NORWICH City Council

Council

Members of the council are hereby summoned to attend the meeting of the council to be held in the council chamber, City Hall, St Peters Street, Norwich, NR2 1NH on
Tuesday, 21 February 2017

19:30

Agenda

		Pages
1.	**Lord Mayor's announcements**	
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.	**Questions from the public**	
4.	**Minutes** **Purpose** - to agree the minutes of the meeting held on 24 January 2017.	**5 - 28**
5.	**Corporate Plan 2015-20** **Purpose** - to agree updates to the corporate plan 2015-20 and supporting material published with the plan 2015-2020	**29 - 48**
6.	**General fund revenue budget 2017-18 and non-housing capital programme 2017-18 to 2021-22** **Purpose** - to propose for approval the budget and budgetary requirement, council tax requirement, level of council tax for 2017-18, the transformation plan for 2018-19 and the non-housing capital programme for 2017-18 to 2021-22.	**49 - 84**
7.	**Housing rents and budgets 2017-18**	**85 - 102**

Purpose - to propose for approval the Housing Revenue Account budget for 2017-18, council housing rents for 2017-18, the prudent minimum level of HRA reserves 2017-18, and housing capital programme 2017-18 to 2021-22.

8. Treasury management strategy 2017-18 **103 - 146**

Purpose - to outline the council's prudential indicators for 2017-18 through to 2020-21 and sets out the expected treasury operations for this period.

9. Exclusion of the public
Purpose - 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.

***10. General fund revenue budget 2017-18 and non-housing capital programme 2017-18 to 2021-22 – appendix 5**

- This report is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information)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.

***11. Housing rents and budgets 2017-18 – appendix 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: **Monday, 13 February 2017**

A.N. Bull.

Anton Bull
Executive head of business relationship management and democracy

For further information please contact:

Andy Emms, democratic services manager
t: (01603) 212459
e: andyemms@norwich.gov.uk

Democratic services
City Hall, Norwich, NR2 1NH
www.norwich.gov.uk

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IN TRAN communication for all

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MINUTES

COUNCIL

7.30pm – 9.25pm **24 January 2017**

Present: Councillor Maxwell (Lord Mayor), Councillors Ackroyd, Bradford, Bogelein, Brociek-Coulton, Button, Carlo, Coleshill, Davis, Driver, Fullman, Grahame, Harris, Henderson, Herries, Jackson, Jones(B), Jones(T), Kendrick, Lubbock, Malik, Manning, Maguire, Packer, Peek, Price, Raby, Ryan, Sands(M), Sands(S), Schmierer, Stonard, Thomas(Va), Thomas (Vi), Waters, Woollard and Wright

Apologies: Mr Marks (Sheriff) and Councillors Bremner and Haynes

1. LORD MAYOR'S ANNOUNCEMENTS

The Lord Mayor said that she had attended the Norwich Open Christmas event on Christmas Day. This had been a wonderful event and she thanked the organisations and volunteers who helped provide Christmas meals and entertainment for people who were alone or homeless at Christmas; and Councillors Wright and Stonard who supported her at the event. During the Christmas period she had also attended a large number of very enjoyable carol concerts with different organisations.

2. DECLARATIONS OF INTEREST

Councillors Bradford, Button and Driver declared a pecuniary interest in item 8.

3. QUESTIONS FROM THE PUBLIC

No public questions had been received.

4. PETITIONS

No petitions had been received.

5. MINUTES

RESOLVED, unanimously, to approve the minutes of the meeting held on 29 November 2016.

6. QUESTIONS TO CABINET MEMBERS AND COMMITTEE CHAIRS

The Lord Mayor said that 13 questions had been received from members of the council to cabinet members for which notice had been given in accordance with the provisions of appendix 1 of the council's constitution.

Question 1	Councillor Jones(B) to the cabinet member for council housing on rough sleeping.
Question 2	Councillor Malik to the leader of the council on the Plantation Gardens
Question 3	Councillor Woollard to the cabinet member for customer care and leisure on the switch and save scheme.
Question 4	Councillor Button to the cabinet member for customer care and leisure on the West Earlham woods.
Question 5	Councillor Davis to the cabinet member for fairness and equality on the council tax reduction scheme.
Question 6	Councillor Maguire to the cabinet member for housing on the importance of introducing thermodynamic hot water systems to council owned homes in reducing fuel poverty.
Question 7	Councillor Thomas(Vi) to the cabinet member for neighbourhoods and community safety on steps being taken to tackle prostitution and drug dealing in the Rosary Road area.
Question 8	Councillor Fullman to the cabinet member for neighbourhoods and community safety on the collaborative work with police and other agencies being undertaken to tackle drug dealing in Mancroft Ward.
Question 9	Councillor Carlo to the cabinet member for customer care and leisure on the proposal for floodlit tennis courts in Heigham Park.
Question 10	Councillor Schmierer to the cabinet member for neighbourhoods and community safety on the possibility of a water refill scheme to contribute towards the commitment to reduce the use of plastic bottles.
Question 11	Councillor Jones(T) to the cabinet member for customer care and leisure on Provision Market rents.
Question 12	Councillor Bogelein to the cabinet member for customer care and leisure on the kerb on the corner of Hotblack Road and Waterworks Road.
Question 13	Councillor Wright to the leader of the council on the impact of Brexit on Norwich.

(Details of the questions and responses and the supplementary questions and their responses are attached as Appendix A to these minutes.)

7. NOMINATIONS FOR LORD MAYOR AND SHERIFF 2017/18

Councillor Waters moved and Councillor Harris seconded that council receives the following nominations for the 2017/18 civic year, the formal appointment to be made at the council's AGM in May:-

Councillor David Fullman – Lord Mayor
David Walker – Sheriff

RESOLVED accordingly (with 28 members voting in favour, 6 against and 2 abstentions)

8. COUNCIL TAX REDUCTION SCHEME 2017/18

Councillor Stonard moved and Councillor Thomas(Va) seconded, the recommendations as set out in the annexed report.

RESOLVED, unanimously, to approve the Council Tax Reduction Scheme (CTRS) 2017/18 by continuing with the 2016/17 scheme with the following modifications:-

(1) The applicable amounts shall be uprated by the composite rate of council tax increase that excludes adult social care. Including in the scheme the principle of the uprating rather than the actual figure;

(2) The provision of backdating shall be reduced from six to two months;

(3) The eligibility of CTRS applicants shall be aligned with the housing benefit regulations for those temporarily living away from Great Britain;

(4) The eligibility to the CTRS shall be aligned with the maximum six month non-payment of universal credit, subject to being entitled to CTR during the period in question.

9. MEMBERS' ALLOWANCES SCHEME

Councillor Stonard moved and Councillor Davis seconded the recommendations as set out in the annexed report.

RESOLVED, unanimously, to accept the recommendation of the independent panel into members' allowances to retain the current scheme of members' allowances, as detailed in the panel's report received in November 2016.

10. MOTION: TRANSITION TO LOW-EMISSION OF VEHICLES

The Lord Mayor said that the following amendment to the motion as set out on item 10 of the agenda had been received from Councillor Stonard and had been circulated:-

> "To delete '…commit to…' in resolution (1) and replace with '…consider…' and insert '…, when appropriate,…' at the beginning of resolution (2)."

Councillor Carlo had indicated that she was willing to accept the amendment. With no other member objecting this became part of the substantive motion.

Councillor Carlo moved, and Councillor Jackson seconded, the motion as set out on the agenda and as amended above.

RESOLVED, unanimously, that –

"UK transport policy supports a radical shift to low and ultra-low–emission vehicles to help meet climate change targets. Such a transformation would also improve air quality. Recent government measures include a range of grants to support green vehicles and provide infrastructure for recharging and refuelling.

Norwich currently has little local planning and transport policy and guidance on this subject. A strategy for transition to low-ultra–emission vehicles and related infrastructure could help to meet the council's key environmental priority of cutting the city's carbon dioxide emissions, demonstrate that Norwich is a forward-looking and ambitious city and increase the likelihood of obtaining grants.

Council **RESOLVES** to ask cabinet to:-

(1) consider using 100% electric vehicles for the staff pool by 2020;

(2) , when appropriate, update the Norwich Local Plan car parking standards by increasing the required number of electric vehicle charging points per major planning application (currently the number is one);

(3) encourage partners such as NORSE to move to low/ultra-low–emission vehicles as they update their fleet;

(4) work with partners (including Norwich Highways Agency Committee, the Greater Norwich Development Partnership, Greater Norwich Growth Board and the new Anglia Local Enterprise Partnership) to:-

(a) in developing the Greater Norwich Local Plan and updating the transport for Norwich strategy and the Norwich Local Plan, develop a vision, strategy and set of policies for promoting the uptake of low/ultra-low- emission vehicles and supporting infrastructure;

(b) identify suitable projects and apply for available grants for extending the local network of charging/fuelling infrastructure for private low-emission vehicles, and for shifting the local bus/taxi/private hire car fleet to green fuels.

11. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT – "CORE SPENDING POWER" AND NEW HOMES BONUS

Councillor Stonard moved and Councillor Waters seconded the motion as set out on the agenda.

RESOLVED, unanimously, that:-

"This year's provisional local government finance settlement for Norwich has resulted in a further significant deterioration in the council's funding position with a 9% reduction in core spending power for 2016/17 – 2017/18. Only 12 local authorities have had a larger reduction.

Over the full spending review period to 2019/20 Norwich will suffer a reduction in core spending power of around 15.9% with only three councils in a worse position.

This deterioration in funding is a direct consequence of the loss of revenue support grant and new homes bonus which required the council to find £30 million recurring revenue savings since 2010.

Council **RESOLVES**, to:-

(1) note with dismay:-

   (a) that it calculates the actual core spending power reduction over the full spending review period will be close to 18.7%;

   (b) the following effects of changes to new homes bonus announced in the provisional local government finance settlement:-

      (i) the introduction of a 0.4% baseline for growth, below which no new homes bonus payments will be awarded. For Norwich this means an award of just 4% of our growth or just 11 new properties of 370 delivered;

      (ii) the broader impact across the country – 36 authorities will now receive no new homes bonus reward for 2017/18 despite delivering a net increase of nearly 8,000 new homes between them;

      (iii) the changes to new homes bonus provides no incentive to some local authorities to build housing and might delay building to maximise delivery above 0.4% to generate a reasonable level of new homes bonus for delivery of sustained, crucially needed, planned housing development

(2) ask the leader of the council and the portfolio holder for resources to write to:-

   (a) the Secretary of State for local government, asking him to:-

(i) entirely remove the baseline growth threshold for new homes bonus;

(ii) reward councils for the number of properties that are built rather than on the council tax banding of those properties;

(iii) find a national solution for adult social care rather than shift funding from new homes bonus which impacts negatively, particularly on district councils and on investment in much needed housing;

(b) other relevant ministers, Norwich MPs, the local government association and the district councils network asking them to also lobby the Secretary of State accordingly.

CHAIR

Question 1

Councillor Beth Jones asked the deputy leader of the council and cabinet member for council housing the following question:

"Can the cabinet member for council housing comment on the actions that have and will continue to be taken by the council to ensure no one is left sleeping rough during freezing conditions? How can members of the public notify the council of people rough sleeping?"

Councillor Gail Harris, deputy leader of the council and cabinet member for council housing's response:

"We believe the most effective way to deal with homelessness is to prevent it from happening and we place great emphasis on this approach through the provision of specialist housing advice and assistance to all those facing homelessness or in housing difficulty in the city.

Our housing options team provides a range of options and advice to such clients, including a homeless prevention fund, a private sector leasing scheme, mediation, legal advice and referrals to supported accommodation. Over the past year, this pro-active approach has directly prevented more than 600 households from experiencing homelessness and assisted many hundreds more in resolving their own housing issues.

Our approach has been recognised as best practice and a recent peer review of our service, carried out as part of our application for DCLG gold standard recognition, reinforced this. It praised the high quality, accessibility and effectiveness of the housing options department in preventing homelessness in Norwich.

As well as performing our statutory obligations regarding homelessness, we also recognise Norwich, as the centre of a wide rural area, is a magnet for those facing homelessness or rough sleeping in the region. We are committed to preventing rough sleeping and dedicate significant resources throughout the year to preventing homelessness, as well as providing support to anyone who finds themselves on the street. This includes the employment of a specialist rough-sleeper co-ordinator to provide intensive support and assistance to rough sleepers, the funding of hostel and supported accommodation, reconnection to home areas, and provision of night-time outreach support through our partners at St Martins Housing Trust.

I am aware of the public interest in this issue caused by the increased visibility of rough sleepers and begging in the city centre. To be clear, assistance is available to rough sleepers in Norwich but, crucially, we are unable to force people to accept it. There are some who choose to refuse our offers of accommodation and support and don't engage with services and do not wish to change their lifestyles. As you would expect, there may be some reluctance among those who do not wish to engage to be honest with members of the public about this choice. Naturally, we will do all we can to help these clients. However, unless they are prepared to work with us, there is little we can do.

It may also be of note that a number of individuals who are visible on the streets are already receiving support and accommodation in one of the 320 hostel beds in the city. These clients may choose to beg in order to top-up their income or fund substance misuse.

As temperatures drop, we are eager to ensure no one sleeping rough in Norwich is left out in the cold via our Severe Weather Emergency Protocol (SWEP).

SWEP enables anyone sleeping rough in Norwich to access emergency accommodation and support during periods of exceptionally cold weather. It is activated when a temperature of zero degrees Celsius or lower is forecast for three consecutive nights. When this happens, the council's rough sleeping coordinator liaises with outreach staff and partner agencies to provide emergency accommodation for everyone that needs it.

Already this winter we have offered SWEP accommodation to a total of 27 people who are either entrenched or intermittent rough sleepers.
In these extreme weather conditions, it is more vital than ever that people take the help on offer, but disappointingly this is not always the case. More than half of the rough sleepers offered accommodation either refused it, or failed to use it. We continue to look at ways of encouraging these individuals to engage with the council and accept the help that we and our partners can provide.

In the meantime, we are keen to assist all rough sleepers and urge anyone requiring immediate assistance with finding emergency accommodation to contact the council on 0344 980 33 33. This number also provides out of hours support.

I would urge members of the public to notify the council of people rough sleeping at any time by emailing roughsleepers@norwich.gov.uk or through the mobile app available through our partners, streetlink.org.uk."

Question 2

Councillor Hugo Malik asked the leader of the council the following question:

"Can the leader comment on the ongoing efforts being taken to ensure continued access to the popular and historically important Plantation Gardens?

Councillor Alan Waters, leader of the council's response:

"The Plantation Garden is wonderful asset for the city and I applaud the work of the Plantation Gardens Trust in restoring the garden and ensuring it remains as a place for all to enjoy.

The land forming the gardens is leased by the council to the Trust and I was concerned to hear of the possibility that access might be prevented. As soon as I heard about the possible closure I met with the Chair of the Trust so he could bring me up to speed with what was happening from his perspective.

The council has also written to the Preachers Charity to inform them of the situation as they own the freehold of the gardens.

We are working hard with the Trust to understand how the issues surrounding the gardens can be collectively solved, and the council is also taking independent legal and engineering advice.

Officers have, quite rightly, spent considerable time working hard to make sure that the gardens remain an asset for all to enjoy.

We will continue to stand shoulder to shoulder with the Trust on this matter."

Question 3

Councillor Charmain Woollard asked the cabinet member for customer care and leisure the following question:

"I was pleased to see the Norwich Big Switch and Save begin again, offering the chance for Norwich people to reduce their energy bills through collective energy switching. Can the cabinet member comment on how residents can sign up to the scheme and the savings so far achieved since its first launch?"

Councillor Roger Ryan, cabinet member for cabinet member for customer care and leisure's response:

"Thank you for highlighting this practical and popular scheme that has helped thousands of Norwich citizen's save money. Through the power of collective purchasing we work to secure the lowest energy prices for our registrants, therefore helping to reduce the cost of energy and offset rising energy prices.

As you have mentioned, the 11th scheme of the Norwich Switch and Save launched on the 6th December and will run until the auction date on the 14th February.

The recent 10th round of our successful scheme delivered an average saving of £220 a year per household. In the last ten tranches overall 19,598 people have registered for the Switch and Save. Norwich has repeatedly had the highest national conversion rates, with over 3000 total switchers.

If all homes took up the offered savings a total of at least £ £3.6 million would be saved on energy bills by Norwich residents

With the recent frosty winter weather we would urge residents to take advantage of the council's energy savings service. They can register either online by visiting www.bigswitchandsave.co.uk or offline by calling the council switchboard.

In addition to this, the council runs energy advice drop in sessions across the city where residents can come along to register for the switch and save. As well as being offered other energy advice such as help with fuel debt or smart meters.

Norwich City Council always endeavours to engage with fuel poor households to ensure that they are aware of the Switch and Save. This year we have written to residents in fuel poverty enclosed with an energy saving pack which includes a plethora of practical advice about keeping warm this winter.

In addition to this, the small fee we receive from the Switch and Save goes back into affordable warmth work. This has been invaluable for vulnerable residents, as it has provided urgent heating need for them in the winter."

Question 4

Councillor Sally Button asked the cabinet member for customer care and leisure:

"As one of the ward councillors in Bowthorpe who has closely supported the work of the Friends of West Earlham Woods, I was greatly pleased to learn that the woods had been awarded Local Nature Reserve status. Can the cabinet member for customer care and leisure give his opinions on the benefits and opportunities this status will offer for this valuable and important woodland space?"

Councillor Roger Ryan, cabinet member for customer care and leisure's response:

"The council is very pleased to add West Earlham Woods to its list of designated Local Nature Reserves. There are many benefits that can be derived from being awarded Local Nature Reserve Status including:

- Illustrating the council's commitment to biodiversity conservation
- Providing enhanced legal protection to the site and associated wildlife; as well as meeting the requirements of planning policy DM6 which refers to the protection of local nature reserves
- Raising the profile of the site with the public and potential funding bodies
- Helping to engender community pride and recognising the work the Friends of West Earlham Woods have to done to achieve LNR status and their ongoing interest and commitment in the wood
- Having a site management plan being in place, developed with the Friends of West Earlham Woods and approved by Natural England.

Local Nature Reserve status will provide an opportunity to work with The Friends of West Earlham Woods, to deliver the action plan associated with the site ensuring it is well managed, a pleasant place for residents to visit as well as a haven for wildlife."

Question 5

Councillor Karen Davis asked the cabinet member for fairness and equality:

"This council has been one of the few remaining councils to offer up to 100% reduction to those who qualify for council tax reduction. Cabinet has recommended that council continues with this as part of the scheme for 2017-18, and this will be debated this evening. This saving, for some of the poorest residents in Norwich, is a vital part of our financial inclusion policy.

Can the cabinet member for fairness and equality update council on the advantages and important difference this scheme offers?"

Councillor Vaughan Thomas, cabinet member for fairness and equality's response:

"Primarily the main focus of our Council Tax Reduction Scheme is one of fairness. Our scheme is designed to be accessible and easy to understand thereby encouraging take-up and ease of administration.

Those on the lowest incomes will not pay any council tax at all, hence the '100% reduction'. Other councils have chosen lower levels meaning that regardless of how low your income is you still have to pay something. Some councils for example cap the reduction to 75% meaning that you would still have to pay 25% of the council tax bill.

We grant maximum help to those on the minimum of income and thereby avoid a number of problems noted in other areas regarding debt collection and court action for relatively small amounts of money.

In addition by making the scheme easy to understand people approaching pension age are not discouraged from claiming by the perceived complexity of having different qualifying rules dependent on age. This is ironic as the CTS regulations are supposed to protect pensioner households. This has been highlighted in a number of reports most recently from Citizens Advice in July 2016.

> "*Analysis by the New Policy Institute shows a clear local link between the level of CTS provided and arrears - councils which kept the old Council Tax Benefit scheme and did not introduce charges for working-age residents saw arrears fall by seven per cent between 2012/13 and 2014/15*."

Other councils have also made other amendments to their schemes such as reducing the amount of capital (savings) that is taken in to account before a claimant starts to pay. This council has maintained the savings level allowed at £16,000 in line with national housing benefit regulations.

Welfare reforms have hit our most vulnerable claimants hard. The government turned council tax benefit over from being set nationally to a council tax reduction scheme set locally by each collection authority. At that time government also reduced funding for the scheme by 10% which has forced some council's to adopt schemes that penalise people on low incomes. We have had to make tough choices and make savings elsewhere to be able to maintain our scheme and this financial pressure remains.

By mainlining a 100% scheme we have protected our working age vulnerable, maintained equality and simplicity for those pension age claimants and not saddled the council with a costly administrative burden chasing small debts from those least able to pay."

Question 6

Councillor Kevin Maguire asked the deputy leader of the council and cabinet member for housing the following question:

"The issue of energy poverty is a significant concern for many tenants in Wensum Ward. I was therefore pleased to learn that cabinet approved the contract for the awarding of a further sixty thermodynamic hot water systems on council owned homes. This builds on the 198 thermodynamic hot water systems already installed. Can the cabinet member for housing comment on the importance of this scheme in contributing to the council's aim of reducing fuel poverty across the city and in addition, to reducing the risk of tenants falling into arrears due to rising energy costs?"

Councillor Gail Harris, deputy leader of the council and cabinet member for council housing's response:

The most widely accepted definition of a fuel poor household is one which needs to spend more than 10 percent of its disposable income to heat the home to an adequate standard of warmth (defined by the World Health Organisation as 21°C in the living room and 18°C in the other occupied rooms).

