for its use
Right-to-buy capital receipts	<p>Description: Income arising from Right-to-Buy sales of Council dwellings comprise three elements, the Treasury Share, which is passed to the government, the local authority share and the retained 'one for one' receipts. These funding sources are only available to the HRA.</p> <p>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.</p> <p>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.</p> <p>Retained 'One for One' Receipts: The use of this share is limited under statute and can only be used to fund up to 40% of the overall cost of new social housing and must be utilised within 5 years of the date of retention or be returned to central government along with a punitive interest charge.</p> <p>Strategy for its use: The use of this resource is maximised, and monitoring will be undertaken during the year to ensure the council is not at risk of having to pay the receipts plus interest to central government.</p> <p>Council has prioritised the funding of its own HRA capital programme in utilising these receipts, but when unable to do so the priorities are:</p> <ol style="list-style-type: none"> 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	<p>Description: General (un-earmarked) reserves can be used to fund either revenue or capital expenditure.</p> <p>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.</p> <p>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.</p>
Major Repairs Reserve (MRR)	<p>Description: The Major Repairs Reserve is created from an annual depreciation charge to HRA revenue budgets.</p> <p>Strategy for its use: This is used as the first source of funding for the HRA capital upgrade programme.</p>

Funding source	Description and proposed strategy for its use
Capital grants	<p>Description: Grants given to the council to fund, either in whole or in part, specific capital projects</p> <p>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.</p>
Section 106, GNGB and CIL	<p>Description: Contributions paid by developers to mitigate the impact of new development across the city.</p> <p>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.</p> <p>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.</p> <p>15% of CIL contributions are retained for local neighbourhood sponsored schemes and allocated to fund minor capital schemes.</p> <p>Contributions may provide matched funding to secure grant funding from central government or the local enterprise partnership.</p>

Funding source	Description and proposed strategy for its use
Borrowing	<p>Description: Internal borrowing is the <i>temporary</i> use of the council's cash holdings to fund capital expenditure. External borrowing is the process of taking debt finance from an external institution.</p> <p>The council will only borrow money (either internally or externally) in cases where there is a clear financial benefit, such as a new income stream or a budget saving, that can, at the very least, fund the costs arising from the borrowing, namely interest charges & any Minimum Revenue Provision (MRP) costs.</p> <p>The council's borrowing will be proportionate to the size of the council's balance sheet and revenue budget.</p> <p>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.</p> <p>The Section 151 officer will decide whether to use internal instead of external borrowing as a temporary source of financing if at the time:</p> <ul style="list-style-type: none"> (a) The council's overall cash holdings are above the minimum amount of cash deemed necessary for working capital purposes– (see the Treasury Management Strategy in part 6). (b) The net return from the new income stream (or budget saving), arising from the capital expenditure, is above that which would be obtained by depositing the cash on a short-term basis in a bank or building society. (c) There is no imminent likelihood of the Bank of England base rate increasing to the extent that it would be better value for money for the council to borrow to fund any existing indebtedness as measured by the capital financing requirement (the council's underlying need to borrow). <p>External advice will be sought by the Section 151 officer from the council's treasury advisers, Link Asset Services, if necessary.</p>

5. TREASURY MANAGEMENT STRATEGY

Background

- 5.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 5.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need 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 long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council 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 revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available 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 in effect result in a loss to the General Fund Balance.
- 5.4 CIPFA (the Chartered Institute of Public Finance & Accountancy) 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 This section of the budget report fulfils 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 DLUHC (Department for Levelling Up, Housing and Communities).
- 5.6 This section therefore fulfils the need for council to approve:
- A treasury management strategy before the start of each financial year (as required by CIPFA's Treasury Management Code).
 - Prudential indicators to ensure that the council's capital investment plans are affordable, prudent and sustainable (as required by CIPFA's Prudential Code).
 - An investment strategy before the start of each financial year (as required by DLUHC's Investment Code).

- A Minimum Revenue Provision (MRP) policy (as required by DLUHC's MRP guidance).
- 5.7 The council's investment in commercial property, equity shares, and lending to third parties is considered in the capital strategy in Section 4.
- 5.8 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 4.4 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.

Treasury management reporting requirements

- 5.9 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.
- Prudential and treasury indicators and treasury strategy (this report)
 - A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.
 - An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury management role of the Section 151 Officer

- 5.10 The S151 (responsible) officer is responsible for:
- 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 information required by internal or external audit is supplied;
 - Recommending the appointment of external service providers;
 - Ensuring that due diligence has been carried out on all treasury investments and is in accordance with the risk appetite and approved policies of the authority;
 - Ensuring that members are adequately informed and understand the risk exposures taken on by an authority;

- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;
- Training and qualifications of members responsible for treasury management approval and scrutiny as well as officers responsible for the day to day operations of treasury management.

Treasury management practices

- 5.11 Norwich City Council has adopted the CIPFA Treasury Management Code. The recently published update to the Code (December 2021) has 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.

Training

- 5.12 The CIPFA Code requires the responsible officer to ensure that all members with responsibility for treasury management receive adequate training in this area. The S151 officer is responsible for this function. The training needs of treasury management officers are periodically reviewed.

Treasury management advisers

- 5.13 The council uses Link Asset Services as its external treasury management advisors.
- 5.14 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.

Treasury Management Strategy

Current Treasury Portfolio Position

Table 5.1: The Council's current investment and borrowing position

	31/03/2021 Actuals £000	%	31/12/2021 Actuals £000	%
Investments				
Banks	38,750	51.8	82,120	46.9
Building Societies	0	0.0	30,000	17.1
Local Authority	15,000	20.0	27,000	15.4
UK Government	0	0.0	11,000	6.3
Money Market Funds	21,070	28.2	25,000	14.3
TOTAL	74,820	100.0	175,120	100.0
Borrowing				
PWLB	214,107	97.4	259,107	97.9
Banks	5,000	2.3	5,000	1.9
Others	745	0.3	693	0.3
TOTAL	219,852	100.0	264,800	100.0

- 5.15 On the 31st of December 2021, the council held £264.800m of external borrowing and £175.120m of treasury investments.
- 5.16 During 2021/22 the council has taken £45m of new long-term borrowing from the Public Works Loan Board, which is reflected in the increased level of debt in Table 5.1. Although the council does not maintain separate balance sheets for the general fund and housing revenue account, it has historically allocated borrowing between the two funds. The borrowing in year has included £15m in relation to the general fund and £30m relating to the Housing Revenue Account. The latter has enabled the Housing Revenue Account to secure new borrowing at historically low levels ahead of a scheduled repayment of self-financing debt in March 2023.
- 5.17 The additional borrowing, combined grant receipts front loaded in the year, has meant that investment balances have increased since the start of 2021/22. These are expected to decrease towards the year end following a scheduled repayment of business rates grant to the government.

The Prudential and Treasury Indicators 2022/23 – 2026/27

- 5.18 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 5.2.
- 5.19 The Capital Financing Requirement (CFR) calculation is shown in table 5.3. 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.

- 5.20 The CFR incorporates interim figures in relation to the new reporting requirements detailed within IFRS16. The reporting standard requires certain leases currently accounted for through the revenue spend of the Council, to have its liabilities shown on the balance sheet if the lease has more than a year to run or is above a de-minimis value. An example for Norwich are the vehicles procured through an operating lease.
- 5.21 This is a requirement of closing the accounts for 2022/23 and officers continue to undertake the required data gathering exercise, which will clarify the full impact on the CFR for the Council. It is therefore important to note that there may be a requirement to refresh the authorised limit and operational boundary once the review is substantially complete later in the 2022/23 financial year.
- 5.22 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's expected life.
- 5.23 The repayment of loan debt by the council's wholly owned company NRL will also reduce the CFR where the loan is financed by borrowing.
- 5.24 Table 5.3 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.
 - c. The estimated capital financing requirement for the HRA as at 1 April 2022 is £207.517m and this has been included in the authorised limit.
 - d. The HRA debt cap at the time it was removed in October 2018 was £236.989m.

