Report to	Cabinet	**Item**
	4 February 2015	7(a)
Report of	Chief finance officer	
Subject	General fund revenue budget and non-housing capital programme 2015/16	

Purpose

To set a budgetary requirement, council tax requirement and level of council tax and to approve the non-housing capital programme, for the financial year 2015/16.

Recommendations

That cabinet recommends to council:

a) that the council's budgetary requirement for the 2015/16 financial year be set to £17,056m (para 6.1);

b) that the proposed general fund budgets for 2015/16 be approved, taking into account the savings, income and other budget movements set out in the report. (para 6.3);

c) that the council's council tax requirement for 2015/16 be set at £8.315m and that council tax be set at £239.34 for Band D, which is an increase of 1.95% (para 7.1), the impact of the increase for all bands is shown in table 7.2;

d) that the precept on the council tax collection fund for 2015/16 be set at £8.081m calculated in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (para 7.1);

e) that all Section 31 Business Rates Relief grant monies be transferred to an earmarked general fund reserve to be applied to offset related business rates deficits as they arise (para 8.2);

f) that the prudent level of reserves for the council be set at £4.474m in accordance with the recommendation of the Chief finance officer (para 8.5);

g) that the proposed non-housing capital plan 2015/16 to 2019/20 (para 9.8) and the non-housing capital programme 2015/16 (para 10.3) be approved;

and

h) That cabinet delegates to the Executive head of regeneration and development and the Chief finance officer, in consultation with the Deputy leader and resources, 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 2015/16 of £17.056m and the means by which this is to be financed, including through a proposed council tax of £239.34 per Band D property.

It also sets out the proposed capital programme for 2015/16, and the proposed capital plan illustrating how anticipated capital expenditure needs can be financed over the medium term.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

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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 2015/16 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 and capital plan 2015/16 to 2019/20
10. Proposed capital programme 2015/16
11. Progress in reducing the council's carbon footprint

Appendix 1 Budget consultation results

Appendix 2 Movements in budgets 2015/16 by type

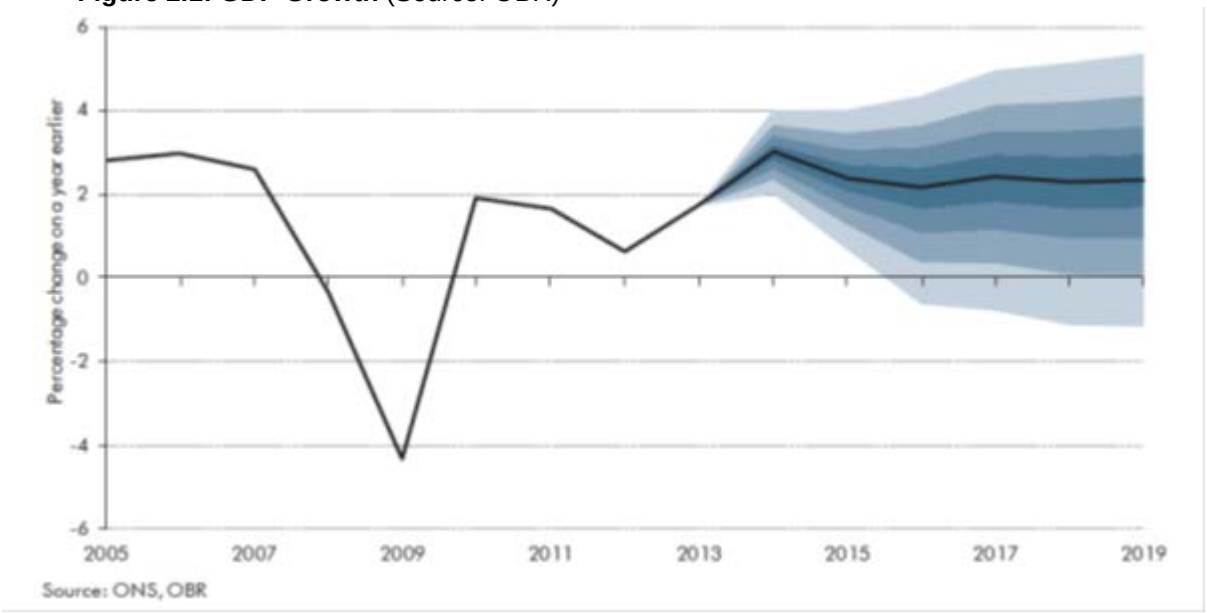
Appendix 3 Key savings, income and growth from the transformation programme