In Norwich we believe that 17% of households, or nearly 1 in every 5, are experiencing fuel poverty. That equates to a staggering 10,000 households.

Fuel poverty is caused by a combination of factors including:

- low household income
- homes with poor energy efficiency
- under occupancy
- fuel prices.

Increases in fuel costs and other household expenses will inevitably be exacerbating the problems of fuel poverty. The continuing changes to the welfare system are likely to make the situation worse, particularly in the more deprived urban areas like Norwich.

The impacts can be:-

Worsening health – cold homes can increase the risks of strokes and heart attacks. Cold conditions are also thought to lower resistance to respiratory infections and exacerbate conditions such as asthma.

Excess winter deaths – during the months of December to March the number of deaths recorded (winter deaths) nationally well exceeds the average death rate for the remainder of the year. A significant number of these are thought to be linked to cold conditions particularly amongst older people.

Increased accidents – mobility and dexterity reduce when people are cold which can increase the risk of falls and injury as well as potentially affecting arthritis.

Social exclusion – people can be reluctant to invite friends to their homes when they are cold, which can result in an increased sense of social isolation.

The council has developed a fuel poverty strategy as part of the council wide approach to reducing inequality, which sets out a number key activities and actions the council will raise awareness of fuel poverty and how advice and support can be accessed; ensuring good advice is available for households to ensure they are on the cheapest energy tariffs maximising, their income and are accessing grants that can improve their homes; and working collaboratively with partners to make the best use of resources and to attract further funding to address fuel poverty.

The council has a particularly important role as a landlord to over 15,000 homes in the city where it can support energy efficiency and affordable warmth of council homes through the improvements to the housing stock.

Therefore, energy efficiency isn’t just good for the planet it’s good for our tenants. The Council has a comprehensive programme of schemes which aim to make council tenants homes more energy efficient which in turn means lower bills for our tenants.

The council has and are continuing to invest in solar power where and when we can; there is a programme of wall and loft insulation throughout the City and we recently announced significant investment in new energy neutral Passivhaus homes. I am also delighted that we are continuing our programme to install thermodynamic systems providing free hot water.

All of these measures reduce energy bills and help tackle the problem of fuel poverty for tenants.

Indeed, we recently received reports of a family of 6 living in Mile Cross who had a thermodynamic hot water system fitted to their 4 bedroom property in 2016. They have commented that they have saved on average £50 per month on their heating and hot water costs following the installation.

Question 7

Councillor Vivien Thomas asked the cabinet member for neighbourhoods and community safety the following question:

"The issue of prostitution and drug dealing around Rosary Road remain a persistent concern for many living in Thorpe Hamlet. Can the cabinet member for neighbourhoods and community safety update council again on the steps taken to jointly tackle, with the police and other agencies, this problem?"

Councillor Paul Kendrick, cabinet member for neighbourhoods and community safety's response:

"The police have recently updated their procedure for dealing with prostitution and that approach is being employed in the Rosary Road area. There is an escalation model whereby sex workers are issued two warnings, before being arrested on the third occasion they are caught. A Criminal Behaviour Order (CBO) is then applied for by the Operational Partnership Team (OPT), which prohibits certain behaviour and their presence in specific areas (for example Rosary Road).

There are currently 12 sex workers at various stages of warnings, including two with CBOs pending and the others at earlier stages within the process.

The police are also taking action against men using sex workers in the area and recently five, so called, 'kerb crawlers' have been issued with warnings.

It's also acknowledged that although street prostitution is illegal and is causing disruption and related antisocial behaviour within the community, many of the women involved are vulnerable as a result of substance misuse, exploitation or other issues. As such enforcement isn't always the most appropriate approach. Police partners are also working closely with the Matrix Project, to offer support for prostitutes to stay safe, to exit prostitution where possible and to access additional health and addiction recovery services."

Question 8

Councillor David Fullman asked the cabinet member for neighbourhoods and community safety the following question:

"The issue and concern around drug dealing in my ward has increased in recent weeks. In response I was particularly pleased that the city council and police closed a drug den in Watson Grove, in Mancroft Ward, earlier in the month as part of Operation Gravity. Can the cabinet member for neighbourhoods and community safety reassure members that this joined up approach, working collaboratively with the police and other agencies, will continue as we tackle this problem in Norwich?"

Councillor Paul Kendrick, cabinet member for neighbourhoods and community safety's response:

"The closure of the property at Watson Grove was an excellent example of direct and effective action, achieved through collaborative working between the police and the council's ABATE and Housing teams.

Considerable challenges remain elsewhere in the city and the council continues to work very closely with the police; sharing information, conducting joint visits, liaising with other agencies and taking legal action where appropriate.

The landscape is complex, with many of the individuals affected being vulnerable to some extent. Each situation is being carefully considered according to the specific factors involved, considering the risk to individuals against the impact on the community.

There are likely to be similar targeted operations in the coming weeks, in which the council will be playing a considerable and ongoing role. The council will continue to work collaboratively with police and other relevant partners, to help ensure the safety of Norwich communities."

Question 9

Councillor Carlo asked the cabinet member for customer care and leisure the following question:

"Heigham Park is included in Historic England's Register of Historic Parks and Gardens of special historic interest in England. The Register description for Heigham Park includes 'lawn tennis courts'. The park's ten grass courts contribute to the historic character and appearance of Heigham Park. Heigham Park is now the only public park in Norwich with grass courts remaining.

I have been told as a ward councillor that Norwich City Council intends submitting a planning application for converting the lawn courts to floodlit all-weather courts on the grounds that this will improve sports facilities in Norwich. *I am told* that the council is in discussion with the Lawn Tennis Association (LTA) and the council intends submitting a grant application to the LTA to remove the grass courts and the LTA is pushing within the organisation for the application to be successful.

The city council is focusing solely on the sports angle and does not appear to have considered the historic aspect. Heigham Park is a small site (2.5 acres) and the conversion of ten grass courts to floodlit all-weather courts would have a detrimental impact on its historic character. The council has not sought to discuss its proposal with the local community, with ward councillors or with user and heritage bodies. The council has not given the community a chance to consider alternative options to removing the grass courts to save maintenance costs.

Does the cabinet member agree that proper consultation should be undertaken with the community, user and interest groups, including the heritage bodies, before the council submits the planning application and the grant application to the National Lawn Tennis Association?"

Councillor Roger Ryan, cabinet member for customer care and leisure's response:

This project is about improving facilities so more people use them. This council has an excellent track record of making sure, even in the face of government cuts, that our historic parks are well used and maintained.

But we have to move with the times and look for external investment to protect these facilities for generations to come.
Norwich is fortunate to have a number of wonderful historic parks and gardens providing formal and informal leisure opportunities for residents and visitors to Norwich. Over time the needs and use of public spaces change, which in turn requires the services delivered in them to change also.

Following the success of Norwich Parks Tennis programme at Eaton Park the council is investigating opportunities to build on this success with a wider project designed to increase tennis provision within the city that is accessible to all and ensures sustainable provision.

The council in partnership with the LTA is developing a project, to expand Norwich Parks Tennis (NPT) which was introduced successfully at Eaton Park. The project will not only ensure that the opportunity to play tennis at Heigham Park is retained but also:

1. deliver improved courts which are available for use throughout the year rather than just the summer season, including winter evening use and being accessible when the park is closed
2. increase the provision of affordable quality tennis in the city
3. deliver tennis provision on a sustainable basis for the future covering the annual maintenance costs as well as the costs of scheduled court recolouring and lining
4. increase participation in sport and associated health benefits
5. reduce anti-social behaviour and vandalism through increased use and presence of the facilities in the park

Formal consultation on the delivery of the all-weather courts at Heigham Park will be possible, for statutory consultees and residents through the planning application process for which views on the proposals will as always be very welcome."

Councillor Carlo asked, as a supplementary question, if rather than dictating to the community what would happen, the cabinet member would agree that in line with the community enabling model the community should be invited to 'have a say' and local groups be consulted, including on whether they would be willing to take on the maintenance of the current park facilities. **Councillor Ryan** said it was early days in the consideration of these proposals and there would be an opportunity for consultation with relevant groups. He emphasised that, if other organisations were willing to invest large sums of money to provide state of the art sporting facilities which helped to make sport more inclusive and help to improve health, the council had no choice but to consider such options. This was too good an opportunity not to look at seriously and if Councillor Carlo was not happy she should blame the tory government for the financial constraints the council faced.

Question 10

Councillor Martin Schmierer asked the cabinet member for neighbourhoods and community safety the following question:

"This council unanimously agreed in September to work towards phasing out single-use plastic bottles, which expend finite natural resources and create unnecessary pollution and huge amounts of non-biodegradable waste. On top of these issues, bottled water is also expensive for the consumer and is often purchased because tap water is unavailable.

A campaign called Refill, established in Bristol in 2015, works by having free and accessible tap water provided in venues across the city centre. Over 200 participating venues such as cafes, bars, restaurants, banks, galleries, museums and other businesses simply promote their participation in this scheme through window stickers and a free app, giving the public access to free tap water across the city.

After its successful pilot in Bristol, Refill is now expanding to other parts of the UK. Will the cabinet member support a Refill scheme in Norwich as part of Norwich City Council's commitment to reducing the use of single-use plastic bottles?"

Councillor Paul Kendrick cabinet member for neighbourhoods and community safety's response:

Council recently agreed to "ask cabinet to develop a robust strategy to make Norwich City Council a 'single-use-plastic-free' authority by the end of 2017 and encourage the city's institutions, businesses and citizens to adopt similar measures".

Officers are exploring ways in which we can support the reduction of single use plastics (SUPs) in council operations, commercial assets and the provision of services. When this work is concluded, the views of Cabinet will be sought on the deliverability and costs of the proposals.

As you will be aware the council continues to face significant financial pressure due to the continual reduction of Government funding. Therefore, any new requests on already stretched budgets will need to balance outcomes against costs and other budget pressures.

However, I am pleased to report that the events team and the Halls already ask traders to use biodegradable plates, cups and cutlery. In addition the bars will take a deposit for all plastic cups to encourage re-use and return. This was implemented a number of years ago and has worked well to date.

In addition the new strategy for the Norwich Market has an objective “To provide a good and safe environment for visitors and increase opportunities for reducing waste and increasing recycling.” This will be achieved by “actively working with the market traders to create a ‘green market’ where waste is minimal and recycling is the norm.” Therefore, it may be possible to encourage tenants of the market to phase out SUP – in the same way the council might with residents by, for example, providing ‘promotional’ material alongside our correspondence with tenants.

In practical terms any changes made are likely to have financial implications. These financial implications would need to be fully understood to enable Cabinet to make an informed decision.

In regards to the refill suggestion I thank you for bringing it to my attention. I have asked our officers to contact them to establish the practicality of Norwich supporting a similar scheme in the future. However, such additional work would be a departure from other priorities which Members may feel is not practical given the budget pressures the council faces.

In reply to a supplementary question from **Councillor Schmierer**, **Councillor Kendrick** said that in an ideal world if money was no object he would be happy to look at refill schemes. In the meantime he encouraged everybody to do what they could as individuals, for example, bringing their own water bottles into council meetings.

Question 11

Councillor Tim Jones asked the following question to the cabinet member for customer care and leisure:

“The leader and other members will have received an email from the Norwich Market Traders Association objecting to the council’s proposal to increase service charges by 42 per cent and rent by as much as 50 per cent for the coming year. The association also states that despite repeated requests, traders have not received service charge accounts for more than a decade, in breach of the terms of their lease.

The market is a vital part of Norwich’s culture and economy. Just last year, the council published its 10-year strategy for the market, which aims to attract new traders and increase occupancy; but the association says the rent and service charge rises will force some stallholders to cease trading.

Would the cabinet member give his view on how hitting traders with such a steep rise in costs will help increase occupancy of market stalls?"

Councillor Roger Ryan, cabinet member for customer care and leisure's response:

"The adoption of the 10 year strategy for the market last year gave a clear timescale for the rejuvenation of the market. Already in the first year of the strategy we are now seeing a cleaner and tidier market, extensive advertising and publicity and expert advice from a nationally recognised market consultant. In addition the formation of the Norwich Market Traders Association (NMTA) has been welcomed by the council and is providing a much needed forum for issues to be raised by both the NMTA and the council.

This forum has already seen agreement reached on the balance of goods act review which has resulted in new businesses trading from 12 previously vacant stalls and a further 8 new business waiting to begin trading and this demand by new businesses is increasing.

A review of the current rents and service charges applied to the Norwich Market has been undertaken, as it was identified that there were a number of issues requiring addressing:-

- The rent levels and services charges have not been reviewed or changed for almost 10 years.
- The rental/zoning model for the main body of stalls had not been updated for a number of years.
- There were a number of equivalent stalls within the main body, being charged different rates.
- The rental charges had not been reviewed for a number of years.
- The service charges had not been properly accounted for or reviewed, for a number of years.
- There were no formalised incentives for new businesses.

Incentives for new and existing traders, raised by NMTA as a key priority, are currently under consultation with them as part of the overall review of market rents and include:

- 10% reduction in rental charges for each additional stall
- 25% reduction in rent for the first 6 months for any new business coming to the market and operated by a new trader
- 50% reduction in rent for the first 6 months to attract new, younger traders to the market with the potential applicant being supported by a local or national charity/business support group

The discussion document being considered by NMTA details the change of rental levels necessary to address this inequality. As an ongoing consultation the detail of how these changes will be implemented has yet to be agreed.

The council would welcome constructive proposals from the NMTA on how best to implement any agreed changes.

In summary within the main body of 180 stalls, although there will be an increase in rent on a few stalls, the vast majority either remain the same or are reduced.

- For 134 stalls rental charges remain the same
- For 16 stalls the rental charges are reduced
- For 30 stalls the rental charges are increased

The above numbers of stalls increasing/decreasing in rental charge relates only to the standard charge for an individual stall. In addition the proposals being considered by the NMTA include discounts where traders have multiple stalls. It has been proposed that these discounts will apply from the 1st April 2017 thereby helping traders with multiple stalls in the short term.

It is important to note that any increase in rental charges will not be implemented until individual releases are renewed. Most stall holders have at least two years left on their agreements to prepare for the changes whilst still benefitting from the proposed discounts.

It is correct that the service charge accounts have not been provided. The accounts for the past 3 years, pro-rata for this year and projected for 2017-18 have been prepared, and will be provided to the NMTA shortly. The service charge has been heavily subsidised by the council for many years and therefore needs to reflect what is being spent on the market. The current review considers this subsidy along with a number of new projects agreed and suggested by the NMTA in relation to additional cleaning, canopy replacement and maintenance/replacement of lighting. As with the rental charges, the implementation of any agreed increases has yet to be discussed and agreed."

Councillor Jones asked, as a supplementary question, if the cabinet member could give a timescale on when the service charge accounts would be provided to traders. **Councillor Ryan** said that this was still early days in respect of talks with market traders and the council wanted to make sure it had heard from every trader about what they wanted from their service charges. Good progress had been made to ensuring that we had a market which was fit for the 21st century. However, this would need to be paid for. He was confident that the future of the market was bright.

Question 12

Councillor Sandra Bogelein asked the cabinet member for cabinet member for customer care and leisure the following question:

"Recently I have been working with residents to apply for the parish partnership scheme to raise the kerb on the corner of Hotblack Road and Waterworks Road. We have received a very expensive costing for this work, which was explained by the following reason:

> "If we provide a crossing point on the road (ie a dropped kerb) this has to be matched with a suitable dropped kerb on the opposite side otherwise we are encouraging a person into the road without a safe exit. Whilst the existing road layout is unsuitable, we cannot change one side without the other and we could be liable if a visibly impaired person tried to use a new crossing point that was unfit for purpose."

It is very concerning that the city council did the work to raise the kerb on the opposite corner not that long ago, thus directly contravening the policy outlined in this response. This has rendered the intersection doubly unsafe, in that the dropped kerb on the other corner encourages people onto the road without a safe exit as well as being dangerous in relation to cars mounting the kerb. And it seems that now additional money would have to be spent to make that good; money which the council does not have. My phone conversations with officers on this subject have not yielded a satisfactory response, so I am now asking: can the cabinet member please explain how this unsafe situation arose and how the council is planning to resolve it?"

Councillor Roger Ryan, cabinet member for cabinet member for customer care and leisure's response:

Cllr Bogelein is mistaken in her belief that the council has recently raised the kerb on the corner of Hotblack Road and Waterworks Road (i.e. the corner by Jarretts Removals).

The council has fairly recently resurfaced this section footpath and also reset a gully pot. However the kerbs were not affected. There never has been a dropped kerb provided.

It is clearly not a satisfactory situation if we have a pedestrian route without the necessary dropped kerbs to make it easily accessible for vulnerable groups such as wheelchair users or those pushing buggies.

Therefore when the council undertakes new work such as raising a kerb it is obliged to ensure that this is fully compliant to the Disability Discrimination Act. This is why what originally may have seemed to be a minor job of simply raising a kerb on a corner has snowballed, as formal dropped kerbs need to be provided as well.

Such costs are inflated as not only are dropped kerbs required either side of Hotblack Road, they are also required either side of the very closely located vehicle access points into Jarretts Removals Ltd.

Councillor Bogelein thanked the cabinet member for the clarification and asked, as a supplementary question, how and when the council planned to address this dangerous situation. **Councillor Ryan** said that the relevant portfolio holder for this area was in hospital so he couldn't give more details at this stage. However, he would ask the officers to respond to Councillor Bogelein.

Question 13

Councillor James Wright asked the leader of the council the following question:

"The Prime Minister has recently confirmed what she means by Brexit. With the New Anglia LEP highlighting the importance of Norwich's financial services sector, and our own assessment of the value of growth around the universities and airport (for example), could the leader of the council please outline his view as to how Norwich will be impacted when the UK leaves not only the EU, but also the single market?"

Councillor Alan Waters, leader of the council's response:

Thank you for your timely question on the day that Supreme Court determines whether MPs should be given a vote on Brexit. This is a crystal ball question. Each day highlights some new ramifications about what leaving the EU could mean and it is worth mentioning that the first thing that will happen when article 50 is triggered (a self-imposed timetable by Theresa May at a time when crucial European elections are taking place in France and Germany) is a negotiation over the untangling our EU budget commitments estimated at £20bn + before any discussions take place what kind of relationship we will have with the EU, including market access.

Meanwhile back in Norwich Brexit information is being gathered on a daily basis by the council and other business support organisations to understand general feelings about Brexit within the local business community and any positive or negative impact in order to build a picture of the overall economic effect as the picture unfolds. There are of course winners and losers at the moment, the fall of Sterling is very helpful to manufacturers/exporters but less so to retailers. I have no doubt it will also benefit foreign tourism. This information is being collated at LEP level and fed directly into regular discussions with ministers.

As we know from the media, the unfolding picture and likely impact is far from clear and it will not be possible to accurately predict overall or sectoral impact whilst negotiations are on-going, indeed the picture will continue to unfold even when these negotiations are complete as the business community will make decisions throughout and after the process – experts talk about a five year window before we understand the full impact.

On a local level there are important steps that any business can take to mitigate against negative impact and this message was the key theme at our Leader's Business Reception on 1 December 2016 – encouraging local employers to monitor likely impact and take action with the support of local intermediaries is a positive step that we can take to protect our local economy.

The risk of inflation and the impact of rising costs on local families is also something that will need to be taken into consideration, especially supporting families who are already struggling to make ends meet.

The KPMG Brexit blog is also a very useful source of up to date information on the unfolding picture:

https://home.kpmg.com/uk/en/home/insights/2017/01/the-brexit-column--not-a-complete-turkey.html

It is important that the council provides timely updates on an issue that will dominate domestic politics well into the next decade and will affect all of our lives. Norwich needs to continue to make its voice and views heard to influence a negotiation that has barely begun and whose outcome remains unclear.

Councillor Wright asked, as a supplementary question, if the cabinet member would consider adding a Brexit section to the financial barometer information provided by the council. **Councillor Waters** said this was a good idea to explore and he would talk to officers to see what could be done.

Report to	Council	**Item**
	21 February 2017	5
Report of	Strategy manager	
Subject	Corporate Plan 2015-20	

Purpose

To agree updates to the corporate plan 2015-20 and supporting material published with the plan 2015-2020

Recommendation

To approve cabinet's recommendations of 8 February 2017 in relation to the corporate plan to 2020

Corporate and service priorities

This report relates to all corporate priorities

Financial implications

The costs of taking forward the corporate plan are built into the draft budget for 2017-18

Ward/s: All Wards

Cabinet member: Councillor Waters - Leader

Contact officers

Adam Clark, strategy manager	01603 212273

Background documents

None

Report

1) The council's current corporate plan was adopted at a meeting of full council on 17 February 2015. It covers the period 2015-2020. This was developed through a number of methods including:

   a) Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.

   b) Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.

   c) Looking at the potential future factors that may impact on Norwich and the council e.g. economic, social, environmental etc.

   d) Discussions with councillors including an all councillor workshop.

   e) Specific discussions with partner organisations

   f) Assessing the future resourcing likely to be available to deliver a new corporate plan.

   g) Formal review by scrutiny and cabinet.

2) The vision and mission are as follows:

   a) Vision: to make Norwich a fine city for all

   b) Mission: to always put the city and its people first

3) The five corporate priorities are:

   a) A safe, clean and low carbon city

   b) A prosperous and vibrant city

   c) A fair city

   d) A healthy city with good housing

   e) Value for money services

4) Cabinet considered updates to the corporate plan and the supporting material that is published with the plan at its meeting on 8 February 2017 for recommendation to council for approval.