Chart 5.1: Forecast of CFR and borrowing limits

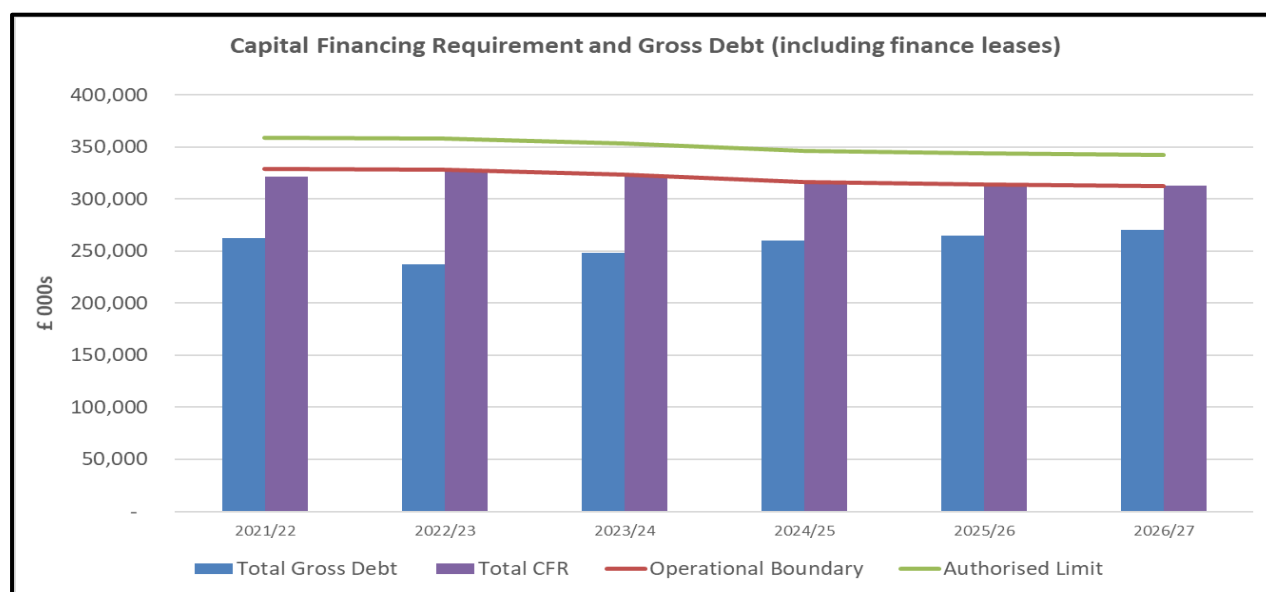


Table 5.2: The council's capital expenditure and financing plans

	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000
Capital expenditure						
General Fund	13,412	23,347	7,952	3,026	3,680	1,761
Equity investment	0	0	0	0	0	0
Capital Loans	0	6,000	0	0	0	0
Total General Fund Expenditure	13,412	29,347	7,952	3,026	3,680	1,761
Housing Revenue Account	32,069	38,861	44,026	37,260	26,850	24,583
TOTAL CAPITAL EXPENDITURE	45,481	68,208	51,978	40,286	30,530	26,344
Financing						
Capital receipts	1,940	9,743	12,648	8,078	1,648	2,583
Capital receipts (ringfenced)	0	715	0	0	0	0
Retained "one for one" RTB receipts	5,266	5,754	7,838	6,352	2,200	1,228
Major repairs reserve	21,514	18,454	14,768	14,722	14,676	14,572
Contributions and grants	8,936	16,820	4,614	1,690	1,690	250
Revenue contribution	5,063	6,342	10,256	8,029	8,263	5,953
Revenue contribution (earmarked reserves)	175	1,090	0	0	0	0
Greater Norwich growth partnership	120	502	1	8	0	0
Community infrastructure levy	1,562	1,810	1,853	1,407	2,053	1,758
S106	33	977	0	0	0	0
Total	44,609	62,208	51,978	40,286	30,530	26,344
Borrowing need for the year	872	6,000	0	0	0	0
TOTAL FINANCING	45,481	68,208	51,978	40,286	30,530	26,344

- 5.25 The 2021/22 estimated capital outturn in Table 5.2 does not include possible carry forwards of budgets into the next financial year. No potential carry forward will be funded from borrowing and therefore there is no impact on the capital financing requirement or borrowing assumptions.

Table 5.3: Prudential and treasury Indicators

	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000
Capital financing requirement at end of year						
General Fund	114,306	120,074	114,948	107,767	106,031	104,397
Housing Revenue Account	207,517	208,174	208,174	208,174	208,174	208,174
TOTAL	321,823	328,248	323,122	315,941	314,205	312,571
Annual change in capital financing requirement						
General fund	(6,874)	5,769	(5,127)	(7,181)	(1,736)	(1,634)
Housing Revenue Account	-	657	-	-	-	-
TOTAL	- 6,874	6,426	- 5,127	- 7,181	- 1,736	- 1,634
Gross Debt						
Borrowing	262,287	237,466	248,338	260,086	264,619	270,099
Operational boundary for external debt						
Operational boundary	328,818	328,248	323,122	315,941	314,205	312,571
Authorised limit for external debt						
Authorised limit	358,818	358,248	353,122	345,941	344,205	342,571
Actual external debt						
Borrowing	261,607	236,907	247,907	259,790	264,467	270,099
Debt maturity profile as at end of year - all borrowing %						
Less than one year	19%	2%	1%	20%	3%	19%
Between one and two years	2%	1%	21%	3%	20%	1%
Between 2 and 5 years	24%	48%	25%	22%	2%	3%
Between 5 and 10 years	23%	5%	6%	6%	5%	5%
Between 10 and 15 years	5%	3%	2%	1%	1%	0%
Between 15 and 20 years	0%	0%	0%	0%	0%	0%
Over 20 years	27%	41%	45%	48%	69%	73%
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 31/12/2021 in excess of 1 year maturing in each year	-	-	-	-	-	-

Maturity Structure of borrowing Strategy

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

Table 5.4: Maturity structure of borrowing

Maturity structure of fixed interest rate borrowing		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	50%
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%

Borrowing Strategy

- 5.27 The capital expenditure plans set out in tables 5.2 above, provide details of the service activity of the council. 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.

The table below summarises the council's forward projections for borrowing based on the assumptions given in tables 5.2 above.

Table 5.5: Estimated forward projections for borrowing

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
External Debt						
Debt as at 1 April	219,107	261,607	236,907	247,907	259,790	264,467
Expected change in debt	42,500	(24,700)	11,000	11,883	4,677	5,632
Other long-term liabilities	680	559	432	296	152	-
Actual gross debt as at 31 March	262,287	237,466	248,338	260,086	264,619	270,099
Capital Financing Requirement	321,823	328,248	323,122	315,941	314,205	312,571
Under/(Over) borrowing	59,535	90,782	74,783	55,855	49,586	42,472

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

- 5.28 The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR) has not been fully funded with loan debt, as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
- 5.29 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 in order to avoid incurring higher borrowing costs in the future when interest rates may rise as set out below:

- If it is felt that there was 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 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 or impact of Covid 19 on the UK economy, 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.

Policy on borrowing in advance of need

- 5.30 CIPFA's Prudential Code paragraph 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.
- 5.31 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).
- 5.32 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

- 5.33 As short-term borrowing rates will be considerably 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).
- 5.34 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).
- 5.35 Although unlikely in the current interest rate environment, consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely, as short term rates on investments are currently lower than rates paid on existing debt.

UK Municipal Bond Agency (MBA)

- 5.36 It is possible that the MBA will be offering loans to local authorities in the future at rates expected to be lowered than offered by the PWLB. The Council may make use of this new source of borrowing as and when appropriate.

Minimum Revenue Provision Policy Statement

- 5.37 The proposed MRP Policy Statement is set out in Appendix 5.
- 5.38 The Council is required to pay off a proportion of the accumulated unfunded capital expenditure each year (capital financing requirement) through an annual revenue charge (the MRP). This includes MRP for commercial properties and other non-treasury investments financed by borrowing.
- 5.39 The Council overpaid £6.632m of MRP in previous years. This amount is being gradually released to the general fund revenue budget on a straight-line basis over the next 36 years.
- 5.40 It should be noted that it is not the council's policy to charge minimum revenue provision (MRP) on loans to third parties so long as there is no indication that the loan will not be repaid in full. All third-party loans will be reviewed annually with an assessment made of any MRP payments required.
- 5.41 Currently there is no requirement for the HRA to make MRP provisions, although a voluntary revenue provision will be considered as part of the full HRA business plan refresh planned for early 2022/23. This will provide a mechanism for the prudential repayment of debt over the life of the business plan. In the absence of a repayment mechanism debt could continue to be refinanced. However, continued right-to-buy sales will lead to a decrease in the number of properties available to generate the income necessary to continue to make interest repayments. Therefore, given the cumulative impact of increasing interest charges it is considered sensible to put in place a means of extinguishing both the capital and interest element of debt.

Investment Strategy

Investment and borrowing rates

- 5.42 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view and the subsequent narrative has been provided by the council's advisors.
- 5.43 PWLB forecasts shown below have taken into account the 20-basis point certainty rate reduction.

Table 5.6: Interest rate forecast as at December 2021

Link Group Interest Rate View		20.12.21													
		Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE		0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings		0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings		0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings		0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB		1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB		1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB		1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB		1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Source: Link Asset Services – 20/12/21

- 5.44 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.
- 5.45 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.
- 5.46 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons:
- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
 - There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
 - Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
 - Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
 - It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
 - We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
 - Uncertainty over the impact if the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland.
- 5.47 In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.
- 5.48 It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.
- 5.49 Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.
- 5.50 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.
- 5.51 There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

Treasury investment policy

- 5.52 The council's treasury management investment policy has regard to DLUHC'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 2018. The Council's treasury management investment priorities will be Security first, Liquidity second, and then Yield.
- 5.53 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.

Risk Assessment and Creditworthiness Policy

- 5.54 Management of risk is placed in high priority in accordance with the 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 short term and long term ratings.
- 5.55 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.
- 5.56 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.
- 5.57 Where applicable consideration will be given to the materiality of expected credit losses for treasury investments before they are used.
- 5.58 The counterparty list for treasury investments will be revised from time to time and submitted to council for approval as necessary.
- 5.59 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 Link Asset Services; the Council's treasury consultants. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.
- 5.60 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. Where a credit rating agency announces that a rating is on

review for possible downgrade so that it may fall below the approved rating criteria, then no investments other than existing will be made with that organisation until the outcome of the review is announced.

- 5.61 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.
- 5.62 The council will consider the use of new investment instruments after careful consideration by officers and approval by council.
- 5.63 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 5.8.
- 5.64 Lending and transaction limits for each counterparty will be set in the Treasury Management Principles (TMPs) through applying the matrix table 5.7 below.