Appendix 4 Calculation of prudent minimum balance

2. Budgetary context

2.1 The strength of the UK economy in 2014 has meant that the Office for Budget Responsibility (OBR) has consistently revised up its forecasts for growth. The recovery continues to be driven primarily by consumer expenditure as opposed to business investment, despite wage growth lagging behind inflation for the majority of the year. Surging growth in the housing market in the first half of the year led to some speculation that there could be a housing bubble in the UK. However, after the Bank of England acted to tighten mortgage lending rules, growth has cooled significantly. It also expects some slowdown from the rapid growth of 2014 and the OBR is forecasting GDP growth to remain above 2.0% until at least 2019. Inflation, on the other hand, is expected to remain benign throughout the forecasted period and is not expected to hit the Bank of England's 2.0% target until 2017.

Figure 2.1: GDP Growth (Source: OBR)

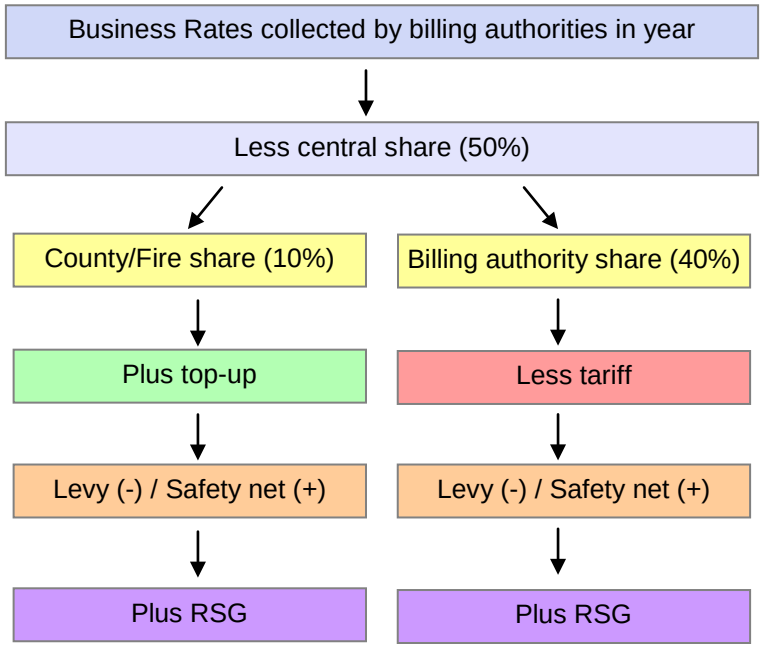


2.2 Public Sector Net Borrowing (PSNB) has not fallen as expected this year but rather has continued to rise as the government struggles to reduce the budget deficit. PSNB is still forecast to fall each year and the OBR expects a budget surplus by 2019. Comparisons, however, between the March Budget and the Autumn Statement forecasts are difficult to make due to a change in accounting methodology which has seen the OBR adopt ESA10 rather than ESA95.

2.3 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 new scheme is to allow local authorities to retain part of the future growth in their business rates.

2.4 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



2.5 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.

2.6 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%.

2.7 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.

2.8 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.

2.9 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. Although progress has been made in settling appeals over the past year, there remains a backlog at the Valuation Office which presents a significant risk to forecasts.

2.10 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 reduction for 2015/16 of £0.969m has now been included within the budget. The MTFS shows a need to make further net savings of £11.6m over the next 5 years, which following the "smoothed" approach equates to £2.3m each year. This is an increase from the £1.9m of savings set out in the 2014/15 budget papers principally as a result of:

- Lower business rate revenues in 2014/15 than expected in the MTFS;
- Removal of assumptions of new allocations of New Homes Bonus given the uncertainties surrounding the future of this grant;
- Removal of assumed income streams associated with a proposed commercial arrangement which is not now certain to go ahead;
- The assumption that future business rate deficits will offset section 31 grant received and the recommended transfer from general to earmarked reserves of section 31 monies received to date (see para 8.2).

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 3.6%, to include estimates for an annual pay settlement, payroll drift and increases in pension contributions. Inflation has been allowed for on premises costs, supplies and services and transport at 2.0%, to reflect forecast changes in CPI.