5) The corporate plan vision, mission and priorities remain the same for 2017-18.

6) The main change in substance is to the key performance measures. These are the key metrics for how the council will measure how well it is delivering its corporate priorities. Revisions to these were considered by the scrutiny committee at their meeting on 15 December 2015. At the cabinet meeting on 18 January 2017 these revisions to the corporate performance measures were agreed.

7) Although the existing corporate plan 2015-20 is still in force, to contextualise the changes to the key performance measures and to summarise the opportunities and challenges that exist in delivering the corporate plan, it is proposed that we ‘refresh’ elements of the supporting material that are published with the corporate plan. The document containing these ‘refreshed’ elements can be found in Appendix A. In the appendix, the sections that are italicised are unchanged from the published 2015-2020 corporate plan.

8) The revised content consists of:

   a) A new foreword from the leader of the council

   b) An overview from the chief executive officer

   c) New commentary on the 5 corporate priorities

9) The further proposal is that the current corporate plan remains in place until the end of 2017-18. During that period work should be undertaken to engage with stakeholders to inform the setting of corporate priorities beyond 2017-18, reflecting the changing landscape of local government finance and emerging opportunities and challenges for Norwich.

Integrated impact assessment

NORWICH City Council

The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Council
Committee date:	22 February 2017
Director / Head of service	Strategy Manager
Report subject:	Corporate Plan 2017-18
Date assessed:	25 January 2017
Description:	Revisions to supporting material around corporate plan

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☒	☐	☐	See comments in recommendations below
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	See comments in recommendations below
ICT services	☒	☐	☐	See comments in recommendations below
Economic development	☒	☐	☐	See comments in recommendations below
Financial inclusion	☒	☐	☐	See comments in recommendations below
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	See comments in recommendations below
S17 crime and disorder act 1998	☒	☐	☐	See comments in recommendations below
Human Rights Act 1998	☒	☐	☐	See comments in recommendations below
Health and well being	☒	☐	☐	See comments in recommendations below

	Impact			
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	See comments in recommendations below
Eliminating discrimination & harassment	☒	☐	☐	See comments in recommendations below
Advancing equality of opportunity	☒	☐	☐	See comments in recommendations below
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	See comments in recommendations below
Natural and built environment	☒	☐	☐	See comments in recommendations below
Waste minimisation & resource use	☒	☐	☐	See comments in recommendations below
Pollution	☒	☐	☐	See comments in recommendations below
Sustainable procurement	☒	☐	☐	See comments in recommendations below
Energy and climate change	☒	☐	☐	See comments in recommendations below
(Please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☒	☐	☐	See comments in recommendations below

Recommendations from impact assessment
Positive
Negative
Neutral
Issues
As this corporate plan relates to the full range of activity undertaken by the council, rather than specific proposals, it is not possible to show the aggregate impact of this on, for example, equality of opportunity under our Equality Act duties. This does not mean that there are no potential positive or negative impacts, but that these are best ascertained at the level of individual projects and services, as per existing council processes. It is therefore recommended that the council continues to undertake impact assessments on specific services and projects as part of its business as usual.

Norwich City Council Corporate Plan 2015-2020

Corporate plan 'refresh' 2017-2018

This document supplements the 2015-2020 corporate plan published in 2015. For background on key statistics about Norwich, please consult 'The State of Norwich'. Both documents can be found online at www.norwich.gov.uk.

Leader's foreword

2016 was a year of enormous political change with the vote to leave the European Union. The full significance of that decision on June 23rd is already changing national politics and will have a profound impact on the structure of the United Kingdom, our economy and society. The changes triggered by the referendum decision will affect all us in Norwich. Norwich was the only local authority area in Norfolk and Suffolk that voted to remain.

Brexit is not the only challenge we face as a city. Over the next five years the council faces severe financial constraints. This is consciously driven by central government policy as reflected in our medium-term financial strategy. The effect of this is a net reduction of £9.6 million over this period. The Department of Communities and Local Government estimates show that the reduction in spending power for Norwich City Council from 2015/16 to 2019/20 is 15.9%, the 4th highest reduction across the country, having already delivered approximately £30m of recurring revenue savings over the last six years. We have been very successful in reducing costs and redesigning services – thanks in large part to the commitment and flexibility of our workforce. However, delivering the necessary cost reductions and continuing to provide key services is becoming increasingly challenging. The scale of the savings we need to achieve means we have to fundamentally change how we operate if we are to maximise the positive impact we have on the city and the wider area.

Our priority is always to do the best for the residents of Norwich and it is vital that we deliver local investment in jobs, homes and new businesses with our partners on the Greater Norwich Growth Board and other medium size cities like Cambridge. Equally important is that we become an 'inclusive city' where everyone shares the benefits of being a citizen of Norwich. We must redouble our efforts to tackle inequality, poverty, job insecurity and low wages.

To do this we need to be a city that can adapt to change and that will require us to harness the support and strength of local people by making sure all our residents share the benefits of being a citizen of Norwich. That is something we need to work on collectively – a continuous dialogue with our residents, local business people and stakeholders about their vision for the city. It's not just for the next few years but planning for next 20 years – for example the Greater Norwich Local Plan – a crucial document that will ensure housing and job needs continue to be met up to 2036.

In a time of uncertainty a strong well-resourced city council is vital. This is a message that we will continue to make to central government. While we are currently reviewing how we operate in many key areas and the new environment may necessitate different approaches and partnerships with other organisations in the city and beyond, we remain committed to the priorities set out in this document.

Overview from the chief executive

Our resources are diminishing fast and this council is going to look a very different one in five years' time. Our transformation programme will need to be just that. The traditional look and feel of our services and the way we deliver them must be reviewed. In the future, many of them will be provided in partnership with other organisations and in some cases those who receive them. Our Early Help Hub in City Hall is a good example of that, an initiative that has brought together key services in one place so they can work more efficiently to identify and support vulnerable individuals and families before they reach crisis.

These are testing times for the whole of the public sector. Ongoing austerity measures, welfare reform and a shortage of affordable housing are putting huge pressure on services. Homelessness and rough sleeping is on the rise in Norwich, health services are stretched and cutbacks elsewhere mean we are seeing a visible increase in demand for our services.

We are constantly having to adjust our budget plans as the kaleidoscopic picture changes and look at how we can make the money we do have go further and produce positive outcomes for Norwich. However tight our finances, our sustainability and transformation plans are about generating income and reshaping services rather than stopping doing things. However, there comes a point where this may well have to happen.

Despite a lengthy recession, Norwich has never been more vibrant and the economy strong. 'Booming Norwich' read a recent headline in the Norwich Evening News and the city's reputation as a place where things are happening and a great destination is growing. There is a rich and diverse cultural scene in the city, the retail offer is rated one of the best in the country and we have a strong knowledge economy. Looking forward we will be exploring how to capitalise on these assets and collaborate with partners like Norwich Business Improvement District to attract even more investment.

Our challenge to others, including residents, is how can we work better together? In our budget consultation for 2017-18 we asked people how capable they felt about being able to positively change their neighbourhood and how likely they would be to lead or participate in an event aimed at improving their area. In 'doing with' as opposed to the more traditional 'doing to', we will put our resources to better effect and meet the changing needs of the city's residents. The resources we have need to be targeted at those most in need or where we can have the most impact. The Council is strongest when it works in collaboration with others to make the most of this amazing city.

Strategic direction of the council
The council's strategic direction sets out our overall vision, priorities and values. This will guide everything we will do as an organisation and how we will go about it. The strategic direction is shown in the diagram on the next page and covers the following elements:

***Our vision** – overall this is what as a council we aim to achieve for the city and its citizens*

***Our mission** – this is the fundamental purpose of the council – so basically what we are here for*

***Our priorities** – these are the key things we aim to focus on achieving for the city and its residents to realise our vision over the next five years*

***Our core values** – these drive how we will all work and act as teams and employees of the council.*

Taken together these summarise what we promise to do and be as a council for the city and its residents.
Our strategic direction has been developed through a number of methods including:

a) Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.

b) Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.

c) Looking at the potential future factors that may impact on Norwich and the council eg economic, social, environmental etc.

d) Discussions with councillors including an all councillor workshop.

e) Specific discussions with partner organisations

f) Consultation with citizens and organisations in the city.

g) Assessing the future resourcing likely to be available to deliver a new corporate plan.

The council's 'blueprint' a separate document that can be found on our website at www.norwich.gov.uk and guides how we organise ourselves to deliver the priorities.

Council priorities
Our vision: to make Norwich a fine city for all

Our mission: to always put the city and its people first

Our priorities:

- *A safe, clean and low carbon city*
- *A prosperous and vibrant city*
- *A fair city*
- *A healthy city with good housing*
- *Value for money services*

Our core values

Everything we ever do as an organisation, whether in teams or as individuals, will be done with our core values in mind. These are:

P *Pride. We will take pride in what we do and demonstrate integrity in how we do it.*

A *Accountability. We will take responsibility, do what we say we will do and see things through.*

C *Collaboration. We will work with others and help others to succeed.*

E *Excellence. We will strive to do things well and look for ways to innovate and improve.*

Our priorities

Our priority
A safe, clean and low carbon city

We want to ensure that Norwich is safe and clean for all citizens and visitors to enjoy and that we create a sustainable city where the needs of today can be met without compromising the ability of future citizens to meet their own needs.

What's working well?
The council reduced its carbon dioxide emissions by eight per cent – sufficient to fill more than 4,000 double-decker buses – from 1 April 2015 to 31 March 2016. This brings the total reduction to 39.5 per cent since the 2007 baseline and close to achieving the 40 per cent carbon emissions target set in the council's 2015-2018 environmental strategy. We will continue this work through our ongoing commitment to successful affordable warmth initiatives such as Cosy City and Big Switch & Save.

There are high levels of satisfaction with the quality of our parks and people's local environment and people generally feel safe where they live.

What are the challenges?
Although we have relatively low levels of household waste, recycling levels are lower than they should be and contamination rates are high.

There have been some changes to environmental policy nationally, such as a reduction in feed-in-tariffs, which reduce any incentives around solar and photovoltaic energy.

Norwich has a proud tradition of welcoming people and being inclusive and the challenge is to maintain this with fewer resources and a changing demographic.

What will we focus on?
We will work closely with the police and other organisations around community safety initiatives such as the ongoing #IWalkedAway campaign aimed at reducing domestic abuse.

Encouraging residents to get involved in the improvement of the communities they live in.

We will continue to focus on reducing the council's own carbon emissions and improving air quality in the city.

Our priority
A prosperous and vibrant city

We want Norwich to be a prosperous and vibrant city in which businesses want to invest and where everyone has access to economic, leisure and cultural opportunities.

What's working well?

There is a positive economic buzz around Norwich and its reputation as a place to live, work and visit is growing. It is now in the Fast Growth Cities network and has been recognised nationally as being a digital technology cluster.

Norwich's potential to create a large number of new jobs and homes has been evidenced by significant developer interest.

What are the challenges?
Brexit has caused economic uncertainty and businesses are faced with a difficult trading environment, particularly in the knowledge economy which is critical to the city. EU funds provided through the Local Enterprise Partnership (LEP) are also at risk, threatening the inclusive nature of future growth.

What will we focus on?
Visitor numbers are increasing and we will seek to maintain this trend by cementing key partnerships such as that with Norwich Business Improvement District (BID), Visit Norwich and the Arts Council with a view to securing additional resources.

We will aim to ensure public access to a range of free cultural and sporting events, either through delivering them ourselves or working in partnership with others to do so.

We are committed to growing jobs and homes and will continue to work with partners to deliver the Greater Norwich Local Growth Plan and City Deal.

Our priority
A fair city

We want Norwich to be a fair city where people are not socially, financially or digitally excluded and inequalities are reduced as much as possible.

What's working well?
We have continued to demonstrate our commitment to the Living Wage, by paying all our staff and the staff of our contractors who provide services in Norwich the "real" Living wage, obtaining accreditation and encouraging other employers in Norwich to adopt the same policies.

New ways of working include our Early Help Hub in City Hall and locality working in Lakenham, which has improved our collaboration with residents and partner organisations to tackle long standing health and financial inequality.

What are the challenges?
Welfare reforms are impacting on many individuals and families in the city, such as the new lower benefit cap and the rollout of Universal Credit.

Low wage levels in the city continue to be a concern as well as recent evidence of very poor social mobility for residents owing to poor educational outcomes and job prospects for the most deprived people.

What will we focus on?
Our prime focus will be on trying to protect the most vulnerable through seeking to maintain our council tax reduction scheme and supporting people to enhance their income, particularly through developing skills and moving into work.

Our priority
Healthy city with good housing

We want to ensure that people in Norwich are healthy and have access to appropriate and good quality housing.

What's working well?
We have introduced accreditation for private landlords and grant schemes to ensure housing is energy efficient and safe.

All Norwich City Council housing has been assessed in relation to our own 'Norwich Standard' of housing which covers energy efficiency, kitchens and bathrooms, and exceeds the more basic decent homes standard.

Norwich Standard has improved the Standard Assessment Procedure rating of council housing stock.

What are the challenges?
The impact of the government's 1 per cent social housing rent reduction remains a concern. This has resulted in around £65 million reduction in our projected income over 10 years.

Additionally, our ability to maintain good quality housing standards threatens to be hampered by new duties imposed in order to subsidise Right To Buy sales made by registered providers. The council will be expected to sell its high value properties as they become empty to fund this instead of allocating them. This would further reduce the council's ability to provide good quality social housing.

Building affordable housing in the city is challenging but we are already building on several key sites and will continue to do so. Homelessness and rough sleeping in Norwich is on the rise and county council proposed cuts in funding to support vulnerable people threaten to exacerbate this.

There are concerns about the supply and affordability of some private sector rented housing, which is increasingly important given the erosion of council housing stock due to the Right To Buy.

What will we focus on?
More than ever we need to work in partnership across the public and voluntary, community and social enterprise sectors to ensure housing and health play complementary roles in maintaining people's wellbeing, despite dwindling resources.

Where possible we need to mitigate the impact of welfare reform, providing access to free debt and money advice, while seeking to increase take up of benefits to which people are entitled.

A balance must be found between being able to increase the supply of housing and keeping it affordable.

Our priority
Value for money services

The council is committed to ensuring the provision of efficient, effective and quality public services to residents and visitors. While we will continue to face challenging savings targets over the next five years, we will continue to protect and improve those services our citizens value most as much as we possibly can.

What is working well?
We have managed to save £30 million in recurring savings over six years.

Online services represent value for money for the council and following a refresh of the council’s website, customers can now access even more services this way.

Our ongoing transformation programme is continuing to deliver efficiencies and savings.

We still spend around £50-£60 million a year on external contracts and manage an asset base of £200 million across the city.

What are the challenges?
How we will maintain good quality services that our residents and customers value with a significantly reduced income.

What will we need to focus on?
Our assets must be optimised to ensure value for money and, where possible, secure, social and environmental value.

New income streams must be explored, such as building houses for sale and rent through the Norwich Regeneration Company and Rose lane car park.

We will continue to develop online forms and other ways of our customers being able to communicate with us the way they want to and in ways that are efficient and cost effective whilst ensuring that people who need help can get it..

Working with the voluntary, community and social enterprise sector will be critical going forward, as this is a key sector for the city.

Key Performance Measures and Targets

To ensure we are achieving our priorities and delivering the key actions that support them, we develop and monitor key performance measures. We use these to test how we are doing. These are shown in the table below.

WHAT WE AIM TO ACHIEVE (OUR PRIORITIES)	**SAFE, CLEAN AND LOW CARBON CITY**		**PROSPEROUS AND VIBRANT CITY**		**FAIR CITY**		**HEALTHY CITY WITH GOOD HOUSING**		**VALUE FOR MONEY SERVICES**	
WHAT WE WILL DO TO ACHIEVE OUR PRIORITIES WORKING WITH OUR PARTNERS AND RESIDENTS (KEY ACTIONS)	To maintain street and area cleanliness		To support the development of the local economy and bring in inward investment through economic development and regeneration activities		To reduce financial and social inequalities		To deliver our annual Healthy Norwich action plan with our key partners to improve health and wellbeing		To engage and work effectively with customers, communities and partner organisations, utilising data and intelligence and collaborative and preventative approaches to improve community outcomes.	
	To provide efficient and effective waste collection services and reduce the amount of waste sent to landfill		To advocate for an effective digital infrastructure for the City		To advocate for a living wage		To support the provision of an appropriate housing stock in the City including bringing long term empty homes back into use and building new affordable homes		To continue to reshape the way the council works to realise our savings target and improving council performance wherever possible.	
	To work effectively with the police to reduce anti-social behaviour, crime and the fear of crime		To maintain the historic character of the City through effective planning and conservation management		To encourage digital inclusion so local people can take advantage of digital opportunities		To prevent people in the City from becoming homeless through providing advice and alternative housing options		To improve the efficiency of the council's customer access channels	
	To protect residents and visitors by maintaining the standards of food safety		To provide effective cultural and leisure opportunities for people in the City and encourage visitors and tourists to the City		To reduce fuel poverty through a programme of affordable warmth activities		To improve the council's own housing stock through a programme of upgrades and maintenance and provide a good service to tenants		To maximise council income through effective asset management, trading and collection activities	
	To maintain a safe and effective highway network in the City and continue to work towards 20mph zones in residential areas						To improve the standard of private housing in the City through advice, grants and enforcement and supporting people's ability to live independently in their own homes through provision of a home improvement agency			
	To mitigate and reduce the impact of climate change wherever possible and protect and enhance the local environment									
	To reduce the council's own carbon emissions through a carbon management programme									
HOW WE MEASURE WHAT WE ARE ACHIEVING (KEY MEASURES AND PROJECTS)	% of streets found clean on inspection	% of people satisfied with waste collection	Number of new jobs created/ supported though council funded activity	Delivery of the council's capital programme (encompassing all key regeneration projects)	Delivery of the reducing inequalities action plan	% of people who felt their wellbeing had been improved following receiving advice	Delivery of the Healthy Norwich action plan	Relet times for council housing	% of residents satisfied with the service they received from the council	Council achieves savings targets
	% of people feeling safe	Residual household waste per household (Kg)	Planning quality measure	Amount of funding secured by the council for regeneration activity	% of commissioned organisations who pay their staff the living wage for services delivered on behalf of NCC	Delivery of the digital inclusion action plan	Number of long term empty homes brought back into use	Number of new council or other affordable homes completed on council land or which the council has financially contributed to	Channel shift measure	Avoidable contact level
	% of food businesses achieving safety compliance	% of residential homes on a 20mph street	Number of priority buildings on the 'at risk register' that have been saved	Amount of visitors at council ran events	Number of private sector homes where council activity improved	Timely processing of benefits	Number of people prevented from becoming homeless	Number of people who feel that the work of the home improvement agency	% of income generated by the council compared to expenditure	% of income owed to the council collected

			from decay and dereliction through the intervention of the city council		energy efficiency			has enabled them to maintain independent living		
	Number of accident casualties on Norwich roads	% of adults cycling at least 3x a week for utility purposes		% of people satisfied with leisure and cultural facilities			% of council properties meeting Norwich standard	% of people satisfied with the housing service	% of customers satisfied with the opportunities to engage with the council	Delivery of local democracy engagement plan
	Reduction in CO_2 emissions for the Norwich area	Reduction in CO_2 emissions from local authority operations					Number of private sector homes made safe			
	% of people satisfied with parks and open spaces	% change in the number of cyclists counted at automatic count sites								
	% of people satisfied with their local environment									
KEY SERVICES CONTRIBUTING	City wide services	Local neighbourhoods service	City development service	Local neighbourhood services	Policy, performance and partnerships	Local neighbourhood services	Policy, performance and partnerships	City development service	All services	All services
	City development services	Customer contact service	Planning service	Policy, performance and partnerships	Customer contact service	Business relationship management service	Housing service	Customer contact service		
	Policy, performance and partnerships	Environmental strategy	Business relationship management service	Culture and communications service	Environmental strategy		Planning service			
	Planning service		Customer contact service							

Corporate performance measures 2017-18[1]

For each of the key performance measures the council sets targets it aims to achieve. These are set out in detail in service plans and progress is reported on these to as part of the quarterly performance report. Specific measures and targets beyond 2017/18 will be developed as part of the review of the corporate plan in 2017/18.