Table 5.7: specified and non-specified investment approved instruments and limits

Counterparty/Financial instrument	Minimum 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 £25m overall limit	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	ratings for banks outlined below / Asset worth at least £2.5bn or both	12 months	£5m	n/a	n/a
Banks (Term deposits, CD, Call & Notice accounts)	AAA	12 months	£20m	2 years	£10m
Banks (Term deposits, CD, Call & Notice accounts)	AA+	12 months	£17m	12 months	£5m
	AA				
Banks (Term deposits, CD, Call & Notice accounts)	AA-	12 months	£10m	n/a	n/a
	A+				
	A				
Banks (Term deposits, CD, Call & Notice accounts)	A-	6 months	£5m	n/a	n/a

Counterparty/Financial instrument	Minimum Credit Criteria or Equivalent	Specified Investments		Non-specified Investments	
		Maximum duration	Counterparty Limit (£m)	Maximum duration	Counterparty Limit (£m)
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

** Local authorities will reviewed in line with CIPFA suggested indicators

5.65 Table 5.6 incorporates several increases to the specified investment counterparty limits compared to the 2021/22 Treasury Management Strategy. This decision has been taken in light of the increased cash balances being held by the authority as a result of way Covid-19 grants and reliefs are being funded. The increases have been applied to the lowest credit risk investments and will ensure the council has sufficient capacity to manage its current investments in a secure way. The following increases have been applied:

- Increase in specified investments with AAA rated banks (Term Deposits, CD, Call & Notice accounts) from £15m to £20m (maximum duration 12 months);
- Increase in specified investments with AA+ and AA rated banks (Term Deposits, CD, Call & Notice accounts) from £15m to £17m (maximum duration 12 months);
- Increase in specified investments with UK Local Authority term deposits from £10m to £13m (maximum duration 12 months).

5.66 The identification and rationale supporting the selection of these investments, the maximum limits and monetary limits to be applied are set out in table 5.7 below.

5.67 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days), in order to benefit from the compounding of interest.

Sovereign limits

5.68 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.

5.69 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.

- 5.70 Due to COVID, it is possible that credit rating agencies could downgrade the sovereign rating for the UK from the current level of AA-. However, if credit rating agencies downgrade the UK below AA- (the minimum Sovereign rating for 2022/23), the council will immediately seek advice from its treasury adviser and report to cabinet at the earliest possible reporting date.

Table 5.8: Sovereign rating for 2022/23

AAA	Sweden	AA
Australia	Switzerland	Abu Dhabi (UAE)
Denmark		France
Germany	AA+	AA-
Luxembourg	Canada	Belgium
Netherlands	Finland	Hong Kong
Norway	USA	Qatar
Singapore		U.K.

Bank of England iteration UK bank stress tests

- 5.71 In addition to the use of credit ratings provided by the three main rating agencies the other factors identified in paragraphs 5.55 and 5.56 will be taken into consideration when selecting UK banks.

Money Market Funds (MMFs)

- 5.72 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.

Building societies

- 5.73 Although the regulation of building societies is no longer any different to that of banks, the council may use building societies which have a minimum asset size of £2bn but will restrict these types of investments to fixed deposits subject to lower cash limit and shorter time limit.

Current account banking

- 5.74 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

- 5.75 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

- 5.76 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.
- 5.77 **Security benchmark** – 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. The council's maximum security risk benchmark for the current portfolio, when compared to the historic default tables is 0.04%. This benchmark is an average risk of default measure and would not constitute an expectation of loss against a particular investment.
- 5.78 **Liquidity** – in respect of this area the council seeks to maintain:
- Bank overdraft – zero balance
 - Liquid short-term deposits of at least £1m 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.
- 5.79 **Yield** - local measures of yield benchmarks are:
- Investments – internal returns above the 7-day SONIA (Sterling Overnight Index Average) rate.

Ethical investment

- 5.80 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.
- 5.81 This applies to direct treasury investment only. 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.

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

- 5.82 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).
- 5.83 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 an element of any under-borrowing or surplus cash at the Council's pooled borrowing/investment rates.

Policy on use of financial derivatives

- 5.84 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.

Regulatory Changes

- 5.85 CIPFA has recently issued revised versions of the Treasury Management Code and its associated guidance, which in themselves interact closely with an updated Prudential Code for capital finance, governing local authority capital investment and borrowing activities.
- 5.86 CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.
- 5.87 The revised codes will have the following implications:
- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
 - clarity on what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This includes the requirement to set a proportionate approach to commercial and service capital investment;
 - address ESG issues within the Capital Strategy;
 - a requirement to consider annually its commercial property investments, if it intends to have a borrowing need, and to consider the risks and benefits of continuing to hold such investments against the option to divest and realise capital receipts to pay down debt or reduce future borrowing needs;
 - create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
 - ensure that any long-term treasury investment is supported by a business model;
 - a requirement to effectively manage liquidity and longer-term cash flow requirements;
 - amendment to TMP1 to address ESG policy within the treasury management risk framework;
 - amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
 - a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

- 5.88 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

APPENDIX 5: Minimum Revenue Provision (MRP) policy statement

For capital expenditure incurred:

- (A) From 1st April 2008 for all unsupported borrowing (excluding finance leases) the MRP policy will be to; charge MRP on an annuity basis (using the prevailing rate of interest at the time) so that there is provision for the full repayment of debt over 50 years; Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.
- (B) 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 life method as recommended by the statutory guidance.
- (C) Expenditure in respect of loans made to third parties will not be subject to a minimum revenue provision as the Council will have undertaken sufficient due diligence to expect these loans will be repaid in full to the Council by a capital receipt either during the loan agreement term or at the end of the agreement. Therefore, the Council considers that it can take a prudent view that the debt will be repaid in full at the end of the loan agreement (or during if it is an instalment loan), so MRP in addition to the loan debt repayments is not necessary. Each loan will be reviewed on an annual basis to ensure that is no change in the expectation that there will be a full repayment of the loan. If, upon review, this is no longer found to be the case then a minimum revenue provision will be made over a prudent timeframe to cover the potential non-repayment of part, or all of the loan balance.

This is subject to the following details:

- 1) An average asset life for each project will normally be used. There will not be separate MRP schedules for the components of a building (e.g. plant, roof etc.). The asset life will be determined by the Chief Finance Officer based on the standard schedule of asset lives provided by an appropriately qualified asset valuer will generally be used (as stated in the Statement of Accounts accounting policies).
- 2) MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets when expenditure is being financed from borrowing the MRP will be deferred until the year after the asset becomes operational.
- 3) Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case. Where this is the case, the chief finance officer will first seek approval from Full Council.
- 4) There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 5) Repayments included in annual finance leases are excluded from MRP as they are deemed to be a proxy for MRP.

6. SUMMARY OF KEY FINANCIAL INDICATORS

Background

- 6.1 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.
- 6.2 This section of the budget 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.
- 6.3 DLUHC 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
- 6.4 For the majority of indicators, the council has not elected to set self-assessed limits. This will be kept under review as better "bench-marking" data becomes available from other authorities. The annual limit in regard to borrowing is set in the Treasury Management Strategy (section 5).
- 6.5 The indices chosen as being the most appropriate for the council's circumstances at present take as their starting point figures from the 2020/21 draft statement of accounts and project these forward for this financial year and the three following years.
- 6.6 The DLUHC do not specify any indices for the HRA – they are given in the tables that follow where appropriate to do so.

Balance Sheet position - strong

- 6.7 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 and has total long-term assets valued at £1.1bn, most of which are land and property assets including the council's HRA housing.
- 6.8 As at 31 March 2021, the council had external borrowing of £220m (£217m long-term, £2.5m short-term) which is 20% of the value of the council's assets. In addition, the council had borrowed £110m 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 £329m (this figure is known as the capital financing requirement (CFR)).

Table 6.1 relevant extracts of the council's balance sheet (as at 31/03/21)

	31-Mar-21 £000	31-Mar-20 £000
Long term assets	1,105,493	1,077,939
Of which:		
- Investment properties	103,394	105,677
- Long term investments (equity shares in 3 rd parties)	6,263	4,852
- Long term debtors (amounts lent to 3 rd parties)	14,394	9,521
Long term borrowing	217,579	220,136
Current Assets	113,680	58,398
Current Liabilities	78,318	35,110

- 6.9 Long term investments (equity shares) as at the 31 March 2021 include a £3.9m shareholding in Norwich Regeneration Limited and £0.370m shareholding in Norwich City Services Ltd.
- 6.10 In the 2020/21 long term debtors, the amounts lent to third parties on commercial terms comprise a £12.650m loan to Norwich Regeneration Limited, £1.140m capital loan to Norwich City Services, a £0.500m working capital loan to Norwich City Services Ltd and a £0.104m 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.
- 6.11 The current ratio is a traditional method of assessing an organisation's ability to meet its debts as and when they fall due. It is calculated by dividing current assets by current liabilities. A ratio of more than one is generally accepted to show a low risk. The ratio for the council as at the end of March 2021 is 1.5:1, meaning the council held nearly 50% more short term assets (e.g. cash deposits in banks and building societies) as compared to short term liabilities (mostly trade creditors).

Forecast Balance Sheet position

- 6.12 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).
- 6.13 The forecasts show the likely trends rather than robust estimates. For example, the value of the council's land, property and heritage assets will change over time through capital expenditure, asset disposals, and annual valuations undertaken for the purposes of preparing the annual statement of accounts. No attempt has been made to forecast these changes.

Table 6.2 estimated values of key aspects of the council's balance sheet

	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
	£000	£000	£000	£000	£000
Long term assets	1,105,493	1,105,493	1,105,493	1,105,493	1,105,493
Of which:					
- Investment property	103,394	103,394	103,394	103,394	103,394
- Equity shares in 3 rd parties	6,263	6,263	6,263	6,263	6,263
- Amounts lent to 3 rd parties	14,394	8,080	14,025	9,469	4,913
Capital Financing Requirement	328,697	321,823	328,248	323,122	315,941

NB strictly speaking only external borrowing will be shown in the Balance Sheet rather than the capital financing requirement.