3.6 Specific grant figures have been confirmed by the Department for Communities & Local Government for 2015/16. Grants for future years have been estimated at 2015/16 levels, except for New Homes Bonus and Housing Benefit / CTS Administration Grants. There is a significant level of uncertainty around the future of the new Homes Bonus grant so whilst current allocations of the grant have been left in for the remaining years that they are due to be paid, no new allocations of New Homes Bonus grant have been anticipated. Housing Benefit / CTS Administration Grants, have been assumed to decrease by 5% per year.

The MTFS assumes no increases in Council Tax beyond that recommended in this report for 2015/16.

3.7 Anticipated growth in business rates from 2014/15 to 2015/16 has not materialised largely as a result of the settling of appeals and this has put further pressure on the council's finances. In addition, the MTFS assumes all Section 31 business rate relief grant is transferred to an earmarked reserve and used to offset the impact of related business rate deficits in future years.

3.8 The table below shows the proposed budget for 2015/16 and the medium term financial projections for the 5 years to 2020/21.

Table 3.1: Budget 2015/16 and medium term financial projections for 5 years to 2020/21

	2015/16 Year 1 £000s	2016/17 Year 2 £000s	2017/18 Year 3 £000s	2018/19 Year 4 £000s	2019/20 Year 5 £000s	2020/21 Year 6 £000s
Employees	£17,381	£18,007	£18,583	£18,992	£19,410	£19,837
Premises	£9,209	£9,393	£9,581	£9,773	£9,968	£10,167
Transport	£272	£280	£288	£297	£306	£315
Supplies & Services	£15,313	£15,543	£16,009	£16,489	£16,984	£17,494
Capital Charges	£3,526	£3,526	£3,526	£3,526	£3,526	£3,526
Transfer Payments	£68,533	£68,533	£68,533	£68,533	£68,533	£68,533
Third Party Payments	£7,531	£7,612	£7,764	£7,920	£8,078	£8,240
Centrally Managed	£1,253	£1,279	£1,304	£1,330	£1,357	£1,384
Recharge Expenditure	£16,925	£16,925	£16,925	£16,925	£16,925	£16,925
Recharge Income	-£25,157	-£25,157	-£25,157	-£25,157	-£25,157	-£25,157
In-Year Savings	£0	£0	£0	£0	£0	£0
Receipts	-£24,454	-£24,821	-£25,193	-£25,571	-£25,955	-£26,344
Government Grants:	£0	£0	£0	£0	£0	£0
New Homes Bonus	-£2,356	-£2,356	-£1,681	-£1,167	-£742	-£317
PFI Grant	-£1,429	-£1,429	£0	£0	£0	£0
Benefit Subsidy	-£67,379	-£67,379	-£67,379	-£67,379	-£67,379	-£67,379
Benefit/CTS Admin Grant	-£1,227	-£1,209	-£1,145	-£1,081	-£1,018	-£954
Other Government Grants	-£503	-£503	-£503	-£503	-£503	-£503
Subtotal budgets	**£17,439**	**£18,245**	**£21,457**	**£22,928**	**£24,334**	**£25,767**
Savings	0	-£2,315	-£4,630	-£6,945	-£9,260	-£11,575
Contribution to/(from) bals	-£383	£451	-£1,204	-£1,091	-£888	£302
Budget requirement	**£17,056**	**£16,380**	**£15,622**	**£14,892**	**£14,186**	**£14,495**
Share of NNDR (Baseline)	-£4,645	-£5,218	-£5,378	-£5,566	-£5,777	-£6,002
Council Tax Freeze Grants	£0	£0	£0	£0	£0	£0
Formula Funding	-£4,096	-£3,000	-£2,000	-£1,000	£0	£0
Council Tax Requirement	-£8,315	-£8,162	-£8,244	-£8,326	-£8,409	-£8,493
Total funding	**-£17,056**	**-£16,380**	**-£15,622**	**-£14,892**	**-£14,186**	**-£14,495**
New savings (smoothed)		**£2,315**	**£2,315**	**£2,315**	**£2,315**	**£2,315**
Balance brought forward	**-£8,186**	**-£7,803**	**-£8,254**	**-£7,050**	**-£5,959**	**-£5,071**
Contributions (to)/from I&E	£383	-£451	£1,204	£1,091	£888	-£302
Balance carried forward	**-£7,803**	**-£8,254**	**-£7,050**	**-£5,959**	**-£5,071**	**-£5,373**
Relative to controllable spend	*17%*	*17%*	*14%*	*12%*	*10%*	*10%*

4. Preparation of the 2015/16 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. The corporate plan is being updated and a new plan will be presented to council for approval alongside this budget.