Key performance measure	Prefix	2017/18 Target
Council priority: Safe, clean and low carbon		
% of streets found clean on inspection	SCL1	94%
% of people satisfied with waste collection	SCL2	85%
% of people feeling safe	SCL3	78%
Residual household waste per household (kg)	SCL4	375
% of food businesses achieving safety compliance	SCL5	90%
% of residential homes on a 20mph street	SCL6	45%
Number of accident casualties on Norwich roads	SCL7	<400
% of adults cycling at least 3x a week for utility purposes	SCL8	14%
% change in the number of cyclists counted at automatic count sites	SCL13	5% increase
Reduction in CO2 emissions for the local area	SCL9	2.4%
Reduction in CO2 emissions from local authority operations	SCL10	2.2%
% of people satisfied with parks and open spaces	SCL11	85%
% of people satisfied with their local environment	SCL12	80%
Council priority: Prosperous and vibrant city		
Number of new jobs created/ supported by council funded activity	PVC1	300
Delivery of the Councils capital programme	PVC2	80%
Amount of funding secured by the council for regeneration activity (4 year rolling average)	PVC3	£2m p/a
Planning service quality measure	PVC6	tbc
Number of priority buildings on the ‘at risk register’ that have been saved from decay and dereliction through the intervention of the city council.	PVC7	1 p/a
% of people satisfied with leisure and cultural facilities	PVC8	95%
Amount of visitors at council ran events	PVC9	85,200 p/a

Key performance measure	Prefix	2017/18 Target
Council priority: Fair city		
Delivery of the reducing inequalities action plan	FAC1	100% on target p/a

[1] Revised KPIs as agreed at cabinet 18 January 2017

Key performance measure	Prefix	2017/18 Target
% of people who felt their wellbeing had been improved following receiving advice	FAC2	86%
Delivery of the digital inclusion action plan	FAC3	100%
Timely processing of benefits	FAC4	100%
No of private sector homes where council activity improved energy efficiency	FAC5	165
% of commissioned organisations who pay their staff the living wage for services delivered on behalf of NCC	FAC6	100%
Council priority: Healthy city with good housing		
Delivery of the Healthy Norwich action plan	HCH1	100% on target p/a
Re-let times for council housing	HCH2	16 days
Number of long-term empty homes brought back into use	HCH3	20
Number of new council or other affordable homes completed on council land or which the council has financially contributed to	HCH4	200 (15-18)
Preventing homelessness	HCH5	60%
Percentage of people who feel that the work of the home improvement agency has enabled them to maintain independent living	HCH6	90%
% of council properties meeting Norwich standard	HCH7	97%
% of people satisfied with the housing service	HCH8	83%
No of private sector homes made safe	HCH9	100
Council priority: Value for money services		
% of residents satisfied with the service they received from the council	VFM1	93%
Council achieves savings target	VFM2	<£0 (balanced or underspend)
Avoidable Contact	VFM4	35%
Channel Shift	VFM5	25%
% of income owed to the council collected	VFM6	95%
% of income generated by the council compared to expenditure	VFM7	45.2%
% of customers satisfied with the opportunities to engage with the council	VFM8	54%
Delivery of local democracy engagement plan	VFM9	Yes on target

Report to	Council	
	21 February 2017	Item
Report of	Chief finance officer	6
Subject	General fund revenue budget 2017-18 and non-housing capital programme 2017-18 to 2021-22	

Purpose

To propose for approval the budget and budgetary requirement, council tax requirement, level of council tax for 2017-18, the transformation plan for 2018-19 and the non-housing capital programme for 2017-18 to 2021-22.

Recommendations

To approve:

1. cabinet's recommendations of 8 February for the 2017-18 financial year:

   a) that the council's budgetary requirement for the 2017-18 financial year be set to £16.152m (para 6.1 in annex A);

   b) that the proposed general fund budgets for 2017-18 and transformation plan for 2018-19 be approved, taking into account the savings, income and other budget movements set out in appendices 2, and 5 of Annex A and the transformations movements set out in appendix 3 of Annex A as amended by cabinet (see para 2);

   c) that the council's council tax requirement for 2017-18 be set at £9.029m and that council tax be set at £249.01 for Band D, which is an increase of 2.05% (para 5.5 in annex A), the impact of the increase for all bands is shown in table 7.2 of annex A;

   d) that the Norwich City Council precept on the council tax collection fund for 2017-18 be set at £8.732m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (as shown in para 7.1 of annex A);

   e) that the prudent level of reserves for the council be set at £4.161m in accordance with the recommendation of the Chief finance officer (as shown in para 8.11 of annex A); and

   f) that the proposed non-housing capital programme 2017-18 to 2021-22 (as shown in table 10.3 of annex A) be approved.

2. that the total of all the precepts of the collection fund is calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011(as shown in annex B) taking into account precepts notified by Norfolk County Council and the Office of the Police & Crime Commissioner for Norfolk.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets the general fund budgetary requirement and the council tax requirement for 2017-18 and the non-housing capital programme for 2017-18 to 2021-22.

Ward/s: All wards

Cabinet member: Councillor Stonard – resources and business liaison

Contact officers

Justine Hartley, chief finance officer	01603 212440
Hannah Simpson, group accountant	01603 212561

Background documents

None

Report

1. Cabinet considered the General Fund budget report (annex A) at its meeting of 8 February, and approved the recommendations to council subject to one amendment.

2. As set out in para 9.1 of Annex A, the council adopted an asset management strategy in 2011 that established a framework for the maintenance and improvement of assets that meet the needs of the organisation. The strategy specified that underperforming assets, particularly those retained for investment purposes, will be released to provide a receipt for future investment in the capital programme. Transformation programme line 21 as reviewed by cabinet (Appendix 3 of Annex A), proposed savings of £75k in 2017-18 and £150k in 2018-19 from "investment property income growth". Cabinet recommended that this be changed to more accurately reflect the work being undertaken in line with the strategy to "rationalisation of the property portfolio and investment in new assets to increase returns".

Changes subsequent to the preparation of the cabinet papers

3. The distribution of business rates income for 2017-18 has now been confirmed. This has indicated a small shift between business rates expected income for the year and the transfer to be made from the section 31 grant reserve to account for business rate reliefs. However, the total business rates resources for 2017-18, including the contribution from the grant reserve, remains unchanged. 2017-18 budgetary resources set out in table 6.1 of Annex A are now as follows:

Table 6.1: Budgetary resources 2017-18

	£000s
= Formula funding 2017-18	1,671
= Business rates 2017-18	5,137
= Business rates S31 grant reserve transfer	315
= Council tax 2017-18	9,029
= Budgetary resources 2017-18	**16,152**

4. The parliamentary debate on the local government finance settlement will take place on Wednesday 22 February. As a result the figures for government funding in the budget papers are those included in the provisional settlement issued in December 2016. It is anticipated that any changes to provisional figures will be able to be addressed through reserve movements in 2017-18.

5. The statutory determination at Annex B reflects the final Council Tax base as confirmed by the chief finance officer under delegated powers. It also reflects the following confirmed and proposed increases in Council tax:

Preceptor	% increase
Norwich City Council (as proposed in this report)	2.05
Norfolk County Council (to be confirmed 20 February 2017)	4.80
Office of the Police and Crime Commissioner for Norfolk (confirmed)	1.99

6. The precept for the Office of the Police and Crime Commissioner was confirmed at its meeting on 2nd February. The precept for the County Council is anticipated to be confirmed at its meeting on 20th February. Any changes to the proposed precept will be reported to Council in an updated report.

ANNEX A

Report to	Cabinet
	8 February 2017
Report of	Chief finance officer
Subject	General fund revenue budget and non-housing capital programme 2017-18 to 2021-22

Purpose

To propose for approval the budget and budgetary requirement, council tax requirement, and level of council tax for the financial year 2017-18, the transformation plan for 2018-19 and the non-housing capital programme for 2017-18 to 2021-22.

Recommendations

That cabinet recommends to council:

g) that the council's budgetary requirement for the 2017-18 financial year be set to £16.152m (para 6.1);

h) that the proposed general fund budgets for 2017-18 and transformation plan for 2018-19 be approved, taking into account the savings, income and other budget movements set out in the report. (para 6.3 and Appendix 3);

i) that the council's council tax requirement for 2017-18 be set at £9.029m and that council tax be set at £249.01 for Band D, which is an increase of £5 (2.05%) (para 7.1), the impact of the increase for all bands is shown in table 7.2;

j) that the precept on the council tax collection fund for 2017-18 be set at £8.732m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (para 7.1);

k) that the prudent level of reserves for the council be set at £4.161m in accordance with the recommendation of the Chief finance officer (para 8.11);

l) that the proposed non-housing capital programme 2017-18 to 2021-22 (para 10.3) be approved; and

m) that cabinet delegates to the Director of regeneration and development and the Chief finance officer, in consultation with the Portfolio holder for resources and business liaison, the authority to agree the asset maintenance programme and the final scheme details, including any adjustment to the financial allocations of the section 106 works, provided that this investment is contained within the total budgetary provision shown in Table 10.3.

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets out the proposed budget requirement for 2017-18 of £16.152m and the means by which this is to be financed, including through a proposed council tax of £249.01 per Band D property.

It also sets out the proposed capital programme for 2017-18 to 2021-22 illustrating how anticipated capital expenditure needs can be financed over the medium term.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and business liaison

Contact officers

Justine Hartley, Chief finance officer	01603 212440
Hannah Simpson, Group accountant	01603 212561

Background documents

None

Report

1. Contents of report

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

2. Budgetary context
3. Medium Term Financial Strategy (MTFS)
4. Preparation of the 2017-18 budget
5. Budgetary resources
6. Budgetary requirement – income and expenditure
7. Council tax precept
8. Report by the Chief finance officer on the robustness of estimates, reserves and balances
9. Capital resources 2017-18 to 2021-22
10. Capital programme 2017-18 to 2021-22
11. Progress in reducing the council's carbon footprint

Appendix 1 Budget consultation results

Appendix 2 Movements in budgets 2017-18 by type

Appendix 3 Two year transformation plan

Appendix 4 Calculation of prudent minimum balance

2. Budgetary context

Provisional local government finance settlement

2.1 The provisional local government finance settlement for 2017-18 was presented to Parliament on 15th December 2016. As part of the provisional settlement the DCLG has issued its estimates of the reduction in core spending power for each local authority. For Norwich City Council the reduction in spending power from 2016-17 to 2017-18 is 9%, this is the 12th highest reduction in spending power of all local authorities in England. Across the spending review period from 2015/16 to 2019/20 the core spending power reduction is estimated to be 15.9%, the 4th highest reduction across the country.

2.2 These reductions in spending power are largely as a result of the cuts to: revenue support grant which has reduced by 39% from 2016-17 to 2018-19 and is expected to have ended completely for the council by 2020-21; and New Homes Bonus which has reduced in the provisional settlement by 40% from 2016-17 to 2017-18 and for which future years receipts are expected to be significantly reduced from a peak of £2,756k in 2016-17 to around £350k per annum by 2020-21.

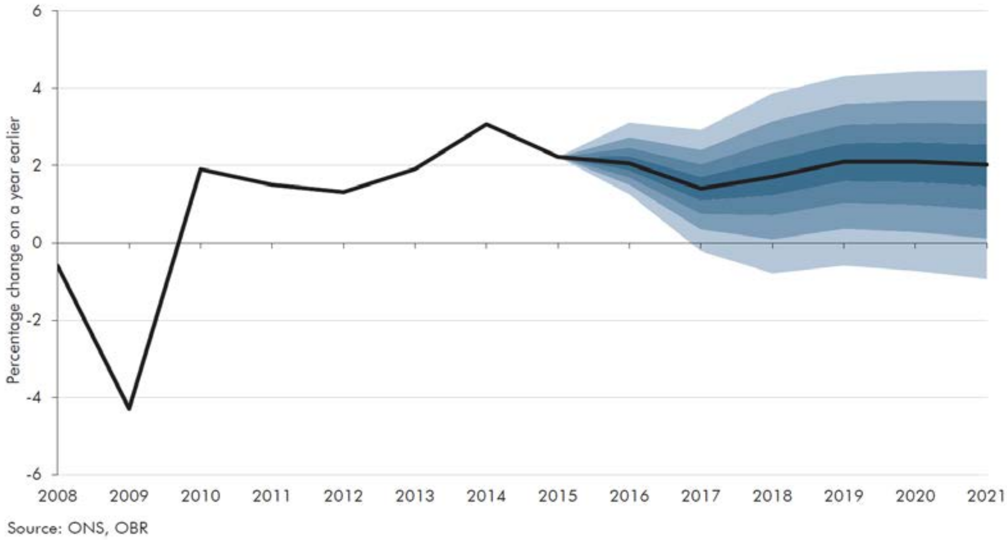
Wider economic context

2.3 The Office of Budgetary Responsibility (OBR) central forecasts now expect the economy will grow more slowly than previously expected, with Gross Domestic product (GDP) growth in 2017 revised down from 2.2 to 1.4 per cent and cumulative growth over the whole forecast revised down by 1.4 percentage points. A weaker outlook for investment and therefore productivity growth is the main cause.

2.4 Consumer Price Index (CPI) inflation is forecast to rise to above 2 per cent in early 2017 as the weaker pound pushes up import prices and therefore consumer prices. It is then expected to rise further before peaking at 2.6 per cent in mid- 2018, with the OBR assuming that it will return slowly to the Bank of England's 2% target over the following two years.

2.5 The Government is no longer on course to balance the budget during the current Parliament. Public sector net borrowing (PSNB) is now expected to fall more slowly than previously forecast, primarily reflecting weak tax receipts in 2016 and a more subdued outlook for economic growth as the UK negotiates a new relationship with the European Union. The OBR now forecasts a budget deficit of £21.9 billion in 2019-20.

Figure 2.1: Real GDP growth fan chart November 2016 (Source: OBR)

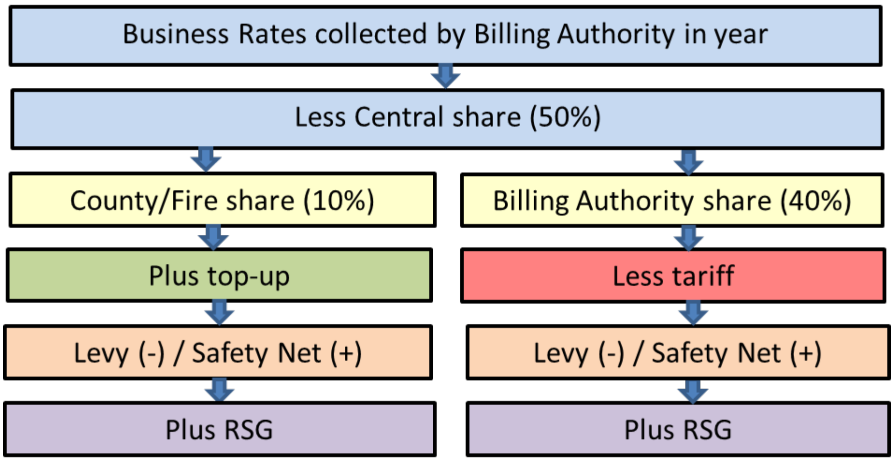


Business rates retention system

2.6 The business rates retention scheme replaced the formula grant system from 2013-14. The scheme takes the business rates collected in a geographical area during the year and applies various splits, additions and/or reductions to calculate an authority's final allocation. Part of the government's rationale in setting up the scheme was to allow local authorities to retain part of the future growth in their business rates.

2.7 The diagram below illustrates how the scheme calculates funding for local authorities. Central government has decided that billing authorities such as Norwich City Council will receive 40% of the business rates collected in their area.

Diagram 2.2: Business rates retention scheme



2.8 The business rates collected during the year by billing authorities are split 50:50 between central government and local government. Central government's share will be used to fund Revenue Support Grant (RSG) and other grants to local government.

2.9 Each authority then pays a tariff or receives a top-up to redistribute business rates more evenly across authorities. The tariffs and top-ups were set in 2013-14 based on the previous 'Four Block Model' distribution and were due to be uprated by September 2013 RPI. However, this increase has been capped to 2%.

2.10 A national revaluation of business rates will take effect on 1 April 2017. This will result in increases and decreases across the country in the amounts businesses pay. To try to ensure no local authority is better or worse off as a result of the revaluation top ups and tariffs have been adjusted for local authorities for 2017-18.

2.11 A levy and 'safety net' system also operates to ensure that a 1% increase in business rates is limited to a 1% increase in retained income, with the surplus funding any authority whose income drops by more than 7.5% below their baseline funding.

2.12 In the years where the 50% local share is less than local government spending totals, the difference is returned to local government via RSG. This is allocated pro-rata to local authorities' funding baseline.

2.13 Therefore, there is a specific need for billing authorities to accurately forecast future business rates. The Council has committed resources to this task but is hampered by the number of appeals on properties on our ratings list.

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

3. Medium Term Financial Strategy (MTFS)

3.1 The council's budget is underpinned by the MTFS. The financial projections underlying the MTFS have been revised to reflect changes in assumptions, the provisional Local Government Finance Settlement and the changing risk environment in which the council operates. Other budget pressures including inflation and demographic requirements have also been factored in to produce a projection of the council's medium term financial position.

3.2 The presentation of savings in the MTFS shows the net savings required to deliver a balanced budget. Items such as growth and decreases in income are now incorporated within the transformation programme and net off against the savings to be delivered.

3.3 A net transformation budget reduction for 2017-18 of £2.3m has been included within the budget in accordance with the MTFS. The MTFS has been reviewed and updated and the forward savings targets recalculated based on the latest projections of income and expenditure. As a result the MTFS now shows a need to make further net savings of £9.6m over the next 5 years, which following the "smoothed" approach equates to £1.9m each year to 2022-23. This is a reduction on the £2.3m set out in the 2016-17 budget papers as a result of:

- Council tax revenues now being forecast £520k higher than previously estimated for 2017-18 due to a higher than anticipated increase in the number of properties included in the calculations;
- Business rates revenues now being forecast £348k higher than previously estimated.
- New Homes Bonus grant payments being £512k higher than anticipated in 2017-18 as a result of transitional arrangements applied to the reduction in grant and a new allocation of £85k of grant for 2017-18. The MTFS also now includes assumptions of future allocations of the grant in line with the new allocation for 2017-18; and
- the inclusion in the MTFS of an assumed annual increase of £160k in Council Tax beyond that recommended in this report for 2017-18. The increase in Band D rate has been included at the higher of £5 or 2% for each of the five years

3.4 In assessing the longer term financial stability of the council, consideration has been given balancing external factors, such as global and macro-economic risks that may cause the government to increase and/or extend its austerity measures, with the need to maintain services to the residents of Norwich. To a certain degree, the strong culture of forward planning and prudent financial management that exists within the Council mitigates these external risks and allows minimum reserve levels to be set below current reserve levels.

3.5 Payroll-related inflation has been estimated at 2% 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. Inflation has been allowed for on premises costs, supplies and services and transport in line with the OBR forecast changes in CPI (November 2016 Economic and fiscal outlook).

3.6 Specific grant figures have been confirmed by the Department for Communities & Local Government and the Department of Work & Pensions for 2017-18. Grants for future years have been estimated at 2017-18 levels, with the exception of Housing Benefit and Local Council Tax Support Administration Grants which have been assumed to decrease by 5% per year.

3.7 The provisional Finance Settlement confirmed that the number of years for which New Homes Bonus payments are made will reduce from 6 years to 5 years in 2017-18, and to 4 years from 2018-19. In addition, from 2017-18 a national baseline for housing growth will be introduced at 0.4%, below which no New Homes Bonus will be paid. Other potential changes to the scheme to encourage more effective local planning will be consulted in due course. The MTFS includes the 2017-18 new allocation of New Homes Bonus grant and assumes a similar level of new grant in future years.

3.8 The table below shows the proposed budget for 2017-18 and the medium term financial projections for the 5 years to 2022-23.

Table 3.1: Budget 2017-18 and medium term financial projections for 5 years to 2022-23

	2017-18 Year 1 £000s	2018-19 Year 2 £000s	2019/20 Year 3 £000s	2020-21 Year 4 £000s	2021-22 Year 5 £000s	2022-23 Year 6 £000s
Employees	£20,189	£20,935	£21,706	£22,508	£23,332	£24,184
Premises	£10,681	£11,032	£11,405	£11,734	£12,073	£12,422
Transport	£278	£286	£294	£302	£309	£317
Supplies & Services	£16,421	£16,755	£17,301	£17,779	£18,271	£18,776
Capital Charges	£1,803	£1,841	£1,879	£1,918	£1,957	£1,997
Housing Benefit Expenditure	£62,284	£62,284	£62,284	£62,284	£62,284	£62,284
Third Party Payments	£4,994	£5,125	£5,265	£5,382	£5,502	£5,625
Recharge Expenditure	£16,795	£16,895	£16,996	£17,097	£17,200	£17,304
Recharge Income	-£26,139	-£26,239	-£26,341	-£26,444	-£26,548	-£26,653
Rev Contribtion to Capital	£550	£800	£1,050	£1,300	£1,300	£1,300
Receipts	-£25,180	-£25,781	-£26,397	-£27,028	-£27,674	-£28,335
Government Grants:	-£65,836	-£64,774	-£64,471	-£64,087	-£64,020	-£63,958
New Homes Bonus	-£1,654	-£889	-£657	-£342	-£340	-£340
Benefit Subsidy	-£62,444	-£62,444	-£62,444	-£62,444	-£62,444	-£62,444
Benefit/CTS Admin Grant	-£1,028	-£976	-£928	-£881	-£837	-£795
Other Government Grants	-£710	-£465	-£442	-£420	-£399	-£379
Subtotal budgets	**£16,840**	**£19,159**	**£20,971**	**£22,745**	**£23,986**	**£25,263**
Savings		-£1,920	-£3,840	-£5,760	-£7,680	-£9,600
Contribution to/(from) bals	-£688	-£1,949	-£2,280	-£2,007	-£982	£16
Budget requirement	**£16,152**	**£15,290**	**£14,851**	**£14,978**	**£15,324**	**£15,679**
Share of NNDR (Baseline)	-£5,452	-£5,306	-£5,412	-£5,521	-£5,631	-£5,744
Formula Funding	-£1,671	-£982	-£213	£0	£0	£0
Council Tax Requirement	-£9,029	-£9,002	-£9,226	-£9,457	-£9,693	-£9,935
Total funding	**-£16,152**	**-£15,290**	**-£14,851**	**-£14,978**	**-£15,324**	**-£15,679**

New savings (smoothed)		**£1,920**	**£1,920**	**£1,920**	**£1,920**	**£1,920**

	2017-18 Year 1 £000s	2018-19 Year 2 £000s	2019/20 Year 3 £000s	2020-21 Year 4 £000s	2021-22 Year 5 £000s	2022-23 Year 6 £000s
Reserve balance brought forward	**-£12,949**	**-£12,261**	**-£10,312**	**-£8,032**	**-£6,025**	**-£5,043**

Contributions to/(from) I&E	£688	£1,949	£2,280	£2,007	£982	-£16
Reserve balance carried forward	**-£12,261**	**-£10,312**	**-£8,032**	**-£6,025**	**-£5,043**	**-£5,059**
Relative to controllable spend	*26%*	*22%*	*16%*	*12%*	*10%*	*9%*

4. Preparation of the 2017-18 budget

4.1 Guided by the council's corporate plan and its 'changing pace blueprint' (operating model) a range of work has been carried out across the council through the transformation programme, to develop options for additional income and savings in order to meet the target within the MTFS and ensure a balanced budget. This work has been informed by a cross party working group.