- 6.14 The value of investment property is assumed to remain in line with current levels. No further additions to the investment portfolio are included; this is in line with the lending terms of the Public Works Loan Board. For 2020/21, investment assets portfolio made up approximately 10% of the overall value of the council's long-term assets.
- 6.15 The council's underlying need to borrow is forecast to reduce overall across the period to 2024/25 by £12.8m which is a 4% reduction from 2020/21. The balances are decreasing as there is limited capital expenditure forecast which is to be funded from borrowing, combined with the ongoing minimum revenue provision payments which reduce the capital financing requirement.

Further detail on the council's borrowing plans

- 6.16 Table 6.3 shows that a forecast increase in the council's underlying need to borrow (capital financing requirement) in 2022/23 arising from loan funding to be provided to Norwich Regeneration Ltd. In future years, the annual minimum revenue provision charges begin to reduce the overall general fund capital financing requirement along with expected loan repayments.

Table 6.3 estimated indebtedness (capital financing requirement (CFR))

	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024
	£000	£000	£000	£000	£000
General Fund CFR	121,180	114,306	120,074	114,948	107,767
Including:					
CFR for investment property	72,569	71,760	70,931	70,081	69,210
CFR for investment in equities	0	0	0	0	0
CFR for lending to 3 rd parties	14,394	8,080	14,025	9,469	4,913
CFR total for HRA	207,517	207,517	208,174	208,174	208,174

NB the purchase of equity shares in Norwich Regeneration Limited has been funded from capital receipts and not by borrowing.

6.17 The capital financing requirement for the HRA is forecast to remain static with no current expectation to fund new capital expenditure from borrowing over the period to 2023/24.

6.18 It needs to be emphasised that the council's borrowing policy as explained in Appendix 4 (C), is that:

The council will only borrow money (either internally or externally) in cases where there is a clear financial benefit, such as a new income stream or a budget saving, that can, at the very least, fund the costs arising from the borrowing, namely interest charges & any MRP costs. (See section 8 – the financial glossary for an explanation of these terms).

6.19 This effectively means that the council will only borrow (increase its capital financing requirement) to fund capital expenditure plans on a project-by-project basis and only when a robust and viable business case for the project has been produced demonstrating, amongst other things, that the costs arising from the increase in capital financing requirement can be met by new income streams.

Capital Financing Requirement (CFR) to service expenditure

6.20 This indicator has been included as it is the first that DLUHC suggest is used. It shows how much the council owes (capital financing requirement) as a percentage of how much the council spends on an annual basis.

6.21 Some further explanation is necessary about this indicator:

- DLUHC has asked for a comparison against “net service expenditure” which they interpret as being a “proxy for the size and financial strength of a local authority”. Net service expenditure, for the general fund, comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any revenue support grant.
- However, all councils are required to set a balanced budget and do this by balancing total expenditure to the estimated total income likely to be received which includes tax income along with all the fees and charges generated by the council. The gross service expenditure budget is therefore a much better indicator of real spending power and financial size, particularly as this council generates a lot of other fees and charges income used to fund service expenditure.
- The gross service expenditure figures given below for the general fund exclude housing benefit payments which is funded by central government and assumes that the budget is reduced each year by the annual net savings target forecast in the MTFs.

6.22 The indicators show the total value of the council's capital financing requirement compared to one year's spending total either on a net or gross basis. The indicators do not fairly represent the council's risk exposure as the council would not need to repay all of its indebtedness in one financial year. This would be like asking a homeowner to repay his/her total mortgage suddenly out of annual salary and any savings held instead of over the longer-term mortgage period.

Table 6.4: capital financing requirement (CFR) as a % of service expenditure

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
General Fund (GF):					
Net service expenditure (NSE)	17,012	19,814	18,988	19,014	19,028
Gross service expenditure (GSE)	56,975	62,555	60,918	60,884	60,836
Opening GF CFR as a % of NSE	712%	577%	632%	605%	566%
Opening GF CFR as a percentage of GSE	213%	183%	197%	189%	177%
Opening CFR arising from non-financial investments as a % of GSE	153%	128%	139%	131%	122%
HRA:					
Gross service expenditure (GSE)	63,669	70,335	71,742	73,177	74,640
Opening CFR as a percentage of GSE	326%	295%	290%	284%	279%

NB: NSE = Net Service Expenditure, GSE = Gross Service Expenditure

- 6.23 For further ease of understanding, the forecast figure of 177% in 2024/25 (table 6.4) means that the forecast total indebtedness for the general fund in that year is equal to the total value of the general fund's gross expenditure budget for 1.77 years.

Capital Financing Requirement (CFR) to asset value (Gearing ratio)

- 6.24 The gearing ratio shows the council's total indebtedness compared to the total value of the council's assets (both general fund and HRA assets). It is an indicator of the extent to which an organisation's debt is covered by assets. The ratio for the council is considered to be low.

Table 6.5: capital financing requirement (CFR) as a % of the value of long-term assets

	2021/22	2022/23	2023/24	2024/25	2025/26
Opening CFR as a % of the value of long-term assets	30%	29%	30%	29%	29%
Opening CFR arising from non-financial investments as a % of the value of long-term assets	8%	7%	8%	7%	7%

The council's non-financial (commercial) investments

Commercial income to service expenditure

- 6.25 This ratio shows the general fund's dependence on commercial income to deliver core general fund services.

Table 6.6: commercial income to service expenditure

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Net income from investment property	2,936	3,036	3,161	3,215	3,270
Net income from lending to third parties	249	249	249	249	249
Total net income from non-financial investments	3,185	3,286	3,410	3,465	3,519
Total net income as a % of NSE	19%	17%	18%	18%	18%
Gross income from investment property	6,542	6,493	6,661	6,761	6,863
Gross income from lending to third parties	454	454	454	454	454
Total gross income from non-financial investments	6,996	6,947	7,115	7,215	7,317
Total gross income as a % of GSE	12%	11%	11%	11%	11%

NB: NSE = Net Service Expenditure, GSE = Gross Service Expenditure

- 6.26 For 2022/23 the net and gross income from investment property shown in tables 6.6 and 6.7 are based on the proposed 2022/23 budget assumptions. For 2022/23 the assumed income from the Norwich Airport Industrial Estate has been reduced from £0.427m to £0.070m based on the decision by Cabinet in July 2021 to dispose of the site and its assumed sales during the financial year. Budgeted income on the council's other commercial properties has increased by around £0.300m reflecting improved assumptions around income following the pandemic.
- 6.27 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. However, the income is significant and of a commercial nature. The net income budgeted to be obtained from car parks in 2022/23 is £2.86m, which if added into the net income from non-financial investments shown in the table above, would mean that commercial income is some 31% of the 2022/23 net service expenditure budget.

Investment cover ratio

- 6.28 This shows the gross income from non-financial investments compared to the interest expense. Many of the recent investments have been funded from internal borrowing and have not incurred any interest expenses. Therefore, in order to calculate this ratio, it has been assumed that the recent investments have been financed by external borrowing.

Table 6.7: investment cover ratio

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Total gross income from non-financial investments	6,996	6,947	7,115	7,215	7,317
Interest expense	2,102	2,102	2,102	2,102	2,102
- As a % of gross income	30%	30%	30%	29%	29%

7. CHIEF FINANCE OFFICER'S STATEMENT

Statutory requirements

- 7.1 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.
- 7.2 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 first full year of compliance with the new FM Code was 2021/22. The statement is updated considering the prevailing circumstances and assessment of relevant risks each financial year.
- 7.3 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.
- 7.4 The importance of this overall approach and need for prudent and realistic levels of reserves and provisions has been brought sharply into focus by the impact of COVID-19 on both the finances and operations of the Local Government Sector throughout 2020/21 and 2021/22.

Assurance Statement of the Council's Section 151 Officer

- 7.5 The following are the summary assurances and recommendations of the Council's Section 151 Officer (currently the Executive Director of Corporate and Commercial Services). They must be read in conjunction with the supporting statement 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.
- 7.6 In relation to the 2022/23 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 will be essential. I am satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with any problems which may arise unexpectedly during the year.
- 7.7 The key process risks in making the above statement are the level of resources within the Council dedicated to providing financial support services

and advice to managers, which will need the finance teams to be focused on key risk budgets.

7.8 My recommendations are also conditional upon:

- a) The Council continuing to assess, learn, report, and respond appropriately to the impact of COVID-19 across all aspects of its operations.
- b) The Council approving the updated Medium Term Financial Strategy for 2022/23 to 2026/27
- c) 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.
- d) 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.
- e) Cabinet Members, Chief Executive, Executive Directors, and managers not exceeding their cash limits for 2022/23 (and future years covered by the Medium-Term Financial Strategy).
- f) 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.
- g) 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.

7.9 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.

- a) An absolute minimum level of unallocated General Fund reserves of £5.1 million is maintained throughout the period between 2022/23 to 2026/27.
- b) An optimal level of unallocated General Fund reserves of £10 million over the period 2022/23 to 2026/27 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances.
- c) A maximum recommended level of unallocated General Fund reserves of £12 million for the period 2022/23 to 2026/27 to provide additional resilience to implement the Medium-Term Financial Strategy.
- d) A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2022/23 to 2026/27.