4.2 In October cabinet considered an initial list of income and savings options and agreed for further work to be carried out to progress these.

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 2015/16. It was also agreed to consult the public on the potential for a council tax rise.

4.4 The consultation ran from the 13 October – 6 January. An analysis of the results of the consultation can be found at Appendix 1. The overall results showed that of the people who completed the consultation and answered the question:

- The biggest single group responding liked the council's proposed approach for generating income and saving money
- 65.69% 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 2015/16 are set out at Appendices 3 and 5. They amount to just under £2.6m.

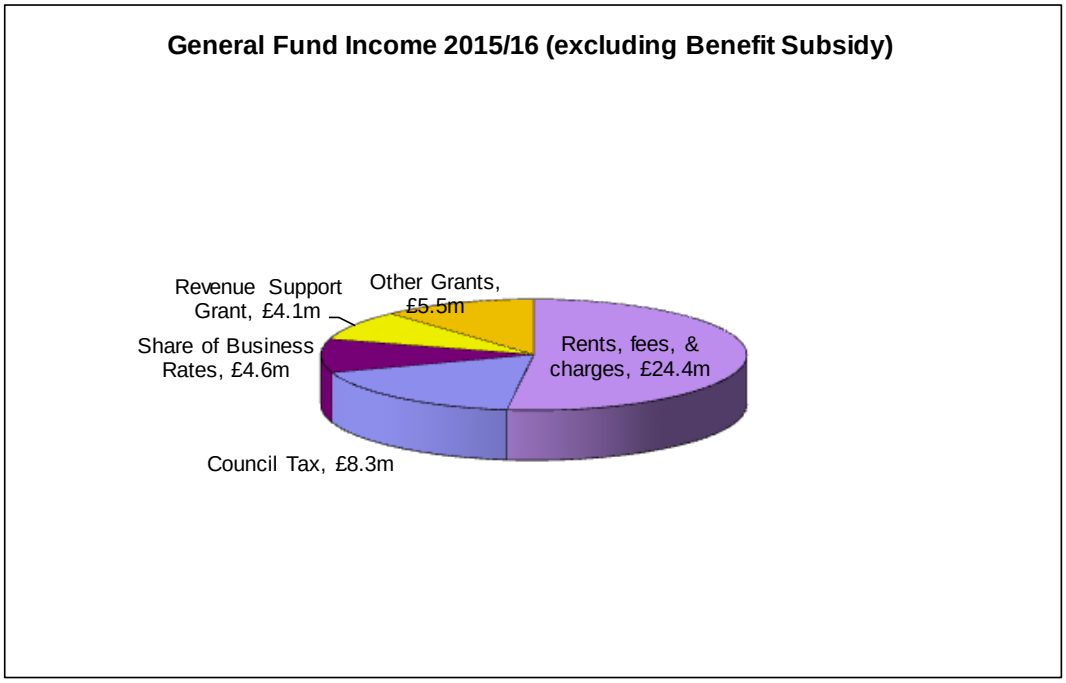
4.7 The changes resulting from the savings would further reduce the council's overall capacity. However, they should not significantly impact the services that the public receive from the council for 2015/9. This further demonstrates the success of the council's ongoing approach to developing savings and income, particularly given that fact that the council has already delivered approximately £26m of recurring revenue savings over the last six years.

4.8 The overall package of proposed income and savings alongside all the other upward and downward budget movements and proposals within this report would result in a net reduction of £0.949m in 2015/16.

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 2015/16



5.2 The total of £37.3m raised locally (through business rates, council tax and rents, fees and charges) amounts to 80% of this income, whilst the £9.6m of central government funding (RSG and other grants) amounts to 20%.

Table 5.3 Formula and other grants 2014/15 and 2015/16

	2014/15 £000s	2015/16 £000s	% change
Revenue Support Grant (RSG)	5,981	4,096	-31.5
Business Rates	4,651	4,645	-0.0
Formula funding	**10,632**	**8,741**	**-17.8**
New Homes Bonus	2,038	2,356	15.6
Local Council Tax Support / Housing Benefit Administration Grant	1,272	1,227	-3.5
Private Finance Initiative (PFI) Grant	1,429	1,429	0.0
Other grants	447	503	12.5
Total grant funding	**15,818**	**14,256**	**-9.9**

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 2015/16 a 2% limit on increases was announced as part of the provisional settlement.