4.2 During the course of 2016-17 cabinet have considered income and savings options for the next two years and agreed for further work to be carried out to progress these. The proposed items forming the next two years of the transformation programme are set out in Appendix 3. More detailed savings proposals for the subsequent years will continue to be developed and presented to the Council for agreement on an annual basis.

4.3 In line with the approach used in previous years, cabinet agreed to consult the public on the proposed approach to meeting the savings target for 2017-18. It was also agreed to consult the public on the potential for a council tax rise.

4.4 The consultation closed on 8 January 2017. An analysis of the results of the consultation can be found at Appendix 1. The results showed that of the people who completed the consultation and answered the questions 56% supported a proposed council tax increase.

4.5 Comments and ideas were also received on other things the council could do differently to generate income or save money in the future. A large number of these relate to approaches the council is already progressing. However, as with previous years the comments will be used to inform the council's ongoing development of income and savings opportunities as part of the transformation programme.

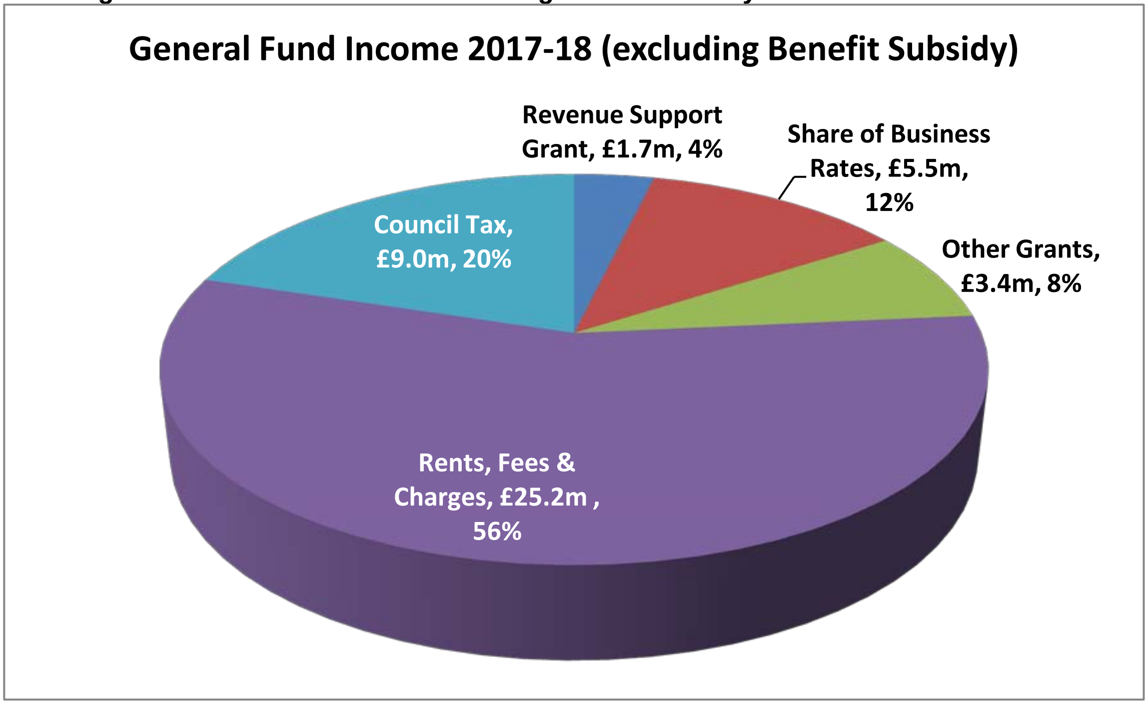
4.6 A final list of the key income and savings projects that have been developed through the transformation programme and are now included in the proposed budget for 2017-18 as set out at Appendix 3. They amount to just under £3.3m.

4.7 The changes resulting from the savings will further reduce the council's overall capacity. However, they should not significantly impact the services that the public receive from the council for 2017-18. This further demonstrates the success of the council's ongoing approach to developing savings and income, particularly given that fact that the council has already delivered approximately £30m of recurring revenue savings over the last six years.

5. Budgetary resources

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

Diagram 5.1: Council income excluding benefit subsidy 2017-18



5.2 The total of £39.7m raised locally (through business rates, council tax and rents, fees and charges) amounts to 89% of this income, whilst the £5.1m of central government funding (RSG and other grants) amounts to 11%.

Table 5.3 Budgeted formula and other grants 2016-17 and 2017-18

	2016-17 £000s	2017-18 £000s	% change
Revenue Support Grant (RSG)	2,756	1,671	-39%
Business Rates retained income (excludes Section 31 grant (see paragraph 5.3)	4,870	5,452	12%
Formula funding	**7,626**	**7,123**	**-7%**
New Homes Bonus	2,756	1,654	-40%
Local Council Tax Support / Housing Benefit Administration Grant	1,071	1,028	4%
Private Finance Initiative (PFI) Grant	1,429	0	-100%
Other grants	671	710	6%
Total grant funding	**13,553**	**10,515**	**-22%**

5.3 Section 31 Business Rate Relief grant is given to offset reliefs which reduce the business rates income to the Council so is not included as a separate grant.

5.4 In addition to the formula grant, the budgetary requirement is funded by council tax collected by the council. Any increase in the level of council tax is limited by referendum principles. For 2017-18 a 2% or £5 limit on increases (whichever higher) was announced as part of the provisional settlement.

5.5 The draft budget proposals are based on an increase of 2.05% (£5), and a rate of £249.01 per Band D property. The calculation of the recommended Council Tax Requirement and derivation of the Council Tax Precept are shown in Section 7.

6. Budgetary requirement – income and expenditure

6.1 To achieve a balanced budget, the total movements in the budgets must equal the movements in budgetary resources as shown in the MTFS. Table 6.1 below shows the available budgetary resources for 2017-18 and the changes from 2016-17.

Table 6.1: Budgetary resources 2017-18

	£000s
Formula funding 2016-17	2,756
Business rates 2016-17	4,870
Council tax 2016-17	8,494
Budgetary resources 2016-17	**16,120**
- Decrease in formula funding	(1,085)
- Increase in business rates	582
+ Increase in council tax	535
+ Movement 2016-17 to 2017-18	**32**
= Formula funding 2017-18	1,671
= Business rates 2017-18	5,202
= Business rates S31 grant reserve transfer	250
= Council tax 2017-18	9,029
= Budgetary resources 2017-18	**16,152**

6.2 Table 6.2 shows the budget movements proposed by Service Area to maintain spend within available resources. These changes include those arising due to inflationary increases as well as savings, income increases and growth changes proposed through the council's transformation programme, and all other changes to the budgets. Movements in budget for each type are detailed in Appendix 2.

Table 6.2: Movement in budget requirement 2016-17 to 2017-18 by Service Area

	Base*	Adjust to Base	Inflation	Grants	Transf'n Savings /Income	Transf'n Growth	Transfers	Other	Total
Chief Executive	(0)	39	(6)		(33)		0	0	0
Strategy & Programme Mgt	0	3	12				(15)	0	0
Chief Executive	**0**	**42**	**6**	**0**	**(33)**	0	**(15)**	**0**	**0**
Business Relationship Mgt	1,663	(710)	324	1,146	(320)	15	1,375	(12)	3,164
Finance	(2,463)	550			(253)	486	(1,315)	0	(3,133)
Procurement & Service Improvement	(0)	(1,074)	86	1,429	(550)		111	0	2
Democratic Services	375	23	5		(41)		(79)	(3)	292
Human Resources	0	(94)	28		(20)	90	(4)	0	0
Business Services	**(425)**	**(1,305)**	**443**	**2,575**	**(1,184)**	**591**	**88**	**(15)**	**325**
Communications & Culture	2,209	(124)	123		13	14	(13)	0	2,143
Customer Contact	(61)	10	151		(225)		64	(2)	(3)
Communications & Culture	**2,148**	**(114)**	**274**	**0**	**(212)**	**14**	**51**	**(2)**	**2,140**
Neighbourhood Housing	2,284	58	9		(1)		(13)	(17)	1,729
Neighbourhood Services	2,155	(243)	11		(150)		(27)	(1)	1,233
Citywide Services	9,790	(14)	217		(807)	60	(160)	(1)	10,006
Neighbourhoods	**14,229**	**(199)**	**237**	**0**	**(958)**	**60**	**(200)**	**(19)**	**12,968**
Regeneration & Development		(2)	4						2
City Development	(1,417)	(223)	161		(693)	420	184	(29)	(1,000)
Planning	1,327	78	31		(22)	50	(9)	0	1,500
Property Services	259	211	14		(165)		(99)	(4)	217
Environmental Strategy	0	16	4		(20)		0	0	0
Regeneration & Development	**168**	**80**	**214**	**0**	**(900)**	**470**	**76**	**(33)**	**718**
Total	**16,120**	**(1,496)**	**1,174**	**2,575**	**(3,287)**	**1,135**	**0**	**(69)**	**16,152**

*Base budgets reflect any 16/17 budget virements processed and the revised organisational structure.

6.3 The following table shows the proposed budget for 2017-18 analysed by type of expenditure or income (subjective group) compared to 2016-17.

Table 6.3: Proposed budget analysis 2017-18 by subjective group

Subjective group	**Budget 2016-17 £000s**	**Budget 2017-18 £000s**	**Change £000s**
Employees	17,832	20,189	2,357
Premises	9,573	10,681	1,108
Transport	273	278	5
Supplies & services	15,710	16,421	711
Third party payments (shared services)	7,081	4,994	(2,087)
Housing benefit payments	63,724	62,284	(1,440)
Capital financing	3,372	1,665	(1,707)
Recharge expenditure	16,649	16,795	146
Subtotal expenditure	**134,214**	**133,307**	**(907)**
Government grants	(69,682)	(65,836)	3,846

Receipts	(24,384)	(25,180)	(796)
Recharge income	(24,028)	(26,139)	(2,111)
Subtotal income	**(118,094)**	**(117,155)**	**939**
Total Budgetary Requirement	**16,120**	**16,152**	**32**

7. Council tax & precept

7.1 The following table shows the calculation of the level of council tax with the recommended increase of £5 (2.05%).

Table 7.1: Council Tax calculation 2017-18

	No.	£
Budgetary requirement		**16,152,240**
- Formula grant		(1,670,854)
- NNDR Distribution		(5,452,260)
= Council tax requirement		**9,029,126**
- Surplus on collection fund		(297,092)
= Council tax precept		**8,732,034**
Band D Equivalent properties	35,067	
Council tax (Band D)		**249.01**

7.2 The following table shows the impact of the proposed increase for each council tax band on the Norwich City Council share of total council tax. The full proposed new council tax will be set once we have confirmation from Norfolk County Council and the Office of the Police and Crime Commissioner for Norfolk on any increases they may apply for 2017-18. The figures shown will be reduced, for qualifying council tax payers, by the council’s discount scheme which replaced the council tax benefit system.

Table 7.2: Council tax increases 2016-17 to 2017-18, Bands A to H

Band	A	B	C	D	E	F	G	H
2016-17	£162.67	£189.79	£216.90	£244.01	£298.23	£352.46	£406.68	£488.02
Increase	£3.33	£3.89	£4.44	£5.00	£6.11	£7.22	£8.33	£10.00
2017-18	£166.01	£193.67	£221.34	£249.01	£304.35	£359.68	£415.02	£498.02

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

8.1 Section 25 of the Local Government Act 2003 requires that the Chief finance officer of the council reports to members on the robustness of the budget estimates and the adequacy of council’s reserves. The Chief finance officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.

8.2 The main driver to achieve savings in the current budget round has been the council’s transformation programme. This has been subject to rigorous review by both members and officers and is directly linked to the service planning process ensuring a strong link between the council's priorities and the financial resources available to deliver them. As with all future estimates there is a level of uncertainty and this has been taken into account when assessing the levels of reserves.

8.3 There are risks around the level of unavoidable expenditure and income loss. Historically this has been in excess of £1 million per annum. Both the identification and estimation of these amounts has been included within the council's ongoing transformation programme for the next three years. However, it should be noted that the level of uncertainty surrounding estimates increases as they relate to periods further into the future.

8.4 There are also risks around future grant and business rates incomes. In particular, there is significant uncertainty around the future levels of the New Homes Bonus grant. From 2017-18 a national baseline for housing growth will be introduced at 0.4%, below which no New Homes Bonus will be paid. Other potential changes to the scheme to encourage more effective local planning will be consulted in due course. There is also uncertainty over business rates income going forward with the move to 100% retention of business rates by Local Government by 2020. This will bring with it risks and uncertainties particularly those associated with changes in the economic climate and uncertainties from the appeals system for business rates.

8.5 Allowing for the above comments on uncertainty it is the opinion of the Chief finance officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget. Further comfort is taken from the record of the council in managing and delivering to budget in year.

8.6 A key mitigation for expenditure/income risks is the Chief finance officer's estimate of a prudent level of reserves. An amount has been built into the prudent level of reserves to cover estimated levels of risk, as set out in Appendix 3.

8.7 The requirement for financial reserves is acknowledged in statute. Section 32 of the Local Government Finance Act 1992 requires billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

8.8 It is the responsibility of the Chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

8.9 The council holds two types of general fund reserves:

- The general fund is a working balance to cushion the impact of uneven cash flows. The reserve also acts as a contingency that can be used in year if there are unexpected emergencies, unforeseen spending or uncertain developments and pressures where the exact timing and value is not yet known and/or in the Council's control. The reserve also provides cover for grant and income risk.
- The earmarked general fund is set aside for specific and designated purposes or to meet known or predicted liabilities e.g. insurance claims.

8.10 Earmarked reserves remain legally part of the general fund although they are accounted for separately.

8.11 A risk assessment has been undertaken to determine the level of non-earmarked general reserves required by the council. In making a recommendation for the level of reserves the Chief finance officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances. The risk analysis shows that a prudent minimum level of reserves for 2017-18 will be of the order of £4.161m as shown in Appendix 4.

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

Table 8.1: Estimated general fund balance through the MTFS period

Year ending	£000s
31 March 2017	12,949
31 March 2018	12,261
31 March 2019	10,312
31 March 2020	8,032
31 March 2021	6,025
31 March 2022	5,043
31 March 2023	5,059

9. Capital resources 2017-18 – 2021-22

9.1 The council owns and maintains a range of assets. Major investment in these assets is funded from the capital programme. In turn the capital programme is resourced, in part, by the income received from the disposal of surplus assets.

9.2 In June 2011 the council adopted an asset management strategy that established a framework for the maintenance and improvement of assets that meet the needs of the organisation. Underperforming assets, particularly those retained for investment purposes, will be released to provide a receipt for future investment in the capital programme. The key requirements of the strategy are to optimise the existing portfolio (by establishing a rigorous process for review); to prioritise investment in the portfolio to support income generation and cost reduction; to rationalise office accommodation and to work in partnership with others to attract third party funding to bring forward development on council owned sites (e.g. the use of section 106 funding).

9.3 The following table shows the total non-housing capital resources and their application anticipated over the duration of the capital programme:

Table 9.3: Capital resources 2017-18 – 2021-22

Non-housing capital resources	2017-18 £000s	2018-19 £000s	2019/20 £000s	2020-21 £000s	2021-22 £000s
S106 Balances b/f	(1,060)	(559)	(681)	(635)	(487)
S106 Forecast resources arising	(141)	(414)	(227)	(60)	(60)

S106 Forecast resources utilised (ongoing works)	233	0	0	0	0
S106 Forecast resources utilised (proposed to proceed)	394	0	0	0	0
S106 Forecast resources utilised (requires CLT approval)	15	292	272	209	164
Total S106 Resources	***(559)***	***(681)***	***(635)***	***(487)***	***(383)***
CIL Balances b/f	(201)	(291)	(504)	(528)	(610)
CIL Forecast resources arising	(1,521)	(2,399)	(1,948)	(3,095)	(3,072)
CIL Forecast resources utilised (contribution to pool)	1,281	1,970	1,640	2,606	2,587
CIL Forecast resources utilised (ongoing neighbourhood schemes)	50	0	0	0	0
CIL Forecast resources utilised (neighbourhood schemes requires CLT approval)	100	216	284	407	493
Total CIL Resources	***(291)***	***(504)***	***(528)***	***(610)***	***(602)***
GNGP Balances b/f	0	0	0	0	0
GNGP Forecast resources arising	(929)	(180)	0	0	0
GNGP Forecast resources utilised (ongoing works)	109	0	0	0	0
GNGP Forecast resources utilised (proposed)	100	0	0	0	0
GNGP Forecast resources utilised (requires CLT approval)	720	180	0	0	0
Total GNGP Resources	***0***	***0***	***0***	***0***	***0***
CCAG2 Balances b/f	(2,071)	0	0	0	0
CCAG2 Forecast resources arising	(3,581)	0	0	0	0
CCAG2 Forecast resources utilised (ongoing works)	2,022	0	0	0	0
CCAG2 Forecast resources utilised (proposed)	3,630	0	0	0	0
Total CCAG2 Resources	***0***	***0***	***0***	***0***	***0***
Anticipated balance b/f	(1,066)	0	0	0	0
Forecast resources arising - borrowing	(22,791)	(12,536)	(15,332)	(19,532)	(10,000)
Forecast resources arising - grants & contributions	(1,362)	0	0	0	0
Forecast resources arising - receipts	(1,746)	(561)	(170)	(110)	(60)
Forecast resources utilised (ongoing works)	6,344	0	0	0	0
Forecast resources utilised (proposed)	3,878	723	4,590	9,532	0
Forecast resources less works proposed to proceed	**(16,744)**	**(12,374)**	**(10,912)**	**(10,110)**	**(10,060)**

Non-housing capital resources	**2017-18 £000s**	**2018-19 £000s**	**2019/20 £000s**	**2020-21 £000s**	**2021-22 £000s**
Forecast resources utilised (ongoing works but requires CLT approval)	724	0	0	0	0
Forecast resources utilised (requires CLT approval)	16,199	12,374	10,912	10,110	10,060
Additional resources required to fund all works requiring CLT approval	***(179)***	***0***	***0***	***0***	***0***

Total other capital resources	***0***	***0***	***0***	***(0)***	***0***
Total non-housing capital resources	**(851)**	**(1,185)**	**(1,163)**	**(1,097)**	**(985)**

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

9.5 Shortfalls against these targets will be managed by continuing the council's policy of not committing spend against forecast resources until the resources materialise, alongside consideration of further use of borrowing where the associated revenue costs are manageable.

9.6 Anticipated borrowing covers mainly costs associated with Threescore, Norwich Airport Industrial Estate regeneration, St Giles multi story car park refurbishment and other asset for investment schemes expected to generate revenue income in excess of the borrowing costs. Individual business cases will be required for each of these schemes to demonstrate that income streams will cover capital and borrowing costs before the schemes go ahead.

10. Capital programme 2017-18 to 2021-22

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

Table 10.1: Capital programme 2017-18 – 2021-22

Non-housing capital programmes	2017-18 £000s	2018-19 £000s	2019/20 £000s	2020-21 £000s	2021-22 £000s
General capital	20,132	13,097	15,502	19,642	10,060
City Cycle Ambition	3,950	0	0	0	0
Community Infrastructure Levy	1,381	2,186	1,924	3,013	3,080
GNGP Strategic Pool Schemes	735	180	0	0	0
Section 106 schemes	119	292	272	209	164
Total expenditure	**26,317**	**15,755**	**17,699**	**22,863**	**13,304**
S106	409	292	272	209	164
CIL Funding	1,381	2,186	1,924	3,013	3,080
GNGP Funding	820	180	0	0	0
Capital Receipts	2,004	561	170	110	60
Grants and Contributions	4,269	0	0	0	0
Proposed Borrowing	17,434	12,536	15,332	19,532	10,000
Total resources applied	**26,317**	**15,755**	**17,699**	**22,863**	**13,304**

10.2 All risks relating to the resourcing and delivery of the capital programme are identified and managed in accordance with the council's risk management strategy

10.3 The table below sets out the elements making up the proposed detailed capital programme 2017-18 to 2021-22, over and above existing programme items rolling forward.

10.4 It is recommended that projects marked with an asterisk should proceed immediately, but those without should require a viable business case to be approved by the corporate leadership team prior to any expenditure being committed.