- 7.10 The estimated level of unallocated General Fund reserves at 31 March 2022, based on current projections is £10.4 million depending on the final outturn position. Therefore:
- a) The absolute minimum level of reserves of £5.1 million is currently being achieved. b) The optimal level of reserves of £10 million criteria is being achieved for 2021/22, if departments spend against budget as currently projected.
 - b) The maximum level of reserves of £12 million is not being exceeded.
 - c) Reserves should remain within the recommended range of reserves during 2022/23. This is subject to the cash limited budget for 2022/23 being met.
- 7.11 These recommendations are made based on:
- a) The risks identified by the Chief Executive and Executive Directors reviews of their budgets.
 - b) My own enquiries during the development of the current budget proposals.
 - c) The resilience and sustainability required to deliver the Medium-Term Financial Strategy.
 - d) One-off unallocated reserves not being used to fund new on-going commitments.
 - e) That the reserves in 2022/23 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.
 - f) That where reserves are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Strategy.
- 7.12 There are also serious exceptional risks which, if they crystallise, could significantly impact the Council's reserves, and leave its financial standing seriously in question. These include:
- a) A national failure to mobilise and roll out an effective on-going vaccination and booster programme to reduce the spread and impact of COVID-19 as new variants emerge and reduced financial support for the continuing local implications of the pandemic.
 - b) The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2022/23.
 - c) The financial uncertainty for the public sector arising from the prevailing and continuing national and local conditions.
 - d) The risk of further significant reductions in income and Government grant funding, particularly in relation to:
 - Growth and decline in the Council's Tax base and Business Rates base.
 - Business Rates appeals from the 2017 revaluation.
 - The Local Council Tax Support Scheme with reduction in subsidy funding and no protection for caseload increases.
 - Further changes to the way in which Local Government is financed given the Government's intended Local Government reform in 2022/23 as part of its 'Levelling Up' agenda and potential

redistribution of existing funding levels to other local authority areas from 2023/24.

- Future Government changes in policy and funding for Local Government, particularly the unknown impact of the next Spending Round in 2024.
- The need to address the Country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit.

e) Insurance Claims.

f) Any impact on Council services and Budget in 2022/23 and later years arising from the withdrawal from the European Union on 01/01/2021.

7.13 In relation to the Housing Revenue Account (HRA) in 2022/23 and the medium to long term:

- a) Given the status of housing management provision the recommendation is that general reserves be maintained at the target figure of £5.8m.
- b) Forward projections for the HRA beyond 2022/23 are being remodelled. In addition, this is linked to the HRA's own Medium Term Financial Strategy for the period 2022/23 to 2026/27. 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.

7.14 In relation to the General Fund and HRA Capital Investment Programme 2021/22 to 2026/27 (including commitments from previous years and new starts):

- a) The HRA Capital Programme will need to be contained within the total programme cost.
- b) 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.
- c) The key strategic schemes identified in the capital investment programme will be closely monitored in-year.
- d) That the funding identified for the approved capital investment programme is delivered and is proportionate, prudent, affordable, and sustainable.

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

- a) 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.

7.16 Given all these factors, I, as the Council's Section 151 Officer, consider the estimates for 2022/23 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 2022/23 – 2026/27.

Supporting Statements

- 7.17 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.
- 7.18 To meet the requirement on the robustness of estimates several key processes have been put in place, including:
- a) The issuing of clear guidance to Services on preparing budgets.
 - b) The development of a Council wide risk assessment.
 - c) The use of extensive budget monitoring and its escalation process to identify risks.
 - d) The Council's S151 Officer providing advice throughout the process of budget preparation and budget monitoring.
 - e) The Chief Executive and Executive Directors review of their budgets and appropriate sensitivity analysis.
 - f) A review of all budget proposals and implications by the Corporate Leadership Team (CLT).
 - g) A review of budget proposals and implications by Cabinet Members.
 - h) Enquiries made directly by the Section 151 Officer and Finance Officers.
- 7.19 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. These arrangements are supported by appropriately qualified financial staff.
- 7.20 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:
- a) The treatment of inflation and interest rates.
 - b) The treatment of demand led pressures.
 - c) The treatment of efficiency savings/productivity gains.
 - d) The financial risks inherent in any significant new partnerships or major capital developments.
 - e) The availability of other funds to deal with major contingencies.
 - f) The service's track record in budget and financial management.
 - g) The service's capacity to manage in-year budget pressures.
- 7.21 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.

- 7.22 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

- 7.23 The 2022/23 budget and Medium-Term Financial Strategy, the 2040 Norwich City Vision and our COVID-19 recovery plans continues our commitment to target our financial resources to delivering better outcomes and effectively manage risks. In addition to improving efficiency, there are clearly choices for the Council in this respect:
- a) To increase financial resources to meet demand and reduce risk, and/or
 - b) To reduce (where possible) service levels and standards, frequency of service delivery, and eligibility for services.
- 7.24 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.
- 7.25 Most notably the Council has had to address major cost increases and pressures as well as corporate priorities including:
- a) Employee costs.
 - b) The cost of prudential borrowing within the capital programme.
 - c) Shortfalls in income and grant income.
 - d) Inflation.
- 7.26 These assumptions will require the forecasts for future years to be reviewed early in each financial year leading to more detailed budgets during the autumn of each financial year.

Financial Sustainability Strategy

- 7.27 The Council has developed its corporate plan 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 ambitions and outcomes contained within the corporate plan and 2040 Vision.
- 7.28 Its primary purpose is to outline the Council's approach, desire, and commitment to achieving financial sustainability, given the level of funding uncertainty, by embracing the area's economic potential, growing our local tax base, and increasing our sustainable income capabilities.

Medium Term Financial Strategy

- 7.29 The Council needs to deliver its Medium-Term Financial Strategy reflecting the continuing impact of the proposed budget and only planned growth in relation to issues that are unavoidable. 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.

Adequacy of Reserves – General Fund Revenue Budget

- 7.30 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.
- 7.31 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.
- 7.32 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.
- 7.33 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.
- 7.34 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:
 - a) 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.
 - b) 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.
 - c) The risk of major litigation, both current and in the future.
 - d) The Local Council Tax Support Scheme with less Government funding and increases in caseload at the Council's own risk
 - e) Issues arising from the final Housing Benefit Subsidy Claim.
 - f) The localisation of Business Rates including the impact of businesses declining in the city boundaries and the mitigation of risks and rewards through pooling.

- g) New and impending legislation.
 - h) The need to retain a general contingency to provide for some measure of unforeseen circumstances which may arise. This part of the reserves is not provided for directly but indirectly on the assumption that the financial risks identified will not all crystallise.
 - i) 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.
 - j) The potential impact nationally, regionally, and locally of new climate change initiatives and commitment to our environmental agenda.
 - k) The longer-term impact of the pandemic on the finances and operational arrangements of the Council.
 - l) There remains some ongoing uncertainty over the impact of Brexit.
- 7.35 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 restoring any drawn down reserves in line with the Medium-Term Financial Strategy.
- 7.36 In these circumstances, I will require the Council, Cabinet, Chief Executive, Executive Directors and Directors:
- a) To remain within their service budget for 2022/23 and within agreed medium term financial strategy parameters for future years (2023/24 to 2026/27) with a strict adherence to recovering overspends within future years' financial plan targets.
 - b) Repayment to reserves in line with the Medium-Term Financial Strategy should these risks materialise.
 - c) Direct any windfall revenue savings/underspends to reserves should the General Fund Revenue Reserves Strategy require it.

Estimated Earmarked General Fund Revenue Reserves

- 7.37 I have reviewed the Council's General Fund earmarked revenue reserves which are estimated to amount to circa. £24.8 million as of 1st April 2022. The main components are S31 Grant reserve £13.4m (to accommodate timing differences of grant receipt) Commercial Property Reserve £2.4m, Invest to Save Reserve £1.9m and Insurance Reserve £1m. Further details can be found in Section 2 Table 2.4.

Estimated Earmarked Housing Revenue Account Reserves

- 7.38 I have also reviewed the Council's Housing Revenue Account overall revenue reserves which are estimated to amount to £37 million as of 1st April 2022. Including the Major Repairs Reserve.

Capital Investment Programme – 2022/23 to 2026/27

- 7.39 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 CMT and Cabinet Member and are fully funded for their estimated cost.
- 7.40 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.

- 7.41 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

- 7.42 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.
- 7.43 A further key risk to the capital investment programme is the ability of the Council to fully deliver it within the agreed timescales.
- 7.44 In relation to the General Fund and HRA Capital Investment Programme specifically for 2022/23 (including commitments from previous years and new starts):
- a) The HRA Capital Investment Programme will need to be contained within total programme cost by delaying or stopping specified schemes.
 - b) 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.
 - c) The strategic schemes identified in the Capital Investment Programme will be closely monitored in-year.
 - d) That the funding identified for the approved Capital Investment Programme is delivered and is proportionate, prudent, affordable, and sustainable.

8. GLOSSARY OF TERMS USED IN THE BUDGET REPORT

Assets – Tangible and Intangible	<p><i>Tangible asset</i> – an asset that has a physical form such as machinery, vehicles, information and communications technology, equipment, buildings and land.</p> <p><i>Intangible asset</i> – an asset that is not physical in nature such as goodwill, brands, patents & copyrights and shares.</p>
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 2012–13.
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 2022/23)
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	<p>Since the introduction of the Business Rates Retention Scheme, Local Authorities are liable for successful appeals against business rates charged to businesses.</p> <p>The Valuation Office Agency operates a Check, Challenge and Appeal process for business rates appeals against the 2017 and later rating lists.</p>
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	<p>Expenditure on the creation or enhancement of assets, for example:</p> <ul style="list-style-type: none"> • 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)	<p>Enhancing an asset is capital expenditure which is intended to substantially:</p> <ul style="list-style-type: none"> • 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 <p>Repairs & maintenance is revenue expenditure.</p>
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. Now linked to the government's 'Levelling Up' agenda consultation is anticipated in 2022/23.
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 <i>temporary</i> 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 DLUHC.
London Interbank Offered Rate (LIBOR)	<i>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 are being discontinued from December 2021 following recent banking scandals. They will be replaced by SONIA</i>
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)	<i>The bid rate that participating London banks are willing to pay for Eurocurrency deposits and other bank's unsecured funds in the London interbank market. LIBOR and LIBID are being discontinued from December 2021 following recent banking scandals. They will be replaced by SONIA</i>

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 (now DLUHC)	The Ministry of Housing, Communities and Local Government (MHCLG), renamed Department for Levelling Up, Housing and Communities (DLUHC) in 2021.
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	<p>An operating lease is a contract that allows for the use of an asset but does not convey rights of ownership of that asset.</p> <p>From 2022/23 onwards these will be treated in the same way as finance leases unless they are short term or low value.</p>
Operational Boundary	<p>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.</p>
Prudential Code	<p>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.</p>
Public Works Loans Board (PWLB)	<p>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.</p>
Reserves	<p>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.</p>
Revenue Expenditure	<p>Comprises the day-to-day costs associated with running the council’s services and financing the council’s outstanding debt.</p>
Revenue Support Grant	<p>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.</p>

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 Executive Director of Corporate and Commercial Services) 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.
SONIA	Sterling Overnight Index Average. Replaces 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 2021 and covers 2022/23 to 2024/25.
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.