5.5 The government has announced a further Council Tax Freeze Grant for 2015/16 which equates to a 1% increase in council tax. However, the value of the grant offered is less than the amount that can be raised through the proposed increase in council tax, and is subject to future cuts therefore the resulting shortfall would add considerably to already significant budgetary pressures. Based on recommendations in this report, the council would reject the freeze grant.

5.6 The draft budget proposals are based on an increase of 1.95%, and a rate of £234.76 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. The following tables show the available budgetary resources for 2015/16 and the movements in budgets by Service Area proposed to maintain spend within available resources.

Table 6.1a: Budgetary resources 2015/16

	£000s
Formula funding 2014/15	(5,981)
Business rates 2014/15	(4,651)
Council tax 2014/15	(7,776)
Budgetary resources 2014/15	**(18,408)**
- Decrease in formula funding	1,885
- Decrease in business rates	6
+ Increases in council tax	(350)
+ Movement 2014/15 to 2015/16	**1,956**
= Formula funding 2015/16	(4,096)
= Business rates 2015/16	(4,645)
= Council tax 2015/16	(8,315)
= Budgetary resources 2015/16	**(17,056)**

Table 6.1b: Movement in budget requirement 2014/15 to 2015/16 by Service Area

General Fund	Base £000	Adjust Base/ Transfers £000	Inflation & Growth £000	Savings £000	Increased income £000	Decreased Income £000	Total £000
Chief Executive	0	0	-1	-1	0	0	-2
Chief Executive	**0**	**0**	**-1**	**-1**	**0**	**0**	**-2**
Corporate Management	-1,079	-836	0	-372	-524	1,301	-1,510
Business Relationship Management	2,718	263	191	-150	0	38	3,060
Finance	-1,779	-27	10	-649	0	222	-2,223
Procurement & Service Improvement	34	-64	145	-80	0	0	35
Democratic Services	304	132	9	-78	0	0	367
Business Relationship Management and Democracy	**197**	**-532**	**355**	**-1,329**	**-524**	**1,560**	**-272**
Communications & Culture	2,526	34	34	-64	-164	0	2,365
Customer Contact	-116	80	55	-104	0	4	-81
Customers, Communications & Culture	**2,409**	**114**	**89**	**-168**	**-164**	**4**	**2,284**
Neighbourhood Housing	2,654	-129	153	-181	-50	0	2,447
Neighbourhood Services	2,229	47	41	-1	0	0	2,316
Citywide Services	9,979	-74	555	-374	-234	189	10,042
Human Resources	0	25	30	-50	0	0	5
Strategy & Programme Management	36	-127	82	-45	0	0	-54
Strategy, People and Neighbourhoods	**14,898**	**-258**	**861**	**-651**	**-284**	**189**	**14,756**
Regeneration and Development	0	26	0	-26	0	0	0
City Development	-966	-174	526	-140	-616	86	-1,285
Property Services	125	19	56	-51	-25	1	126
Planning	1,743	-160	140	-43	-236	4	1,448
Regeneration and Development	**903**	**-288**	**722**	**-261**	**-878**	**90**	**289**
Total General Fund	**18,407**	**-964**	**2,026**	**-2,409**	**-1,850**	**1,844**	**17,056**

6.2 Movements in budget for each type are detailed in Appendix 2.

6.3 The following table shows the proposed budget for 2015/16 analysed by type of expenditure or income (subjective group) compared to 2014/15.

Table 6.3: Proposed budget analysis 2015/16 by subjective group

Subjective group	Budget 2014/15 £000s	Budget 2015/16 £000s	Change £000s
Employees	17,367	17,381	14
Premises	8,570	9,209	639
Transport	314	272	(42)
Supplies & services	15,981	15,313	(668)
Savings proposals	(55)	0	55
Third party payments (shared services)	7,785	7,531	(254)
Transfer payments	68,533	68,534	1
Capital financing	3,685	3,526	(159)
Recharge expenditure	18,800	18,178	(620)
Subtotal expenditure	**140,978**	**139,944**	**(1,034)**

Government grants	(73,697)	(73,277)	420
Receipts	(23,186)	(24,454)	(1,268)
Recharge income	(25,687)	(25,157)	530
Subtotal income	**(122,570)**	**(122,888)**	**(318)**
Total Budgetary Requirement	**18,408**	**17,056**	**(1,352)**

7. Council tax & precept

7.1 The following table shows the calculation of the level of council tax with the recommended increase of 1.95%

Table 7.1: Council Tax calculation 2015/16

	No.	£
Budgetary requirement		**17,056,054**
- Formula grant		-4,096,104
- NNDR Distribution		-4,645,379
= Council tax requirement		**8,314,571**
- Surplus on collection fund		-233,495
= Council tax precept		**8,081,076**
Band D Equivalent properties	33,764	
Council tax (Band D)		**239.34**

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 2015/16. The figures shown will be reduced, for qualifying council tax payers, by the council's discount scheme which has replaced the council tax benefit system.