Table 10.3: Non-Housing Capital Programmes 2017-18 – 2021-22

Scheme		2017-18 £000s	2018-19 £000s	2019/20 £000s	2020-21 £000s	2021-22 £000s
10-14 Ber Street		280	1,898	787	-	-
Acquisition of income generating assets		10,000	10,000	10,000	10,000	10,000
City Hall heating pumps replacement	*	21	-	-	-	-
City Hall Roof Membrane Replacement		283	-	-	-	-
Community Centre Major Repairs	*	69	-	-	-	-
Customer contact centre refurbishment		135	141	-	-	-
Hewett Yard major repairs		33	-	-	-	-
Hurricane Way 16 Demolition		30	-	-	-	-
Hurricane Way 20 Demolition		85	-	-	-	-
Hurricane way 25 Demolition		57	-	-	-	-
Hurricane way 6-14 Demolition		240	-	-	-	-
Investment for Regeneration		50	-	-	-	-
Non trafficked pedestrian bridges / boardwalks		50	30	30	30	30
Norman Centre Bowls Hall Lighting replacement		39	-	-	-	-
Norman centre corridor lighting replacement	*	11	-	-	-	-
Norman Centre Heating Replacement		200	-	-	-	-
Norman Centre roof replacement		39	-	-	-	-
Norwich Airport Industrial Estate phase 1 regeneration		4,000	-	-	-	-
Norwich Parks Tennis expansion	*	415	-	-	-	-
Parks Depots	*	150	85	45	-	-
Pay on foot car park payment machines	*	8	-	-	-	-
Provision of a new CCTV system	*	206	-	-	-	-
Replacement of Multi use games areas		80	75	65	50	-
Replacement of network equipment post BT contract	*	250	-	-	-	-
Riverbank stabilisation (River yare & Wensum)		75	30	30	30	30
St Andrews & Blackfriars Halls - Fire system voice alarm controller	*	11	-	-	-	-
St Giles MSCP Refurbishment	*	475	-	-	-	-
St Giles MSCP - replace central battery system	*	17	-	-	-	-
Threescore Phase 2	*	2,251	638	187	-	-
Threescore Phase 3	*	-	-	4,358	9,532	-
Traveller Site		524	-	-	-	-
Waterloo Park Pavilion Asset Major repairs & improvement	*	50	-	-	-	-
Waterloo Park Pavilion Asset Major repairs & improvement		-	200	-	-	-
Total General Capital Projects		**20,132**	**13,097**	**15,502**	**19,642**	**10,060**
CCAG Programme 2017.18	*	3,745	-	-	-	-
CCAG2 20MPH Yellow	*	203	-	-	-	-
CCAG2 Magdalen Road	*	2	-	-	-	-
Total City Cycle Ambition		**3,950**	**-**	**-**	**-**	**-**
CIL Neighbourhood Funded Schemes		100	216	284	407	493
CIL Contribution GNGB Infrastructure Investment Fund	*	1,281	1,970	1,640	2,606	2,587
Total Community Infrastructure Levy		**1,381**	**2,186**	**1,924**	**3,013**	**3,080**
GNGB Castle Gardens		150	-	-	-	-
GNGB Football Pitch Improvements		115	-	-	-	-
GNGB Marriotts Way Barn Road Gateway		40	-	-	-	-
GNGB Riverside Walk Accessibility Improvements		20	180	-	-	-

GNGB IIF Marriotts Way Andersons Meadow to Sloughbottom Park		250	-	-	-	-
GNGB IIF Riverside Walk Fye Bridge to Whitefriars		160	-	-	-	-
Total Greater Norwich Growth Project		**735**	**180**	**-**	**-**	**-**
S.106 Bowthorpe To Clover Hill Access Improvements	*	27	-	-	-	-
S.106 Mile Cross Gardens Play Scheme	*	76	-	-	-	-
S.106 Riverside Public Transport Improvements	*	16	-	-	-	-
Anticipated S106 Schemes - Future Years		-	292	272	209	164
Total Section 106		**119**	**292**	**272**	**209**	**164**
Total non-housing capital programme 2016-17		**26,317**	**15,755**	**17,699**	**22,863**	**13,304**

11. Progress in reducing the council's carbon footprint

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

Integrated impact assessment

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

Report author to complete	
Committee:	Council
Committee date:	21 February 2017
Head of service:	Justine Hartley, Chief finance officer
Report subject:	General fund revenue budget and non-housing capital programme 2017-18
Date assessed:	13 January 2017
Description:	This integrated impact assessment covers the proposed general fund budget, capital programme and council tax for 2017-18

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	☐	☒	☐	The recommendations of the report will secure continuing value for money in the provision of services to council tax payers and other residents of the city
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	

Advancing equality of opportunity	☒	☐	☐	The proposed budget and transformation programme within this paper covers a wide range of council activity and spend over the next two years. 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 should continue to be carried out at an appropriate time for the individual projects, activities and policies that constitute this budget and transformation programme.
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☐	☒	☐	The proposed capital programme will provide for improvements to the council's assets and the surrounding environment
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☐	☒	☐	The proposed capital programme will provide for improvements in thermal and carbon efficiency

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	☐	☒	☐	The risks underlying the proposed budgets, council tax and capital programme have been assessed and prudent provision made for the financial consequences of those risks both within the budgets and the recommended prudent minimum level of general fund reserves

Recommendations from impact assessment
Positive
None
Negative
None
Neutral
None
Issues
None

Consultation responses on the proposed budget for 2017-18

Across the whole consultation a total of 970 responses were received. The data represents the results from those 970 responses. No data has been weighted

Responses were also sought on the proposed approaches to change ways of working and to save money or generate income. The detailed ideas will be analysed further and used to inform the future development of income and savings options.

QB1: To what extent do you support the council raising its share of council tax by 2.05 per cent in 2017-18 and using that money to protect key services in the future?

Strongly agree	29.66%
Agree	25.05%
Neither agree nor disagree	10.28%
Disagree	9.64%
Strongly disagree	23.66%
Don’t know	1.71%

In total, **55.71%** support this, against 33.30% who were against it.

QC1: Do you agree the council should continue to increase ‘applicable amounts’ for the scheme to protect those on low incomes?

Yes	60.96%
No	25.80%
Don’t’ know	13.24%

QC2: Do you agree we should allow a Universal Credit claimant to remain eligible for CTRS during a period when they are not receiving Universal Credit?

Yes	48.74%
No	31.74%
Don’t know	19.52%

QC3: Do you agree we should reduce the backdating of CTRS from six to two months?

Yes	56.65%
No	24.31%
Don’t know	19.04%

QC4. Do you agree we should change CTRS to match recent changes in housing benefit regulations for applicants temporarily living away from Great Britain?

Yes	0.89%
No	17.22%
Don’t know	21.89%

APPENDIX 2

Movements in budget 2017-18 by type

Table A2.1: Adjustments to base budgets

Adjusted Base / Transfers	£000s
Change to the GF contribution to/from reserves (per MTFS)	(1,140)
Revenue contribution to capital for Disabled Facilities Grants	300
Revenue contribution to capital programme	250
Planned decrease in contingency	(124)
Changes to non-central departmental recharge changes	(256)
Changes to Central Departmental Support recharges	(526)
Total Adjusted Base / Transfers	**(1,496)**

Table A2.2: Growth and Inflation

Inflation	£000s
Contract/expenditure inflation	378
Staff salary inflation and increments	285
Pension added years inflationary adjustment and deficit inflationary adjustment	511
Total Growth and Inflation	**1,174**

Table A2.3: Grant Changes

Grant changes	£000s
Reduction in New Homes Bonus	1,091
Removal of PFI grant	1,429
Reduction in Housing Benefit Admin grant	66
Movement in budgeted Local Council Tax Support Grant	-3
DWP New Burdens grant	-8
Total Grant Changes	**2,575**

Table A2.4: Transformation Savings/Income

Transformation Savings/Income	£000s
See Appendix 3 for further detail	(3,287)
	(3,287)

Table A2.5: Transformation Growth

Growth	£000s
Reduction in interest income	300
Impact of business rates revaluation	363
Contribution to earmarked insurance reserve	99
Apprenticeship levy	90
Impact of licensing loss of income (legal ruling)	60
Increased cost of Local Plan development	50
Investment for regeneration	50
Riverside Mgt Fee	21
Additional internal audit days	15
Increase in MRP charges	87
Total Transformation Growth	**1,135**

Table A2.6: Other Savings/Income

Other Savings/Income	£000s
Additional Income (individually under £10k)	(27)
Savings (individually under £10k)	(42)
Total Other Savings/Income	**(69)**

APPENDIX 3

Transformation Plan 2017-18 to 2018-19

No.	Service Area	Description of key savings / income projects	2017-18 £'000	2018-19 £'000
1	Neighbourhoods	Introduce a collection charge for hazardous waste collections	(4)	
2	Neighbourhoods	Increase subscription charges for the garden waste collection service	(11)	(11)
3	Neighbourhoods	Cemeteries service provision	(50)	(50)
4	Neighbourhoods	Increase charges for bulky waste collections	(2)	(2)
5	Neighbourhoods	Reduce costs of street cleansing service	(69)	
6	Neighbourhoods	Remove Geographic Information System post from establishment as work covered by other posts	(8)	
7	Neighbourhoods	Extending access by replacing grass tennis courts with 4 all-weather courts		(42)
8	Neighbourhoods	Introduction of footgolf at Mousehold	(8)	
9	Neighbourhoods	Review of facilities within parks, open spaces and play areas		(125)
10	Neighbourhoods	Review of Citywide recharges between the General Fund and HRA	(50)	
11	Neighbourhoods	Increasing profit margin from joint venture	(5)	(5)
12	Neighbourhoods	Increase market rental income	(119)	
13	Neighbourhoods	Improved self-serve for licensing processes	(34)	
14	Neighbourhoods	Selling Food Hygiene/Health & Safety courses and new business advice		(5)
15	Neighbourhoods	No inflation for joint venture	(120)	(120)
16	Neighbourhoods	Reduce litter bin budget	(10)	
17	Neighbourhoods	Charge full cost for pest control treatments	(5)	(5)
18	Regen & Growth	City growth and development revenue cost reduction	(36)	
19	Regen & Growth	Mile Cross Business Centre cost reduction	(56)	
20	Regen & Growth	Economic development unit projects		(85)
21	Regen & Growth	Investment property income growth	(75)	(150)
22	Regen & Growth	Reduce public lighting costs	(40)	
23	Regen & Growth	Development of Threescore phase 2 for mixture of private sale, private rent and social rent property	(123)	(57)
24	Regen & Growth	Income from new Rose Lane multi-storey car park	(180)	(184)
25	Regen & Growth	Increased income from car parks and potential new car parks		(272)
26	Regen & Growth	Housing improvement cost recovery	(12)	
27	Regen & Growth	Energy Performance	(50)	
28	Customers, Comms & Culture	Norman Centre income	(6)	(6)
29	Regen & Growth	Increase in planning consultancy income	(22)	
30	Business Services	Reduce ICT development budget	(100)	

No.	Service Area	Description of key savings / income projects	2017-18 £'000	2018-19 £'000
31	Business Services	Review of partnership costs across all areas	(350)	(150)
32	Business Services	Increase trading of joint venture	(40)	(20)
33	Business Services	Webcapture project	(55)	
34	Business Services	Democratic services and elections re-organisation	(41)	
35	Business Services	Housing benefit subsidy rebate	(130)	
36	Business Services	Removal of one-off network cost incurred in 16/17	(100)	
37	Business Services	Reduced training budget	(5)	
38	Business Services	Recruitment	(10)	
39	Business Services	HR Supplies and services	(5)	(7)
40	Cross-cutting	Overall review of joint venture working	(81)	(65)
41	Cross-cutting	Review of fees and charges		(60)
42	Cross-cutting	Advertising income	(52)	
43	Cross-cutting	Organisational review	(33)	
44	Cross-cutting	Customer contact and service standards model	(250)	(250)
45	Cross-cutting	Fleet review	(24)	
46	Cross-cutting	Carbon management programme and night watchman	(35)	(35)
47	Cross-cutting	Accommodation and work styles	(84)	
48	Cross-cutting	Vacancy management	(150)	
49	Cross-cutting	Savings in property and property management costs		(300)
50	Cross-cutting	Management savings		(100)
51	Cross-cutting	Specialist technical services		(50)
52	Cross-cutting	Streamlining of processes		(300)
53	Regen & Growth	Increase rental income	(41)	
54	Regen & Growth	Additional income for highways activity and staff	(38)	
55	Cross-cutting	Council tax in year collection		(30)
56		Appendix 5 items	(568)	(369)
		Total Savings/Additional Income	**(3,287)**	**(2,855)**
		Assumed Growth	**1,135**	**750**
		Council tax increase and improved collection	**(184)**	
		Net Saving	**(2,336)**	**(2,105)**

Calculation of prudent minimum balance

Estimate of prudent level of General Fund reserves 2016-17 Page 1/2

Description	Level of risk			Amount at risk	Risk
Employee Costs	*Medium*			20,188,816	40,378
Premises Costs	*Medium*			10,681,096	40,054
Transport Costs	*Medium*			278,046	1,564
Supplies & Services	*Medium*			16,420,848	246,313
Third Party Payments	*Medium*			4,993,739	37,453
Transfer Payments	*Medium*			62,283,699	186,851
Receipts	*Medium*			-25,180,289	132,197
Grants & Contributions	*Low*			-65,835,243	98,753
Total One Year Operational Risk					783,562
Allowing three years cover on operational risk					**2,350,686**
Balance Sheet Risks					
Issues arising from Annual Governance Report	*0*	@	100%		0
General & Specific Risks					
Unforeseen events	2,000,000	@	50%		1,000,000
Legal action – counsels' fees	100,000	@	100%		100,000
Council Tax Reduction	700,000	@	10%		70,000
Business Rates retention	500,000	@	100%		500,000
Litigation / claims	700,000	@	20%		140,000
ESTIMATED REQUIRED LEVEL OF GENERAL FUND RESERVES					**4,160,686**

Operational cost risk profiles

		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	30,283	40,378	30,283
Premises Costs	overspend	2.50%	5.00%	7.50%
	probability	10.0%	7.5%	5.0%
	amount at risk	26,703	40,054	40,054
Transport Costs	overspend	5.00%	7.50%	10.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	1,390	1,564	1,390
Supplies & Services	overspend	5.00%	10.00%	15.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	164,208	246,313	246,313
Third Party Payments	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	24,969	37,453	37,453
Transfer Payments	overspend	1.00%	2.00%	3.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	155,709	186,851	186,851
Receipts	shortfall	2.00%	3.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	125,901	132,197	125,901
Grants & Contributions	shortfall	1.00%	1.50%	2.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	98,753	98,753	65,835

General fund revenue budget and capital programme 2017-18 – Statutory Council Tax Resolution

The Council is recommended to resolve as follows:

1. That the Chief finance officer has estimated the Council Tax Base 2017-18 for the whole Council area as 35,067 [Item T in the formula in Section 33(1) of the Local Government Finance Act 1992, as amended (the 'Act')] and,

2. To calculate that the Council Tax requirement for the Council's own purposes for 2017-18 (excluding Parish precepts) is £8,732,034

3. That the following amounts be calculated for the year 2017-18 in accordance with Sections 32 to 36 of the Act:

(a)	£203,418,923	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a)-(e) of the Act taking into account all precepts issued to it by Parish Councils.
(b)	£194,686,889	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a)-(c) of the Act.
(c)	£8,732,034	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 33(1) of the Act)
(d)	£249.01	being the amount at 3(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
(e)	0	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
(f)	£249.01	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1 above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4. That it be noted that for the year 2017-18 the Norfolk County Council and the Police & Crime Commissioner for Norfolk have issued precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.

Band	A	B	C	D	E	F	G	H
County	£831.96	£970.62	£1,109.28	£1,247.94	£1,525.26	£1,802.58	£2,079.90	£2,495.88
Police	£144.78	£168.91	£193.04	£217.17	£265.43	£313.69	£361.95	£434.34

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2017-18 for each part of its area and for each of the categories of dwellings.

Band	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
City	£166.01	£193.67	£221.34	£249.01	£304.35	£359.68	£415.02	£498.02
County	£831.96	£970.62	£1,109.28	£1,247.94	£1,525.26	£1,802.58	£2,079.90	£2,495.88
Police	£144.78	£168.91	£193.04	£217.17	£265.43	£313.69	£361.95	£434.34
Total	**£1,142.75**	**£1,333.20**	**£1,523.66**	**£1,714.12**	**£2,095.04**	**£2,475.95**	**£2,856.87**	**£3,428.24**

6. To determine in accordance with Section 50 Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2017-18 is not excessive in accordance with principles approved by the Secretary of State under Section 54.

Report to	Council	**Item**
	21 February 2017	**7**
Report of	Chief finance officer	
Subject	Housing rents and budgets 2017-18	

Purpose

To propose for approval the Housing Revenue Account budget for 2017-18, council housing rents for 2017-18, the prudent minimum level of HRA reserves 2017-18, and housing capital programme 2017-18 to 2021-22.

Recommendation

1) To approve cabinet's recommendations of 8 February for the 2017-18 financial year, to:

   a) implement the minimum 1% rent reduction in accordance with legislation set down in the Welfare Reform and Work Act 2016. (para 5.8).

   b) approve the proposed Housing Revenue Account budgets (para 3.1 and Appendices 1 and 3).

   c) approve the prudent minimum level of housing reserves (para 6.5).

   d) approve the proposed housing capital programme 2017-18 to 2021-22 (para 8.1).

   e) approve that garage rents increase by 2% (para 5.12)

2) To note that service charges will be determined under delegated powers in compliance with the constitution (para 5.13).

Corporate and service priorities

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

Financial implications

These are set out in the body of the report

Ward/s: All wards

Cabinet members: Councillor Harris **-** Deputy leader and housing and wellbeing
Councillor Stonard – Resources and business liaison

Contact officers:		
	Justine Hartley, chief finance officer	01603 212440
	Shaun Flaxman, group accountant	01603 212805

Background documents

None

Report

1. Contents of report

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

2. Budgetary context
3. Summary HRA Budget 2016-17 into 2017-18
4. Background to financial Planning for the HRA
5. Council Housing Rents
6. Report by the Chief Financial Officer on the robustness of estimates, reserves and balances
7. Housing Capital Resources 2016-17-2020/21
8. Recommended Housing Capital Programme 2016-17 to 2020/21

Appendix 1 Budget movements by type

Appendix 2 Calculation of Prudent Minimum Balance

2. Budgetary context

2.1 The Housing Revenue Account (HRA) is a ring fenced account that the authority must maintain in relation to its council housing stock. The HRA must fund all expenditure associated with the management and maintenance of the housing stock. The HRA is a complex account, the format of which is prescribed by government.

2.2 The HRA moved from a position of being heavily influenced by central government, through the Housing Subsidy system, to a position under Self-Financing where the council had considerably greater discretion over the use of HRA resources. Rent and other income under Self-Financing, remain within the council's HRA rather than being subsumed into a national pool. However, the level of government influence on the HRA increased again in 2015 with the introduction of a mandatory reduction in social rent levels, and with the introduction of measures included within the Housing and Planning Act 2016.

2.3 The proposed budgets have been drawn up within the framework of the Corporate Plan, corporate Medium Term Financial Strategy (MTFS), the Neighbourhood & Strategic Housing Services' Service Plans, the HRA Business Plan, the Housing Asset Management Plan, and the Housing Investment Strategy.

3. HRA Budget 2016-17 into 2017-18

3.1 The following table shows the proposed budget in summarised statutory form assuming a rent reduction in line with provisions in the Welfare Reform and Work Act 2016 (see para 5.8).

Statutory Division of Service	Original Budget 2016-17 £000s	Draft Budget 2017-18 £000s	Change £000s
Repairs & Maintenance	15,499	13,815	(1,684)
Rents, Rates, & Other Property Costs	5,937	5,789	(148)
General Management	11,393	12,115	722
Special Services	5,069	5,090	21
Depreciation & Impairment	22,140	21,992	(148)
Provision for Bad Debts	334	223	(111)
Gross HRA Expenditure	**60,372**	**59,024**	**(1,348)**
Dwelling Rents	(58,973)	(57,692)	1,281
Garage & Other Property Rents	(2,224)	(2,169)	55
Service Charges – General	(8,343)	(8,374)	(31)
Adjustments & Financing Items (including revenue contribution to capital)	26,248	20,030	(6,218)
Miscellaneous Income	(75)	(85)	(10)
Amenities shared by whole community	(549)	(586)	(37)
Interest Received	(175)	(175)	0
Gross HRA Income	**(44,091)**	**(49,051)**	**(4,960)**
Total Housing Revenue Account	**16,281**	**9,973**	**(6,308)**

3.2 The £6.308m movement from £16.281m to £9.973m use of reserves can be analysed by type of movement and statutory division of service as follows:

	General Mgt	Rents and Service Charges	Repairs & Maintenance	Special Services	Other HRA	Total HRA
Adjustment to base/ recharges	905	(38)	(22)	(9)	(6,537)	**(5,701)**
Inflation	79	0	3	128	(1)	**209**
Growth	(3)	585	0	58	136	**775**
Savings	(564)	(732)	(1,423)	(92)	(120)	**(2,930)**
Income increase	0	(173)	(132)	0	(125)	**(430)**
Income reduction	151	1,450	0	0	169	**1,769**
Transfers	178	(27)	(109)	(87)	45	**0**
Draft budget 17/18	**745**	**1,065**	**(1,684)**	**(1)**	**(6,433)**	**(6,308)**

Details of budget movements by type are shown in Appendix 1.