Committee Name: Cabinet

Committee Date: 09/02/2022

Report Title: Council tax reduction scheme (CTRS) 2022-23

Portfolio: Councillor Davis, Cabinet member for social inclusion
Councillor Kendrick, Cabinet member for resources

Report from: Executive director of corporate and commercial services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

To consider and recommend to council a council tax reduction scheme for 2022/23.

Recommendation:

- 1) To recommend that council, when reviewing the Council Tax Reduction Scheme for 2022/23, retains a maximum 100 per cent entitlement for working age CTRS recipients.
- 2) To recommend that council make the following changes to the council tax reduction scheme (CTRS) for 2022/23 by continuing with the 2021/22 scheme with the following annual modifications:
 - a) To increase the working age applicable amounts for allowances and premiums by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
 - b) To increase the level of income brackets used to decide non-dependent deductions and level of non-dependent deductions by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
 - c) To increase the level of income brackets used to decide entitlement to second adult reduction by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
 - d) To retain the maximum household capital limit of £16,000;
 - e) To add the option to recalculate entitlement when the council investigate fraud where the DWP have not revised DWP passported benefit entitlement.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets the people living well and inclusive economy corporate priority's.

This report addresses the strategic action in the Corporate Plan.

Report Details

1. Since 1 April 2013 the council has operated a council tax reduction scheme (CTRS), which replaced council tax benefit.
2. The CTRS helps people on low incomes and/or certain welfare benefits to pay their council tax bill. This provides support to those under the greatest financial pressure.
3. Pensioners have been protected by the government so any changes to CTRS will only impact working age claimants. Therefore, the council can only control the cost of CTRS in relation to working age claims.
4. The council adopted the government's default CTRS in 2013, having made various changes since then but maintaining the principle of a full support (100% discount) scheme. The government has been reducing its financial support to local authorities for the cost of the scheme therefore changes to the council tax discounts and exemptions have been made to try and address any shortfall.
5. There will be no revenue support grant to help cover the cost of the scheme. The reduction in funding has already been incorporated into the Medium Term Financial Strategy (MTFS).
6. The council tax reduction scheme cross party working group met on 2 November 2021 to review in detail the options. The minutes of that meeting are attached as Appendix 1.
7. The council tax reduction scheme cross party working group resolved unanimously to recommend the Council Tax Reduction Scheme 2022/23 to cabinet and council.
8. Following that meeting, a further proposal was made to the member working group to revise the scheme to provide flexibility for the Council to reassess entitlement following a fraud investigation.
9. This flexibility would only apply where the customer is in receipt of DWP passported benefits, but the DWP have not actioned their investigation.

The intention is to prevent overpayments knowingly continuing, thereby causing incorrect excess awards and perpetuating customer debt. There is no risk to this provision as cases actioned by the DWP will not be impacted.

10. The member working group support the additional proposal detailed in paragraphs 8 and 9 above.

Proposed recommendations

- a) Retain a 100% support scheme for the 2022/23 year.
- b) That council make the following changes to the council tax reduction scheme (CTRS) for 2022/23 by continuing with the 2021/22 scheme with the following modifications:
 - 1) To increase the working age applicable amounts for allowances and premiums by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
 - 2) To increase the level of income brackets used to decide non-dependent deductions and level of non-dependent deductions by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
 - 3) To increase the level of income brackets used to decide entitlement to second adult reduction by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
 - 4) retain the maximum household capital limit of £16,000.
 - 5) To recalculate entitlement when the council investigate fraud where the DWP have not revised DWP passported benefit entitlement.

Consultation

11. As preceptors Norfolk County Council and the Office of the Police and Crime commissioner have been consulted on these proposed changes.
12. Norfolk County Council acknowledges the proposals but stated its preference for support to be restricted to 75% from 100%, to limit support to the value of a band D property and to restrict the capital limit to below £16,000.
13. The Office of the Police and Crime Commissioner similarly responded with the same preferences.
14. At the time of writing the Financial Consortium have not responded, a verbal update will be provided at cabinet.

Implications

Financial and Resources

15. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
16. The total estimated cost in 2022/23 of the current 100% scheme is £15.9m of which the cost to Norwich City Council is £2.2m.
17. Around 80% of all claimants receive relief at 100% and an assumed Council tax increase in 2022/23 of 4% (comprising the elements for Norwich City Council, Norfolk County Council and the Police and Crime Commissioner for Norfolk) has been used to calculate this overall cost.

Legal

18. Council is required to mandate amending the scheme by 28th February of the start of the following year, or by 11th March if retaining the scheme.
19. An equality impact assessment has been completed and is appended to this report.

Statutory Considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	IIA completed, see below
Health, Social and Economic Impact	The scheme continues existing conventions.
Crime and Disorder	N/A
Children and Adults Safeguarding	N/A
Environmental Impact	N/A

Risk Management

Risk	Consequence	Controls Required
Council fails to mandate a CTRS scheme for 2022/2023	Assessment of cases will be ultra vires, therefore subject to legal challenge	Council mandate a CTRS scheme for 2022/2023.

Other Options Considered

20. The member working group dismissed introducing a customer contribution rate, thereby retaining a 100% rebated scheme.

Reasons for the decision/recommendation

21. Council is required annually to mandate a CTRS scheme.

Background papers:

See appendices.

Appendices:

Appendix 1: Minutes of the council tax reduction scheme cross party working group on 2 November 2021.

Appendix 2: Equality impact assessment.

Contact Officer:

Adrian Mills

Head of the Anglia Revenues Partnership

Telephone number: 07984255437

Email address:

Adrian.mills@angliarevenues.gov.uk



Minutes

Cross-Party Working Group – Council Tax Reduction Scheme

16:00 to 16:30

2 November 2021

Present: Councillors Giles (chair, following appointment), Ackroyd, Davis, Grahame, Hampton (substitute for Councillor Thomas (Va)), and Kendrick

In attendance: Annabel Scholes (executive director corporate and commercial services), Adrian Mills (strategic manager (benefits), ARP), Julie Gowling (revenues and benefits operations manager), Martin Bryant (benefits and development officer), Michele Sundram (revenues and benefits team leader) and Nicola Bristow (financial inclusion officer)

Apologies: Councillors Bogelein and Thomas (Va)

1. Appointment of chair

RESOLVED to appoint Councillor Giles as chair.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meetings held on 22 September 2021.

4. Council Tax Reduction Scheme (CTRS) 2022-23

Adrian Mills, strategic manager benefits, ARP, presented the report and explained the considerations, as set out in Appendix 1 and the letter from Norfolk County Council stating its position to billing authorities. Members were advised that the council would need to undertake a full public consultation for a 12 week period if it decided to change the scheme and consider the results by 28 February 2022 or if it decided to continue with the existing scheme agree a mandate by 11 March 2022.

Page 1 of 3

Having considered the report, Councillor Davis moved, and Councillor Kendrick seconded recommendations 6 to retain a 100 per cent entitlement for working-age , 1(c), 2(c), 3 (c), to retain the maximum household capital limit of £16,000 set out under 4, and not to apply the council tax reduction for 2022 band D to all working-age customers regardless of income group if residing in band E to H properties.

During discussion the working group noted that discretions within the scheme applied to customers on legacy benefits rather than those on universal credit, and that there was statutory provision for customers in receipt of state pensions.

Councillor Davis explained the reasons for recommending the working age applicable amount was increased by the Consumer Price Index (CPI) at the rate of 3.1 per cent set in September 2021 which was higher than the estimated 2022/2023 composite rate of council tax (excluding adult social care) at 2.5 per cent. It was also noted that the government used CPI to uprate other social security benefits.

The working group supported the retention of the maximum household capital limit. Adrian Mills advised members that in terms of CTR the value of resided properties was disregarded for all council tax bands A to H and that only empty properties were taken into account as capital. Members also were advised that it was a fairer system for customers as they could be in a short-term position and without assistance with their council tax could be required to sell their home or move into other accommodation which would be unfair. It was also noted that some householders were living in houses that had increased in value but were cash poor and unable to afford heating or food.

In reply to a member's question about simplifying the system, Adrian Mills said that options to improve the customer journey were being explored which included data sharing with the Department of Works and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC) to automate the process. Members were advised that there would be strict protocols in place for the use of this data.

The chair thanked the officers for their hard work in producing the report. The executive director of corporate and commercial services echoed this and added her personal thanks to Adrian Mills, as this would be the last year he would present the report as the contract with ARP was coming to an end, and that he had used the feedback from the informal meeting (July 2021) to provide the options in the report. Members praised Adrian Mills for his explanation of the scheme and presentation of the report which was easy to understand. Adrian Mills thanked the members and paid tribute to Julie Gowling, Michelle Sundram and Martin Bryant who had provided the data exports for the report and Martin Bryant had helped prepare the report.