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

Item	£000s
Brought Forward from 2015-16	(26,190)
Forecast use of balances 2016-17	9,102
Forecast Carry Forward to 2017-18	(17,088)
Draft Budget 2017-18	9,973
Forecast Carry Forward to 2018-19	**(7,115)**

3.4 A forecast reduction in the planned use of the HRA reserve balance in 2016-17 will provide a substantial resource that is planned to be utilised to fund capital expenditure in 2017-18. This will bring resources down closer to the recommended minimum balance and reduce the requirement to borrow, which incurs greater costs.

4. Background to financial planning for the HRA

4.1 Financial planning for the HRA is based upon the 30-year Business Plan. In February 2016, members approved a housing capital plan which, despite the implementation of a mandatory 1% rent reduction, indicated that it would be possible to repay HRA borrowing within the 30 year HRA business plan.

5. Council housing rents

Rent policy context

5.1 In December 2002 the executive agreed to introduce the government's Rent Restructuring from April 2003. Under this system a target rent for each property was calculated. Rents for individual properties were set to collect the general increase, and move rent levels towards the target rents. The government initially intended that council and registered social landlord rents - for properties of similar sizes and locations - would converge by April 2011 and then extended to April 2017. This meant that the amount of increase in rent could vary for properties depending on how near they were to the target rent as calculated by the Rent Restructuring Formula.

5.2 From 2012-13, the housing subsidy system was abolished and councils are now self-financing. The proceeds of rent increases now remain with the council instead of being negated by housing subsidy payments.

5.3 Under the previous subsidy system, the council was able to finance the Decent Homes Standard, but was unable to maintain service and investment standards in the medium and long term. The introduction of self financing improved this position, enabling a higher level of investment, which has informed the recent capital programmes.

5.4 More significantly for council landlords, the self-financing regime relies on councils raising sufficient money through rents to fund their liabilities and investment needs, assessed through their HRA Business Plans.

5.5 The level of rent tenants pay was historically a decision for the council, but it was the expectation of ministers and assumption of the HRA business plan that authorities would follow the guidelines.

5.6 For 2014-15, the combination of September 2013 inflation at 3.2% and the movement towards converging rents 2016-17 meant that following rent restructuring formula would have generated an average rent increase of

5.57% for Norwich tenants. However, having considered the financial implications, this council determined that an increase of 1.5% should be applied to all rents, with no additional movement towards convergence with target rents.

5.7 For 2015-16, the government's rent policy changed to state that rent should be increased by Consumer Price Index (CPI) as of September the preceding year, plus 1% and that rent would no longer converge with target rents. This equated to a rent increase of 2.2% for Norwich tenants.

5.8 For 2016-17, the government's rent policy was replaced by a mandatory minimum 1% reduction in rent for a four year period until the end of March 2020. The reduction was set out in the Welfare Reform and Work Act 2016.

2017-18 rent adjustment

5.9 The mandatory 1% rent reduction continues for 2017-18, which for Norwich tenants, generates an average weekly rent of £77.93 which equates to an average reduction of £0.79.

5.10 In order to mitigate the negative impact of the rent reduction, it has been necessary to make changes to future proposed capital programmes to ensure that HRA borrowing continues to remain within allowable borrowing limits.

5.11 This council has invested significantly in improving its housing stock over recent years to its own 'Norwich standard'. That programme is due to complete in 2017-18 and as a result, future expenditure will reduce. In order to meet the required spend reductions, scheduled work continues to be aligned to the full extent of current expected lifecycles and only essential maintenance and upgrades will be carried out from 2018-19. In addition, reductions in cost continue to be secured as a result of contract retendering.

5.12 It is proposed that garage rents are increased by 2%. This is in line with the government formula for dwelling rents prior to the implementation of the mandatory rent reduction, based on CPI as at the preceding September (1%) plus 1%.

5.13 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.

Update on Housing and Planning Act 2016

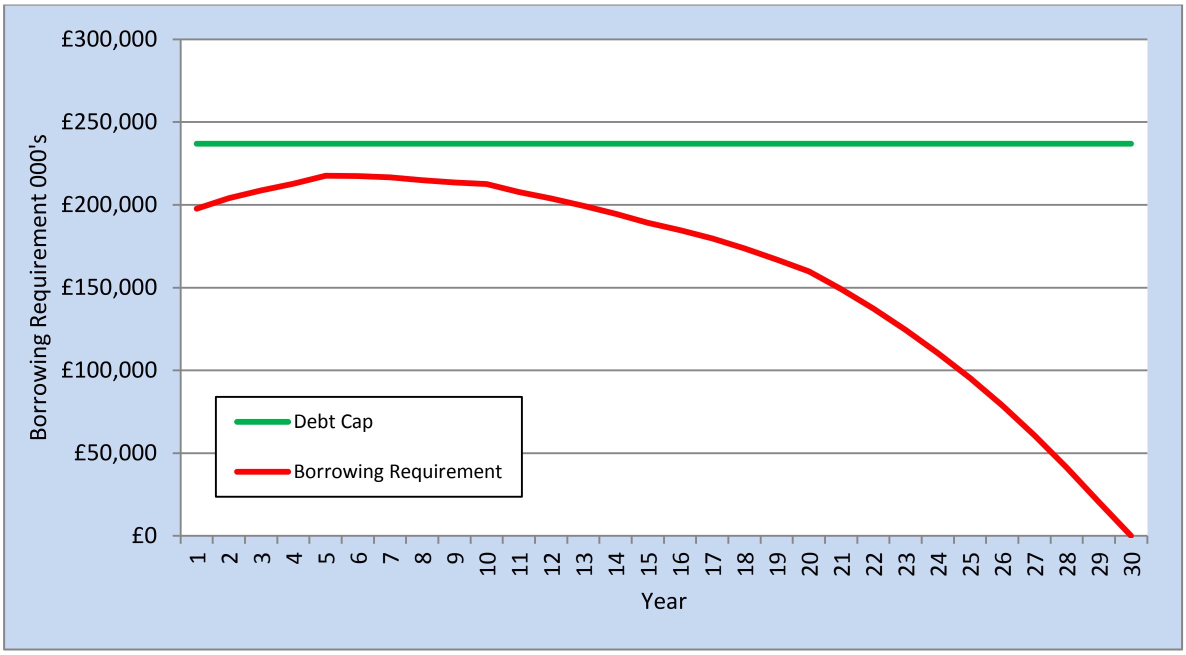
5.14 The Housing and Planning Act 2016 introduced the following two elements with potential significant financial impact on the HRA Business Plan:

- Pay to Stay (requiring social housing households earning over £31,000 per annum to pay at or near market rents)
- Extension of Right to Buy to Registered Providers (enabling financial losses resulting from discount to be recovered from the funds generated by the sale of high value void council dwellings)

5.15 It was anticipated that as a result of increased rents, the Pay to Stay requirements would generate an increased level of Right to Buy sales following its implementation. However, the government have subsequently announced that they no longer plan to implement this element of the Act, therefore the HRA business plan has been updated to reflect this.

5.16 In order to compensate Registered Providers for financial losses incurred as a result of the extended Right to Buy legislation, the Housing and Planning Act made provision for a determination to be imposed on Housing Revenue Accounts based on the value of their stock, in lieu of being forced to sell high value void dwellings. It has been indicated that the sum may represent an additional significant annual capital cost, but the formula upon which the determination will be based is still unknown and it is therefore not possible to estimate the cost to the council or to draw up any detailed plans to address this. However, the government has confirmed that there will be no determination levied in the 2017-18 financial year.

5.17 The chart below illustrates the impact on the updated HRA Business Plan and HRA borrowing requirement of the proposed 2017-18 budgets and housing capital programme with rent continuing to reduce by 1% for the next 3 years. This demonstrates that the borrowing can be repaid within the 30 year life of the business plan.



6. Report by the chief financial officer on the robustness of estimates, reserves and balances

6.1 Section 25 of the Local Government Act 2003 requires that the chief finance officer of the authority reports to members on the robustness of the budget estimates and the adequacy of council's reserves.

6.2 The chief finance officer is required to provide professional advice to the council on the two above matters and is expected to address issues of risk and uncertainty.

Estimates

6.3 As with all future estimates there is a level of uncertainty and this has been taken into account when building the business plan and assessing the levels of reserves. In particular, until the level of the anticipated high value voids determination is known detailed actions to address it cannot be built into the HRA business plan. We do know that there will be no determination levied in 2017-18 so at this stage no allowance has been made for the determination in the plan other than to retain an amount of £2.75m in the prudent minimum balance of HRA reserves to contribute to any future pressure arising from the introduction of this payment. When the business plan is revised for 2018-19 more information on the level of the determination should be available. The government's expectation is that the council will sell properties which become empty to fund the determination.

6.4 Allowing for the above comment on uncertainty and the need to adapt the plan in future years once the value of the high value determination is known, it is the opinion of the chief finance officer that in the budgetary process all reasonable steps have been taken to ensure the robustness of the budget.

Reserves

6.5 A risk assessment has been undertaken to determine the level of HRA general reserves required by the council, which has been set at £5.885m as set out in Appendix 2.

6.6 In making a recommendation for the level of reserves the chief finance officer has followed guidance in the CIPFA LAAP Bulletin 77 – Guidance notes on Local Authorities Reserves and Balances.

6.7 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

6.8 HRA earmarked reserves remain legally part of the HRA although they are accounted for separately.

6.9 There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

a) the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992)
b) Chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement (England and Wales)
c) the requirements of the Prudential Code
d) auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.

6.10 Whilst it is primarily the responsibility of the local authority and its chief finance officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

Role of the chief finance officer

6.11 Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose. The risk analysis attached as Appendix 2 shows that an adequate level of HRA reserves for the Council will be in the order of £5.885m.

7. Housing capital resources 2017-18-2021-22

7.1 The abolition of the HRA subsidy system from 1 April 2012 and the inception of 'self-financing' for council housing allowed the council, in consultation with its tenants, to develop plans for increased investment in maintaining and improving council housing in Norwich.

7.2 The additional resources made available by retaining rent income within the city, rather than passing surpluses to the government, enabled the council to adopt the Norwich Standard for maintenance and improvements of tenants' homes rather than the basic Decent Homes Standard and to adopt a Housing Investment Strategy (as considered by cabinet on 14 November 2012) to deliver new council housing, reconfiguration of sheltered housing, estate renewal, renewable energy solutions, and support to private sector housing in the city.

7.3 The following table indicates the anticipated levels of resources available to the Housing Capital Programme in future years.

Housing Capital Resources	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**	**2021/22 £000s**
Forecast resources brought forward	0	0	0	0	0
Capital grants	(951)	(882)	(882)	(882)	(882)
Major Repairs Reserve - depreciation charges	(6,925)	(11,906)	(13,781)	(13,679)	(13,204)
HRA borrowing from headroom under debt cap	(8,788)	(484)	(200)	0	0
Revenue Contribution to Capital	(19,677)	(8,340)	(7,248)	(6,396)	0
Contributions to costs	(250)	(250)	(250)	(250)	(250)
Section 106 Commuted Sum	(817)	0	0	0	0
Capital receipts - properties uneconomic to repair	(866)	(866)	(866)	(866)	(866)
Capital receipts arising from RTB	(3,032)	(2,950)	(2,328)	(1,940)	(1,940)
Retained "one for one" RTB Receipts	(10,044)	(2,608)	(3,574)	(2,000)	(2,000)
Gross forecast resources	**(51,349)**	**(28,286)**	**(29,129)**	**(26,012)**	**(19,141)**
Forecast resources utilised	51,349	28,286	29,128	26,012	19,142
Forecast resources carried forward	**0**	**0**	**0**	**0**	**0**

7.4 Proposed housing capital expenditure includes continuing to maintain the structural integrity of tenants' homes, delivering the Norwich Standard of maintenance and improvement, and investment in accordance with the objectives set out in the Housing Investment Strategy.

7.5 All planned capital costs and resources are incorporated into the HRA Business Plan projections.

7.6 All risks relating to the resourcing and delivery of the capital plan are identified and managed in accordance with the council's *Risk management strategy*.

8. Recommended housing capital programme 2017-18 – 2021-22

8.1 The following table details the proposed *Housing capital programme* for approval:

Scheme	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Proposed carry-forward from 2016/17	7,089				
Home Upgrades	6,819	6,699	5,785	5,785	4,635
Heating Upgrades	4,057	4,050	2,750	3,750	3,150
Window & Door Upgrades	2,004	1,455	1,355	455	205
Insulation	660	660	500	400	200
Community Safety & Environment	494	150	150	150	150
Sheltered Housing Regeneration	550	115	113	113	112
Preventative Maintenance	6,969	7,825	7,925	7,825	5,385
Supported Independent Living	1,180	800	800	800	800
Site Formation	50	50	50	50	50
Fees	755	755	755	755	755
Neighbourhood Housing	**30,628**	**22,559**	**20,182**	**20,082**	**15,442**
Proposed carry-forward from 2016/17	5,514				
New Build Social Housing	7,213	2,027	5,246	2,230	0
RTB Buyback Programme	500	500	500	500	500
Housing Investment	**13,227**	**2,527**	**5,746**	**2,730**	**500**
Proposed carry-forward from 2016/17	69				
Capital Grants to Housing Associations	6,226	2,000	2,000	2,000	2,000
Home Improvement Agency Works	1,200	1,200	1,200	1,200	1,200
Strategic Housing	**7,495**	**3,200**	**3,200**	**3,200**	**3,200**
Total Housing Capital Programme	**51,349**	**28,286**	**29,128**	**26,012**	**19,142**

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

Housing Capital Programme	2014/15 Outcomes	2015/16 Outcomes	2016/17 Outcomes	2017/18 Planned	*Change 2016/17 to 2017/18*
New kitchens	1,557	1,575	1,144	508	-636
New bathrooms	1049	1,049	1,559	587	-972
Heating systems/boilers	999	984	617	791	174
New composite doors	4,015	2,622	3,032	1,740	-1,292
New PVCu windows	34	68	69	126	57

8.3 These outcomes reflect the end of the windows programme, and the continued focus on the replacement doors programme.

8.4 In addition, future capital programmes anticipate the building of 163 new council homes over the next 5 years.

8.5 The capital programme proposed above will be supplemented by resources and commitments brought forward from the 2016-17 capital programme.

Integrated impact assessment	NORWICH City Council

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

Report author to complete	
Committee:	Council
Committee date:	21 February 2017
Head of service:	Justine Hartley, chief finance officer
Report subject:	Housing Budgets and Rents 2017-18
Date assessed:	
Description:	This integrated impact assessment covers the proposed housing budgets and council housing rents for 2017-18.

	Impact			
Economic (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	☒	☐	The recommendations of the report will secure continuing value for money in the provision of works and services to council tenants
Other departments and services e.g. office facilities, customer contact	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

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

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

APPENDIX 1

Draft Housing Revenue Account budgets 2017-18

Budget movements by type

Adjustment to Base / Transfers	£000s
Increase in contingency budget	379
Increase in corporate recharges	504
Other recharge changes	(157)
Revenue Contribution to Capital	(6,427)
Adjustment to Base / Transfers	**(5,701)**

Inflation/Pensions Growth	£000s
Contract/expenditure inflation (including living wage impact)	97
Staff salary inflation and increments	74
Pension added years and pension deficit inflationary adjustments	38
Total Inflation/Pensions Growth	**209**

Growth	£000s
Increase in estimated depreciation costs	570
Increase in contribution to insurance ear-marked reserve	138
Additional recharges resulting from review of citywide recharges between the GF and HRA	50
Increase in corporate debt management costs	13
Other growth (under £10k)	4
Total inflation and Growth	**775**

Income Reduction	£000s
Reduction in rents	1,449
Increased voids on garage rentals	134
Loss of funding from the County Council for Families Unit	151
Reduced rental income on commercial properties	35
Income Reduction	**1,769**

Savings	£000s
Savings from repairs and maintenance programme	(1,364)
Reduction in Item 8 debt costs	(732)
Housing management restructure	(125)
Reduction in professional advice budgets	(154)
Reduction in garage repairs budget	(50)
Budget for software costs no longer required	(44)
Saving from centralisation of pool car fleet	(35)
Reduced budget on sheltered alarm contract costs	(33)
Closed area offices	(17)
Other savings (individually under £10k)	(75)
Appendix 5 items	(301)
Total Savings	**(2,930)**

Income Increase	£000s
Lower anticipated void rate on council properties	(169)
Increased income for tenant contributions to repairs	(132)
Increase in income from garage rentals	(105)
Additional Income (individually under £10k)	(24)
Income Increase	**(430)**

APPENDIX 2

Housing Revenue Account – Prudent Minimum Balance

Estimate of prudent level of HRA reserves 2017-18

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Description	Level of risk	Amount at risk	Risk
Employee Costs	*High*	6,301,030	31,505
Supplies and Services	*High*	2,466,566	5,933
Premises Costs	*High*	7,821,884	19,555
Transport Costs	*High*	122,209	306
Contracted Services	*Medium*	14,241,170	106,809
Fees and Charges	*Medium*	1,914,875	28,723
Investment Income	*Medium*	175,000	5,250
Rents & Service Charges	*Low*	67,238,141	168,095
Financing Items	*Medium*	31,709,938	95,130
Total One Year Operational Risk			461,539
Allowing three years cover on operational risk			**1,384,617**
Balance Sheet risk			
Issues arising from Welfare reform			**750,000**
General Risk			
Unforeseen events			**1,000,000**
Inability to fund future high value voids determinations			**2,750,000**
ESTIMATED REQUIRED LEVEL OF HRA RESERVES			**5,884,617**

Operational cost risk profiles

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		Low Risk	*Med Risk*	*High Risk*
Employee Costs	overspend	1.00%	2.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	15,753	23,629	31,505
Supplies and Services	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	2,467	4,625	6,166
Premises Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	7,822	14,666	19,555
Transport Costs	overspend	1.00%	2.50%	5.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	122	229	306
Contracted Services	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	71,206	106,809	106,809
Fees and Charges	overspend	5.00%	10.00%	15.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	23936	28723	28723
Investment Income	shortfall	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	3,500	5,250	5,250
Rents & Service Charges	shortfall	1.00%	1.50%	2.00%
	probability	25.0%	15.0%	5.0%
	amount at risk	168,095	151,286	67,238
Financing Items	overspend	1.00%	2.00%	3.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	47,565	95,130	47,565

Report to	Council		**Item**
	21 February 2017		
Report of	Chief Finance Officer		8
Subject	Treasury management strategy 2017-18		

Purpose

To outline the council's prudential indicators for 2017-18 through to 2020-21 and sets out the expected treasury operations for this period. It fulfils three key reports required by the Local Government Act 2003:

- The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The Minimum Revenue Provision (MRP) Policy, as required by Regulation under the Local Government and Public Involvement in Health Act 2007 (Appendix A); and
- The treasury strategy in accordance with the CIPFA Code of Practice on Treasury Management.

The investment strategy is in accordance with the Department of Communities and Local Government investment guidance

Recommendation

To approve each of the key elements of this report:

1. The Capital Prudential Indicators and Limits for 2017-18 through to 2020-21 contained within paragraphs 7 - 12 of this report
2. The Borrowing Strategy 2017-18 through to 2020-21 (paragraphs 21 – 24)
3. The Treasury Prudential Indicators (paragraphs 25 - 28), including the Authorised Limit (paragraph 26)
4. The Minimum Revenue Provision (MRP) policy statement contained in paragraph 13
5. The Investment Strategy 2017-18 (paragraphs 29 – 55) and the detailed criteria included in Appendix 3

Corporate and service priorities

The report helps to meet the corporate priority "value for money services"

Financial implications

The report has no direct financial consequences however it does set the guidelines for how the council manages its borrowing and investment resources

Ward/s: all wards

Cabinet member: Councillor Stonard – resources and business liaison

Contact officers

Justine Hartley, chief finance officer	01603 212440
Philippa Dransfield, chief accountant	01603 212652

Background documents

None

Introduction

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.

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 any debt previously drawn may be restructured to meet council risk or cost objectives.

3. CIPFA defines treasury management as:

   "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 optimum performance consistent with those risks."

4. The council initially adopted the CIPFA Code of Practice on 2 April 2002 and has, through the annual strategy, adopted any subsequent changes or revisions. The adoption of the Code of Practice and the requirement to follow the Code is a requirement under statutory instrument.

The treasury management policy statement

The council defines its treasury management activities as:

5. The management of the organisation'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 optimum performance consistent with those risks.

6. The council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

7. The council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Reporting requirements

8. The council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. Where Cabinet receives the reports, it is required to report these to full council. These are:

A treasury management strategy statement, including prudential and treasury indicators (this report) - The first, and most important report approved by full council covers:

- capital plans, including prudential indicators;
- the treasury management strategy, including treasury indicators; and
- the Minimum Revenue Provision (MRP) policy, describing how residual capital expenditure is charged to revenue over time;
- the investment strategy.

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

An annual treasury management report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

9. The **treasury management strategy statement** 2017-18 covers the following areas:

Capital
- capital plans and prudential indicators
- minimum revenue provision (MRP) strategy

Borrowing
- current treasury management position
- prospects for interest rates
- borrowing strategy, including the policy on borrowing in advance of need and debt rescheduling
- treasury indicators: limits to borrowing activity and affordability, designed to limit the treasury risk to the council

Investments
- annual investment strategy
- creditworthiness policy

Other
- training
- policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

Capital

Capital plans and prudential indicators

10. The council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

11. **Capital expenditure:** This prudential indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Non-HRA	14,252	13,159	35,075	14,755	17,698	22,864
HRA	36,577	35,663	51,281	28,211	29,053	25,937
Total Expenditure	**50,829**	**48,822**	**86,356**	**42,966**	**46,751**	**48,801**

The financing need in the table above excludes other long term liabilities such as leasing arrangements which already include borrowing instruments.

Capital expenditure for 2017-18 differs from the proposed capital programme as the figures in the table above include non-housing capital expenditure of £8.8m that is expected to be requested to be carried forward at the end of 2016-17 which has already been approved and is therefore not included in the capital programme to be approved.

12. The table below shows how capital expenditure plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing need.

Capital Funding	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Financed by:						
Capital receipts	16,279	5,340	16,246	6,985	6,938	4,916
Capital grants	7,404	5,906	8,897	3,790	3,328	4,354
Capital reserves	12,691	2,799	6,925	11,906	13,781	13,679
Revenue	9,460	22,324	22,366	8,508	7,360	6,321
HRA Non- dwelling depreciation	460	564				
Total Resources	**46,294**	**36,368**	**54,434**	**31,189**	**31,407**	**29,270**
Net financing need for the year	**4,535**	**12,454**	**31,922**	**11,777**	**15,344**	**19,531**

13. **The council's borrowing need (the Capital Financing Requirement):** The second prudential indicator is the council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's

underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR.

14. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

15. The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of scheme include a borrowing facility and so the council is not required to separately borrow for these schemes. The council currently has £1.09m of such schemes within the CFR.

The council is asked to approve the CFR projections below:

Capital Financing Requirement	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
CFR Non-HRA	32,161	38,950	64,539	75,763	90,775	109,976
CFR HRA	206,827	211,635	217,665	217,906	217,918	217,917
Total CFR	**238,988**	**250,585**	**282,204**	**293,669**	**308,692**	**327,893**
Movement in CFR	4,310	11,597	31,619	11,466	15,023	19,201
Movement in CFR is represented by						
Net financing need for the year (above)	4,535	12,454	31,922	11,777	15,344	19,531
Less MRP/VRP and other financing movements	(225)	(857)	(302)	(311)	(321)	(330)
Movement in CFR	4,310	11,597	31,619	11,466	15,023	19,201

The CFR is increasing due to:

a. presumed borrowing for lending on to Norwich Regeneration Ltd for building properties in Norwich for Social, private sale and private rent;

b. the HRA debt is increasing due to the Government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The anticipated lowering of future rent by 1% each year over the next 3 years (2017-18 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

Part of the CFR movement on 2020-21 relates to the repayment of the LAMS indemnity funding of £1m.

Minimum Revenue Provision (MRP) policy statement

16. The council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP).

CLG regulations have been issued which require the full council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The council is recommended to approve the following MRP Statement:

- The general repayment policy for prudential borrowing is to repay borrowing within the expected life of the asset being financed, up to a maximum of 50 years. This is in accordance with the "Asset Life" method in the Guidance. The repayment profile will follow an annuity repayment method, which is one of the options set out in the Guidance. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset.

  This is subject to the following details:
  - 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). Asset life will be determined by the Chief Finance Officer. A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £10m, advice from appropriate advisers may also be taken into account.
  - MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP will be deferred until the year after the asset becomes operational.
  - 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, at the discretion of the Chief Finance Officer.

- 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. Transitional arrangements with respect to depreciation, revaluation and impairments; put in place at 1 April 2012 are due to expire on 31 March 2017. The Item 8 determination released on 24 January 2017 has extended indefinitely the ability to charge depreciation, revaluations and impairments to the HRA but reverse in the Movement in Reserves Statement.

- Repayments included in annual finance leases are excluded from MRP

For authorities, like Norwich, which participate in the Local Authority Mortgage Scheme using the cash backed option, the mortgage lenders require a 5 year cash advance from the local authority to match the 5 year life of the indemnity. The cash advance placed with the mortgage lender provides an integral part of the mortgage lending, and should therefore be treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The cash advance is due to be returned in full at maturity, with interest paid annually. Once the cash advance matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (5 year) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The position should be reviewed on an annual basis.

Borrowing

Current treasury management position

17. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity, including capital expenditure plans. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

18. The council's forecast treasury debt portfolio position at 31 March 2017, with forward projections, is summarised below. The table shows the actual external debt (treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
External Debt						
Debt at 1 April	(224,490)	(219,430)	(208,680)	(214,280)	(237,880)	(268,180)
Expected change in debt	5,060	10,750	(5,600)	(23,600)	(30,300)	(32,500)
Other Long Term Liabilities (OLTL)	(1,847)	(1,762)	(1,672)	(1,576)	(1,474)	(1,367)
Expected change in (OLTL)	85	90	96	101	107	114
Debt at 31 March	**(221,192)**	**(210,351)**	**(215,856)**	**(239,354)**	**(269,547)**	**(301,933)**
Capital Financing Requirement (CFR)	**238,988**	**250,585**	**282,204**	**293,669**	**308,692**	**327,893**
Under/(over) borrowing	**17,796**	**40,233**	**66,348**	**54,315**	**39,146**	**25,960**

The debt is increasing due to:

a. presumed borrowing for lending on to Norwich Regeneration Ltd for building properties in Norwich for Social, private sale and private rent

b. the HRA debt is increasing due to the Government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The lowering of future rent by 1% each year over the next 3 years (2017-18 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

19. Within the prudential indicators there are a number of key indicators to ensure that the council operates its activities within well-defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017-18 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief finance officer reports that the council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Prospects for interest rates

20. The council has appointed Capita 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 the Capita Asset Services central view.

Annual Average %	Bank	PWLB Borrowing Rates			
		5 yr	10 yr	25 yr	50 yr
Dec-16	0.25%	1.60%	2.30%	2.90%	2.70%
Mar-17	0.25%	1.60%	2.30%	2.90%	2.70%
Jun-17	0.25%	1.60%	2.30%	2.90%	2.70%
Sep-17	0.25%	1.60%	2.30%	2.90%	2.70%
Dec-17	0.25%	1.70%	2.30%	3.00%	2.80%
Mar-18	0.25%	1.70%	2.30%	3.00%	2.80%
Jun-18	0.25%	1.70%	2.40%	3.00%	2.80%
Sep-18	0.25%	1.80%	2.40%	3.10%	2.90%
Dec-18	0.25%	1.80%	2.40%	3.10%	2.90%
Mar-19	0.25%	1.80%	2.50%	3.20%	3.00%
Jun-19	0.50%	1.90%	2.50%	3.20%	3.00%
Sep-19	0.50%	1.90%	2.60%	3.30%	3.10%
Dec-19	0.75%	2.00%	2.60%	3.30%	3.10%
Mar-20	0.75%	2.00%	2.70%	3.40%	3.20%

Further detailed interest rate forecasts are given in Appendix 1.

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the

UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

- Major national polls:
    - Italian constitutional referendum 4.12.16 resulted in a ‘No’ vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
    - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
    - Dutch general election 15.3.17;
    - French presidential election April/May 2017;
    - French National Assembly election June 2017;
    - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK’s main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK’s sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017-18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the

referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

Borrowing strategy

21. The council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the 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 relatively high.

22. Against this background and the risks within the economic forecast, caution will be adopted with the 2017-18 treasury operations. The Chief finance officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

    - *if it was 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 a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

    Any decisions will be reported to Cabinet at the next available opportunity.

23. **Policy on borrowing in advance of need:** The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

    Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

24. **Debt rescheduling:** 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).

The reasons for any rescheduling to take place may include:

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the treasury strategy
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility)

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 likely to be lower than rates paid on current debt.

All rescheduling will be reported to the council, at the earliest meeting following its action.

25. **UK Municipal Bond Agency**
The UK Municipal Bond Agency, set up in 2015, is now offering loans to local authorities. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate. This will require a decision by full council to sign up to the borrowing framework agreement of the agency including the joint and several guarantee.

Treasury indicators: limits on borrowing activity and affordability

26. **The operational boundary:** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational Boundary £000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Borrowing	218,857	208,107	213,707	237,307	267,607	300,107
Other long term liabilities	1,762	1,672	1,576	1,474	1,367	1,253
Total	**220,619**	**209,779**	**215,283**	**238,781**	**268,974**	**301,360**

The operational boundary is increasing due to:

a. presumed borrowing for lending on to Norwich Regeneration Ltd for building properties in Norwich for Social, private sale and private rent
b. the HRA debt is increasing due to the Government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The lowering of future rent by 1% each year over the next 3 years (2017-18 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

27. **The authorised limit for external debt:** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full council. It reflects the

level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The council is asked to approve the following authorised limit:

Authorised Limit £000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Borrowing	258,857	248,107	253,707	277,307	307,607	340,107
Other long term liabilities	1,762	1,672	1,576	1,474	1,367	1,253
Total	**260,619**	**249,779**	**255,283**	**278,781**	**308,974**	**341,360**

The authorised limit is increasing due to:

a. presumed borrowing for lending on to Norwich Regeneration Ltd for building properties in Norwich for Social, private sale and private rent
b. the HRA debt is increasing due to the Government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The lowering of future rent by 1% each year over the next 3years (2017-18 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly increases the need for borrowing in order to undertake capital expenditure on existing works and new build.

There are other implications of the Housing and Planning Bill 2015/16 are outlined in paragraphs 6.15 to 6.21 of the Housing Rents and Budgets 2016-17 report.

Separately, the council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA debt limit	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
HRA Debt Cap	236,989	236,989	236,989	236,989	236,989	236,989
HRA CFR	206,827	211,635	217,665	217,906	217,918	217,917
HRA Headroom	30,162	25,354	19,324	19,083	19,071	19,072

Slippage from 2016-17 to 2017-18 of the capital programme has been reflected in the CFR for 2017-18 which has reduced the headroom.

Treasury management limits on activity

28. There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- **Upper limits on variable interest rate exposure:** This identifies a maximum limit for variable interest rates based upon the debt position net of investments;

- **Upper limits on fixed interest rate exposure:** This is similar to the previous indicator and covers a maximum limit on fixed interest rates
- **Maturity structure of borrowing:** 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

The council is asked to approve the following treasury indicators and limits:

£m	2016-17	2017-18	2018-19
Interest rate exposures			
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	20%	20%	20%
Limits on fixed interest rates: • *Debt only* • *Investments only*	 100% 100%	 100% 100%	 100% 100%
Limits on variable interest rates • Debt only • Investments only	 20% 20%	 20% 20%	 20% 20%
Maturity structure of fixed interest rate borrowing			
		Lower	**Upper**
Under 12 months		0%	10%
12 months to 2 years		0%	10%
2 years to 5 years		0%	30%
5 years to 10 years		0%	50%
10 years and above		0%	95%

29. **Affordability prudential indicators**: The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the council's overall finances. The council is asked to approve the following indicators:

- **Ratio of financing costs to net revenue stream:** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
Non-HRA	4.36%	2.77%	2.85%	7.26%	12.13%	17.32%
HRA	11.74%	11.57%	10.96%	10.65%	10.79%	10.61%

The estimates of financing costs include current commitments and the proposals in this budget report, which are increasing due to increased borrowing to fund building of properties. As stated above, the debt is increasing due to presumed borrowing for building properties within the HRA and Norwich Regeneration Ltd, it makes an assumptions of partial loan repayment upon selling any of the properties. Projects will not go ahead unless there is an expectation that revenue streams generated will fully fund the associated borrowing costs and provide an additional return.

- **Incremental impact of capital investment decisions on council tax:** This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in the 2017-18 budget report compared to the council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.
- **Incremental impact of capital investment decisions on the band D council tax:** The impact of capital expenditure on the council tax would be derived from the effect of Revenue Contributions to Capital on the Council Tax Requirement. The council budgets for revenue contributions, but since these are insignificant the impact on the Council Tax Requirement, and therefore council tax, is minimal.
- **Estimates of the incremental impact of capital investment decisions on housing rent levels:** Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the 2017-18 budget report compared to the council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

  A key change to the HRA's capital investment programme has been the Government's policy adjustment on housing rent levels against those in place during the Council's HRA subsidy buy out in 2012. The anticipated lowering of future rent by 1% each year over the next 3 years (2017-18 to 2019-20) has a material adverse impact on the future revenues of the HRA which significantly reduces the ability of the HRA to undertake capital expenditure on existing works and new build. This will reduce the HRA's overall activity in the future and will reduce future revenue levels through new build and other revenue initiatives.

Investments

Annual investment strategy

The main rating agencies (Fitch, Moody's and Standard and Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have “netted” each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody’s) Financial Strength rating withdrawn by the agency.

In keeping with the agencies’ new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard and Poor’s, this has been a change in the use of Fitch and Moody’s ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies’ new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA- This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

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30. **Core funds and expected investment balances:** The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

*Working capital balances shown are estimated year end; these may be higher mid year

Year End Resources	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£000	**Actual**	**Forecast**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Fund Balances/reserves	38,337	29,368	18,512	16,567	14,262	12,260
Capital Receipts	17,313	25,841	21,507	22,623	23,739	24,855
Other	7,140	9,493	10,657	6,530	6,509	6,442
Working Capital	28,886	25,500	25,500	25,500	25,500	25,500
Expected Investments	58,300	42,354	20,000	20,000	20,000	20,000

A proportion of the capital receipts are ring-fenced so can only be spent on specific capital works. The balances disclosed above for capital receipts do not agree to that disclosed in the budget papers. This is due to the budget papers only assuming receipt of right to buy monies when it is forecast that they can be applied. This is a consequence of RTB legislation and the potential for monies to be paid over to the government if not spent.

31. **Investment policy:** The council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Capita Asset Services (formerly Sector)al Guidance Notes ("the CIPFA TM Code"). The council's investment priorities will be security first, liquidity second, then return.

32. In accordance with the above guidance from the Welsh Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

33. Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

34. Further, the council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

35. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

36. The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

37. The intention of the strategy is to provide security of investment and minimisation of risk.

38. Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the council’s treasury management practices – schedules.

39. Property funds have been added as investment instruments as they offer enhanced returns over the longer term, although are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s investment objectives would be monitored regularly should the council invest..

40. **Creditworthiness policy:** The primary principle governing the council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the council’s prudential indicators covering the maximum principal sums invested.

41. The Chief finance officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the council may use, rather than defining what types of investment instruments are to be used.

42. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the council’s minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the council’s criteria, the other does not, the institution will fall outside the lending criteria. Credit rating information is supplied by Capita Asset Services, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely 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. For instance, a negative rating watch applying to a counterparty at the minimum council criteria will be suspended from use, with all others being reviewed in light of market conditions.

43. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) are:

- Banks 1 - good credit quality **–** the council will only use banks which:
  - are UK banks; and/or
  - are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA
  - and have, as a minimum, the following Fitch, Moody's and Standard Poors credit ratings (where rated):
- Short term - F1, P1, A1
- Long term – A, A2, A
- Viability / financial strength – bbb+ (Fitch / Moody's only)
- Support – 5(Fitch only)
- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operation - The council will use these only where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies The council will *use* all societies which:
  - meet the ratings for banks outlined above
  - have assets in excess of £2bn
  - or meet both criteria.
- Money market funds – *AAA*
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc
- Supranational institutions

44. **Ethical Investment**
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. This would include, inter alia, avoiding direct investment in institutions with material links to:

    a. human rights abuse (e.g. child labour, political oppression)
    b. environmentally harmful activities (e.g. pollution, destruction of habitat, fossil fuels)
    c. socially harmful activities (e.g. tobacco, gambling)

This applies to direct 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.

45. **Country and Capita Asset Services considerations:** Due care will be taken to consider the country, group and sector exposure of the council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 30% will be placed with any non-UK country at any time and would always be sterling investments
- limits in place above will apply to a group of companies
- sector limits will be monitored regularly for appropriateness

46. **Use of additional information other than credit ratings:** Additional requirements under the Code require the council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

47. **Time and monetary limits applying to investments:** The time and monetary limits for institutions on the council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch long term rating (or equivalent)	**Money Limit**	**Time Limit**
Banks 1 category high quality	AA	£15m	364 days
Banks 1 category lower quality	AA	£10m	364 days
Banks 2 category part nationalised	N/A	£15m	3 yrs
Limit 3 category - council's own banker (not meeting banks 1)	A-	£5m	3 months
Building Societies	Asset worth £2bn	£10m	364 days
DMADF	AAA	unlimited	6 months
Local Authorities	N/A	£10m per LA	5 years
Money market funds	AAA	£5m per fund £25m overall limit	liquid
CCLA Local Authorities' Property Fund		Up to £10m	Minimum of 5 years

48. **Country limits:** The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment strategy

49. **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

50. **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.25% before starting to rise from quarter 4 of 2019. Bank Rate forecasts for financial year ends (March) are:

- 2016-17 0.25%
- 2017-18 0.25%
- 2018-19 0.25%
- 2019-20 0.50%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth weakens for longer than expected. However, should the pace of growth quicken, there could be upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

	Now
2016-17	0.25%
2017-18	0.25%
2018-19	0.25%
2019-20	0.50%
2020-21	0.75%
2021-22	1.00%
2022-23	1.50%
2023-24	1.75%
Later years	2.75%

51. **Investment treasury indicator and limit:** Total principal funds invested for greater than 364 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The council is asked to approve the treasury indicator and limit:

Maximum Principle Funds invested >364 days			
£m	**2016/17**	**2017/18**	**2018/19**
Principle funds invested > 364 days	£15m	£15m	£15m

For its cash flow generated balances, the council will seek to utilise its business reserve instant access and notice accounts and short-dated deposits (overnight to three months), in order to benefit from the compounding of interest.

52. **Investment risk benchmarking:** 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 Report.

53. **Security -** The council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio
- in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.05%	0.04%	0.03%	0.02%	0.01%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

54. **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 0.45 years, with a maximum of 2.77 years

55. **Yield** - local measures of yield benchmarks are

- Investments – internal returns above the 7 day LIBID rate

56. At the end of the financial year, the council will report on its investment activity as part of its annual treasury management report.

Other

Training

57. The CIPFA code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. Members received treasury management training from Capita's Richard Dunlop in November 2013 and further training will be arranged as required.

58. The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

59. The council uses Capita Asset Services as its external treasury management advisors.

60. The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

61. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Integrated impact assessment	NORWICH City Council

The IIA should assess **the impact of the recommendation** being made by the report
Detailed guidance to help with completing the assessment can be found here. Delete this row after completion

Report author to complete	
Committee:	Cabinet
Committee date:	08 February 2017
Head of service:	Justine Hartley
Report subject:	Treasury Management Strategy 2017-18
Date assessed:	
Description:	This report outlines the council's prudential indicators for 2017-18 through to 2020-21 and sets out the expected treasury operations for this period.

	Impact			
Economic (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Finance (value for money)	☐	X	☐	The report has no direct financial consequences however it does set the guidelines for how the council manages its borrowing and investment resources
Other departments and services e.g. office facilities, customer contact	☐	☐	☐	
ICT services	☐	☐	☐	
Economic development	☐	☐	☐	
Financial inclusion	☐	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☐	☐	☐	
S17 crime and disorder act 1998	☐	☐	☐	
Human Rights Act 1998	☐	☐	☐	
Health and well being	☐	☐	☐	
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☐	☐	☐	

	Impact			
Eliminating discrimination and harassment	☐	☐	☐	
Advancing equality of opportunity	☐	☐	☐	
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☐	☐	☐	
Natural and built environment	☐	☐	☐	
Waste minimisation and resource use	☐	☐	☐	
Pollution	☐	☐	☐	
Sustainable procurement	☐	☐	☐	
Energy and climate change	☐	☐	☐	
(Please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☐	☐	☐	

Recommendations from impact assessment
Positive
Negative
Neutral
Issues

Interest Rate Forecasts 2017-20

APPENDIX 1

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

Capita Asset Services Interest Rate View														
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	-
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	-
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	-
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	-
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	-
Bank Rate														
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	-
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%
5yr PWLB Rate														
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	-
Capital Economics	1.40%	1.60%	1.80%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%	3.20%
10yr PWLB Rate														
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	-
Capital Economics	2.20%	2.30%	2.40%	2.55%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%	3.60%
25yr PWLB Rate														
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	-
Capital Economics	2.75%	2.90%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%	4.15%
50yr PWLB Rate														
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	-
Capital Economics	2.70%	2.80%	2.90%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%	4.10%

ECONOMIC BACKGROUND

UK. **GDP growth rates** in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16).This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK.

However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October.The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.

- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that \$340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

The CLG issued Investment Guidance in 2010, and this forms the structure of the council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Capita Asset Services (formerly Sector)al Guidance Notes. This council adopted the Code on 22 March 2011 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the council will use. These are high security (i.e. high credit rating, although this is defined by the council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.

4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated *AAA* by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society For category 5 this covers bodies with a minimum short term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments

	Non Specified Investment Category	Limit (£ or %)
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£15m £15m
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£15m
c.	The council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£5m
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with	£10m or 1% of assets

	ratings. The council may use such building societies which have a minimum asset size of £2bn but will restrict these type of investments to	
e.	Any **bank or building society** that has a minimum long term credit rating of A+/A,, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum Limit of 100%, so long as no more than 25% of investments have maturities of longer the one year at any one time.
f.	Any **non rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to having a minimum asset size of £250m and a restriction on the investment amount to 1% of its assets size.	£10m for a maximum of 3 months
g.	**Certifcates of Deposit** or corporate bonds with banks and building societies	£5m
h.	Money market funds	£5m
i.	**Pooled property funds** – The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The key exception to this is an investment in the CCLA Local Authorities Property Fund.	CCLA £5m

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services (formerly Sector) as and when ratings change, and counterparties are checked promptly On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

The treasury management role of the section 151 officer

The S151 (responsible) officer

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