RESOLVED unanimously to:

- (1) recommend to cabinet, when reviewing the Council Tax Reduction Scheme for 2022-23, that the scheme retains a maximum 100 per cent entitlement for working age CTR recipients, and taking into consideration the following:

- (a) **Working age applicable amount – premiums and allowances** – to increase the working-age applicable amount by the Consumer Price Index (CPI) level at the rate of 3.1 per cent in September 2021;
 - (b) **Income brackets used to decide non-dependent deductions and level of non-dependent deductions** - to increase the working-age applicable amount by the Consumer Price Index (CPI) level at the rate of 3.1 per cent in September 2021;
 - (c) **Income brackets used to decide entitlement to ‘second adult reduction’** - to increase the working-age applicable amount by the Consumer Price Index (CPI) level at the rate of 3.1 per cent in September 2021;
 - (d) retain the maximum household capital limit of £16,000.
- (2) unanimously, not to recommend to cabinet that it amends the scheme to apply the council tax reduction calculation for 2022 band D liability to all working-age applicants regardless of income group if residing in band E to H properties.

CHAIR

Equality Impact Assessment

What is being assessed	The Local Council Tax Support Scheme 2022 - 2023	Status	Annual assessment of statutory function
Officer completing	Adrian Mills	Role	Head of ARP
Team	Revenues and Benefits	Directorate	Corporate and Commercial services
Senior leadership team sponsor	Annabel Scholes	Role	Executive Director

What are the main aims or purpose of the policy, practice, service or function? *(include links to project briefs, cabinet reports etc)*

Local Authorities are required to set a working age Local Council Tax Reduction Scheme annually which provides a local discount to for our working age low-income residents. Government prescribes a statutory Council Tax Support Scheme for Pensioners which local authorities have no control over. The Council proposes to make the following changes to the council tax reduction scheme for 2022/23 by continuing with the 2021/22 scheme with the following annual modifications:

- a) To increase the working age applicable amounts for allowances and premiums by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
- b) To increase the level of income brackets used to decide non-dependent deductions and level of non-dependent deductions by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
- c) To increase the level of income brackets used to decide entitlement to second adult reduction by the September 2021 Consumer Price Index (CPI) rate of 3.1 per cent;
- d) To retain the maximum household capital limit of £16,000;
- e) To add the option to recalculate entitlement when the council investigate fraud where the Department of Work and Pensions have not revised their passported benefit entitlement.

How does it fit with other services and policies, and how does it support our [corporate objectives](#) and [City Vision](#)?

This supports the council's priorities to promote An inclusive economy and for People to live well. It also links to the Norwich 2040 Fair City theme.

What is the reason for the proposal or change (financial, legal etc)? *The Equality Act requires us to make this clear.*

Legal: A Local Council Tax Reduction Scheme is a statutory function that the Council must provide and review on an annual basis as set out in Section 13A of the **Local Government Finance Act 1992**

Who implements, carries out or delivers the policy, practice, service or function? *(person/team/body and other organisations who deliver under procurement or partnership arrangements)*

The Council's Revenues and Benefits service.

What outcomes do we want to achieve, why and for who?

To provide maximum financial support to help residents on low incomes who are required to pay Council Tax to Norwich City Council.

Will anyone be disproportionately affected by the programme, and/or will it create any benefits? *(customers, employees, groups in the wider community etc)*

No - all residents on a low income can claim a reduction in their Council Tax liability, based on their domestic and financial circumstances and that the same maximum discount is applied to all resident and client groups, subject to means testing.

The Council's local Scheme replicates the Government's previously prescribed Council Tax Benefit Scheme in its qualifying rules and assessment, continuing with practices established over many years and long-standing compliance with Equalities legislation.

The scheme continues to retain the Department for Work and Pensions established conventions for benefit assessment.

The [Financial Inclusion Consortium](#) regularly works with customers to support applications for council tax reduction.

If yes, complete the relevant sections below for any benefits and adverse impacts identified.

Equality Impact Assessment

Affected group	Key findings from analysis of data and evidence. Identify any gaps in data here	Level & type of impact: low/medium/high, positive/adverse	Justifiable if adverse	Actions to mitigate impacts, maximise benefits or address identified gaps in data	By when
Age	No impact identified				
Disability	No impact identified				
Gender reassignment	No impact identified				
Marriage and civil partnership	No impact identified				
Pregnancy and maternity	No impact identified				
Race/ethnicity	No impact identified				
Religion and belief	No impact identified				
Sex/gender	No impact identified				
Sexual orientation	No impact identified				
Other groups	No impact identified				
What evidence and data has been used for this assessment, including community engagement and consultation? (include links to data sources, consultations etc) The Financial Inclusion Consortium were invited to comment on the proposals but the council did not receive a response – this is likely due to the fact that the proposals have remained the same and the consortium has previously expressed support for them.					
The Equality Impact Assessment must be able to influence the proposal and decision. This section asks how your understanding of the impacts identified has influenced your proposal, and how the findings of the Equality Impact Assessment can be measured going forward.					

Equality Impact Assessment

How has the equality impact assessment informed or changed the proposal?

No, given continuation of the existing scheme with annual up ratings of the applicable amounts.

What actions have been identified going forward?

No actions have been identified.

How will the impact of your proposal and actions be measured moving forward?

The next annual review due later in 2022 for the 2023/2024 scheme will consider, in the usual way, any proposals for the following year's scheme.

Officer completing assessment	Adrian Mills	Date	26/01/2022
Senior leadership team sponsor	Annabel Scholes	Date	
Equality lead (strategy team)	Emma Smith	Date	31/01/2022



Committee Name: Cabinet

Committee Date: 09/02/2022

Report Title: The award of a concessionary contract for the delivery of tennis centre operations in Norwich

Portfolio:	Councillor Matthew Packer, Portfolio holder for health and wellbeing
Report from:	Executive director of development and city services
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

To consider delegating authority to award the concessionary contract for the delivery tennis centre operations in Norwich.

Recommendation:

To:

- 1) enter into a concessionary contract for the provision of tennis centre operations in Norwich; and
- 2) delegate the award of the contract to the most economically advantageous supplier to the Executive director of development and city services, in consultation with the portfolio holder for Health and Wellbeing

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets the people living well and great neighbourhoods, housing and environment corporate priorities.

Report Details

Background

1. Norwich Parks Tennis started in 2012 and is a council initiative, supported by the Lawn Tennis Association, to deliver high quality, accessible, value for money tennis facilities and services on a financially sustainable basis. The service currently provides household membership at £35 per-household and play not requiring floodlights is then free.
2. Norwich Parks Tennis currently operates at Eaton Park, Waterloo Park, Harford Park and Lakenham Recreation Ground. A facility at Heigham Park is nearing completion and will become part of the initiative in early 2022.
3. The contract for the delivery of tennis centre operations in Norwich, (Norwich Parks Tennis) is currently provided by The National Tennis Association, previously operating as EA Tennis. They were awarded a contract in 2012. The current contract ends on 31 March 2022.

Tender process

4. In order to continue to provide Norwich Parks Tennis, the Council needs to tender for a new supplier. This has been advertised as an open opportunity during January 2022. The procurement exercise will comply with the Public Contract Regulations 2015, and the Council's Contract Procedure Rules
5. A facility at Heigham Park is nearing completion and will become part of the initiative in early 2022.
6. The new contract from 1 April 2022 will require the service provider to provide services at the following sites:
 - 7 x floodlit courts at Eaton Park
 - 3 x non floodlit courts at Waterloo Park
 - 3 x floodlit courts at Heigham Park (and associated pavilion)
 - 2 x floodlit courts at Lakenham Recreation Ground
 - 2 x floodlit courts at Harford Park
 - Additional sites as necessary
7. The new contract will also require the service provider to:
 - manage the operation of the courts and provide an annual income to the council of £32,200 for the site costs, increasing to £35,900 once improvements at Harford Park tennis courts have been delivered and a further £7,456 if office space at Eaton Park is required;
 - provide consumables such as nets and balls etc

- provide LTA registered venues which ensures safeguarding obligations are fulfilled;
 - increase levels of people's activity;
 - increase use by local schools;
 - increase use by specific age groups;
 - increase use by people from reducing inequality target areas;
 - increase interest and opportunity for people to take up tennis;
 - increase use by people with a disability;
 - increase use of the facilities by members of underrepresented ethnic groups;
 - ensure good customer satisfaction;
 - ensure facilities and services provided are safe;
 - pay the living wage
8. To enable the council to evaluate the proposed quality of service, suppliers are required to provide 4 detailed method statements explaining how they will meet the Council's requirements.
 9. A provisional supplier will be selected by 17 February 2022. Once the delegated decision to award the contract has been made, a standstill period of 10 days will apply.
 10. Delegated authority to approve the contract award is requested due to the timing of Cabinet meetings during the coming months and the need for the successful service provider to have 4 weeks in which to mobilise the new service.

Implications

Financial and Resources

11. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
12. There are proposals in this report that will increase resources. The current income to the council from the existing contract per annum is £18,450. The expected income to the council for this concessionary contract will increase to £39,656, through an increase in charges to the service provider and the addition of sites. Income will increase further to £43,356 per annum once the Harford Park tennis improvements have been delivered.
12. A sinking fund will continue to operate, whereby the annual income is set aside into a reserve to ensure that all revenue costs for the provision and future maintenance of the sites are covered.
13. The contract will be between the council and the winning supplier.

14. Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Positive through the requirement for targeted initiatives and delivery at more sites than currently
Health, Social and Economic Impact	Positive as a result of providing a good value service and initiatives to get people active through tennis.
Crime and Disorder	Positive as a result of increased presence in parks all year round and from 0700 until 2200.
Children and Adults Safeguarding	Positive LTA registered sites and protocols providing increased presence of people who are trained to identify safeguarding concerns and processes are in place to address them.
Environmental Impact	No impact

Risk Management

Risk	Consequence	Controls Required
Contract not awarded on time	Reduced time for contractor to mobilise and lapse or poor quality service from day 1.	Contracted awarded on time

Other Options Considered

15. There are no other reasonably viable options.

Reasons for the decision/recommendation

16. The Council is being recommended to approve this procurement in order to ensure the Council complies with its duties under procurement regulations and to ensure the ongoing delivery of Norwich Parks Tennis from 1 April 2022.

Background papers: None

Appendices: None

Contact Officer:

Name: Simon Meek

Telephone number: 01603 989 479

Email address: simonmeek@norwich.gov.uk



Committee Name: Cabinet

Committee Date: 09/02/2022

Report Title: Norwich City Services Ltd Business Plan 2022-25

Portfolio: Councillor Kendrick, cabinet member for resources

Report from: Executive director of corporate and commercial services

Wards: All Wards

OPEN PUBLIC ITEM

Purpose

To consider the Norwich City Services Limited (NCSL) Business Plan for 2022-25, which the company is required to produce under its articles of association.

Recommendation:

To endorse:

- the NCLS business for 2022-25 on behalf of Norwich City Council as the shareholder;
- the two new shareholder's objectives for NCSL as detailed below:
 - the company to return a 4% or 5% net profit by year 4 of each of the main council contracts which equates to a potential revenue stream of approximately £0.300m in 2024/25 and a further £0.500m in 2025/26 which will be incorporated into the 2023/24 MTFS refresh and NCSL business plan during 2023-26 if approved.
 - NCSL to develop a financial strategy options paper for the Shareholder (Quarter 3 2022/23) which will consider how the company can become financially independent and not rely on the Council to provide investment through the Council's capital programme for replacement of existing equipment required to deliver contracted services.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing, and environment
- Inclusive economy

This report assists with delivering the great neighbourhoods, housing and environment priority and supports a healthy organisation.

Report Details

Background

1. Following the successful incorporation of the Council's new wholly owned company on 9 June 2020, in April 2021 cabinet approved the company's first business plan for the period 2021-24, primarily relating to the period after the completion of the transfer of environmental services on 1 April 2021.
2. The company has already concluded its first year of operation and is fully engaged with the council on implementing phase 2 of the joint venture transfers which sees building services transferring to NCSL on the 1 April 2022.
3. The company will have an approved establishment of 346 employees split down by:
 - Environmental Services – 197 employees
 - Building repairs – 140 employees
 - NCSL Leadership and support services – 9 employees
4. The environmental services include grounds maintenance, streets cleansing, parks and open spaces maintenance, arboriculture services, pest control, stray dog service, building cleansing, car park cleansing and other associated works.
5. The building maintenance services are mainly focused around the provision of a reactive maintenance service for Norwich City Council's housing stock. Services include routine repairs and maintenance, major and minor repairs, voids and heating repairs. A reactive and responsive service will also be provided for commercial properties owned by Norwich City Council.

Strategic Objectives

6. The key aim for NCSL in Year 2 is to repeat the success of the phase 1 transfer of services with Phase 2 building repairs achieving the same smooth transfer of services into the company with minimal possible disruption to services.
7. It is important to acknowledge that the company has an understandable ambition to improve performance and transform the service, which presents the potential for a much more challenging transition period.
8. The business plan provides more detail of NCSL's many company objectives for 2022 to 2025 which include:
 - Continue to deliver quality services efficiently and effectively, demonstrating continuous improvements in service delivery by embracing innovations, new ways of working and invest to save opportunities;
 - Identify potential synergies, opportunities, and efficiencies as a whole business;
 - Support and help the council to implement and achieve the overarching strategic priorities and outcomes which could include as identified within the Corporate plan, the C19 recovery plan, the Environmental strategy and the Norwich 2040 Vision;

- Remain focused on the positive contribution NCSL can make to Climate Change challenges.
9. NCSL will operate to the 3-year business development and marketing strategy for 2022-25; it is envisaged that this will move to a 5-year plan from 2022/23. The strategy sets out the way in which the company will develop over the short, medium, and longer term.

The strategy captures and details the following:

- Development Strategies
- Renewals – securing the customer base (Customer retention strategies)
- Expansion – selling more to additional clients
- New – generating new clients
- Bid protocol – Small – large scale bids plus margins
- Capability and resource (internal or external) for producing competitive tenders
- Competitor analysis / Market evaluation
- Tracking and managing opportunities
- Case Studies / Social Value (CSR)
- Business development resource requirements
- NCSL Rebranding and unique selling point (USP)
- Website and marketing collateral including social media
- Marketing processes and practices

Significant successes

10. Some of the key significant successes for NCSL during 2021/22 are detailed below:
- The smooth transfer of environmental services to the company
 - A solid performance against targets shown by the balance scorecard and extensive progress with the project plan
 - An improved financial position from what was budgeted for 2021/22
 - Establishment of a strong approach of employee engagement through the launch of the NCSL People and Organisational Development strategy – moving forward together which was based upon employee workshops
 - Implementation of management systems in readiness for ISO evaluation for accreditation in early 2022. This is for Quality Management (ISO9001), Environmental Management (ISO14001) and Health & Safety (ISO45001)
 - Van of excellence accreditation showcasing the vehicle compliance
 - The delivery of the first electric vehicles for the company
 - Overcoming the early industrial action and successfully negotiating an outcome for the company terms and conditions for 2021/22
 - Implementation of new company systems, processes and procedures, the foundations of the company
 - Board development and plans for an additional Board member with a Building Maintenance Housing specialism
 - Establishment of the support services operations for HR, Finance, Procurement, Communications and IT
 - Positive feedback from NCC as Shareholder, contract management board and customer compliments received exceeding targets for the year
 - Set up of Trade Union representative meetings with the NCSL Board

- Norwich City Services Limited has become an accredited Real Living Wage employer in its own right
- Establishment and engagement on work placement opportunities

Implications

Financial and Resources

11. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
12. The combined contract with NCSL is estimated at £18.9m for 2022/23.
13. The council has invested a total of £2.8m revenue and £1.3m capital investment for project management, specialist resources, IT, tools and equipment to support the company and council transition the three joint ventures to the company or council equating to less than 20% of the annual turnover for the company. A further £0.330m has been incorporated into the 2022/23 capital programme although is subject to a further business case review by the corporate leadership team if approved.
14. As part of the drive for continuous improvement and value for money in the delivery of the services a potential revenue saving of £195k has been identified for 2022/23 environmental services contract and built into the Council's budget.
15. The original target operating model anticipated a return of investment of just over 5 years and the Shareholder is working with the company to both deliver direct savings on contracts to the council as well as developing a strategy for the company to deliver a net profit on the contracts thereby supporting the medium term financial strategy.
16. Two new Shareholder objectives for NCSL have been discussed in principle with the company accepting both as additional objectives during 2022/23, and are shown below:
 - the company to return a 4% or 5% net profit by year 4 on each of the main council contracts which equates to a potential revenue stream of approximately £0.300m in 2024/25 and a further £0.500m in 2025/26 which will be incorporated into the 2023/24 MTFS refresh and NCSL business plan during 2023-26 if approved.
 - NCSL to develop a financial strategy options paper for the Shareholder (Quarter 3 2022/23) which will consider how the company can become financially independent and not rely on the Council to provide investment through the Council's capital programme for replacement of existing equipment required to deliver contracted services.
17. The current position is that the council has an equity investment of £0.370m in NCSL and the company has an outstanding loan balance of £1.140m with the council. This means the current debt to equity ratio equates to 75:25.

18. The council has also provided the company with working capital to the value of £0.700m.
19. The company has an improved forecast outturn position for 2021/22 with external contracts exceeding the assumptions in year 1 of the existing business plan. The company continues to forecast increases in external income working with the council's other wholly owned company as well as companies outside of the Norwich City Council group. It is important to note that delivering council services remains the priority for NCSL as a teckal company throughout the business plan.

Legal

20. The company's Articles of Association require that any action it takes in respect of its activities must be undertaken within the parameters of the business plan agreed by the Council. The setting up and operation of the Council's companies is an executive function, however in line with the recommendations, the Council's funding for the business plan will need to be considered as part of the Council's budget for 2022/23.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and Diversity	There are no direct equality impacts arising from this report.
Health, Social and Economic Impact	There are no direct impacts arising from this report
Crime and Disorder	There are no direct impacts arising from this report
Children and Adults Safeguarding	There are no direct impacts arising from this report
Environmental Impact	There are no direct impacts arising from this report

Risk Management

The business plan sets out the company's principal risk and their mitigations in Section 8 of the exempt appendix.

Risk	Consequence	Controls Required
Financial risks	NCSL not being able to repay or provide return on the investment.	The key contracts that NCSL deliver are for the council and the business plan assumes a repayment profile in accordance with the loan agreements

	Changes to the Minimum Revenue Provision guidance increases revenue costs associated with providing loan financing to NRL.	Continue to monitor the outcome of the government consultation.
Service performance risk	NCS fails to provide the services to the expected standards resulting in a poor service for residents	The expected service performance and delivery against the business plan will be set out in the contract management arrangements agreed by Cabinet and through the shareholder panel

Other Options Considered

21. To not adopt the business plan: if the Council does not adopt the business plan, then NCSL will not be able to continue to deliver the approved council contracts.

Reason for the decision/recommendation

It is recommended that Cabinet support the Business Plan for NCSL 2022-25

Background Papers: None

Appendices: Business Plan is attached as an exempt appendix

Contact Officer:

Name: Annabel Scholes, Executive Director, Development and City Services.

Telephone number: 01603 989201

Email address: annabelscholes@norwich.gov.uk