Table 7.2: Council tax increases 2014/15 to 2015/16, Bands A to H

Band	A	B	C	D	E	F	G	H
2014/15	£156.51	£182.59	£208.68	£234.76	£286.93	£339.10	£391.27	£469.52
Increase	£3.05	£3.56	£4.07	£4.58	£5.60	£6.61	£7.63	£9.16
2015/16	£159.56	£186.15	£212.75	£239.34	£292.53	£345.71	£398.90	£478.68

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 Of particular note in this budget is the assumption that future business rate deficits will offset the section 31 Business Rate Relief grant in full, and the recommendation to transfer all section 31 business rate relief grant received from 2013/14 onwards to an earmarked reserve. The grant is given to reimburse authorities for small business and other additional rate reliefs based on actual costs. Business rate accounts operate on a three year cycle and the impact of reliefs given impacts on the general fund in the two years subsequent to the year the rates are due. Transferring all section 31 rates relief monies received since 2013/14 into an earmarked reserve and transferring them back into the revenue account in the year the related deficit arises will allow the grant to be matched to the related reduction in income.

8.3 By the end of 2014/15 £1.7m of Business Rate Relief grant will have been received. The deficits associated with this will impact on the revenue account in 2014/15 to 2016/17. It is recommended that a transfer of £1.7m is made from the general reserve to an earmarked reserve and brought back into the revenue account as the associated deficits arise. This reduction in general fund reserves has been reflected in the MTFS. This will significantly reduce the risk of future business rate variations adversely impacting on the council's budget.

8.4 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.

8.5 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.

8.6 There are also risks around future grant and business rates incomes. In particular, there is significant uncertainty around the future of the New Homes Bonus grant. In addition, the business rates yield for Norwich City has not grown as anticipated over the past year requiring further savings to be made to balance the budget.

8.7 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.

8.8 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 4.

8.9 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.

8.10 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.

8.11 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.

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

8.13 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 2015/16 will be of the order of £4.474m as shown in Appendix 4.

8.14 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 8.11: Estimated general fund balance through the MTFS period

Year ending	£000s
31 March 2016	7,803
31 March 2017	8,254
31 March 2018	7,050
31 March 2019	5,959
31 March 2020	5,071
31 March 2021	5,373

9. Capital resources and capital plan 2015/16 – 2016/20

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 or the HCA development partnership).

9.3 The following table shows the total non-housing capital resources anticipated over the duration of the capital plan:

Table 9.3: Capital resources 2015/16 – 2019/20

Non-housing capital resources	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
S106 Balances b/f	(1,081)	(576)	(707)	(948)	(802)
S106 Forecast resources arising	(447)	(323)	(477)	(170)	(175)
S106 Forecast resources utilised (ongoing works)	628	0	0	0	0
S106 Forecast resources utilised (proposed)	324	192	236	316	267
Total S106 Resources	***(576)***	***(707)***	***(948)***	***(802)***	***(710)***
CIL Balances b/f	(47)	(104)	(134)	(148)	(159)
CIL Forecast resources arising	(1,207)	(1,909)	(1,719)	(1,400)	(1,486)
CIL Forecast resources utilised (contribution to pool)	1,000	1,608	1,448	1,179	1,251
CIL Forecast resources utilised (proposed neighbourhood schemes)	150	271	258	210	223
Total CIL Resources	***(104)***	***(134)***	***(148)***	***(159)***	***(170)***
Anticipated balance b/f	(5,048)	(556)	(556)	(556)	(556)
Forecast resources arising - borrowing	(12,101)	(24,230)	(10,974)	0	0
Forecast resources arising - grants	(1,324)	0	0	0	0
Forecast resources arising - GNGP Strategic Pool	(346)	(300)	(200)	(200)	(200)
Forecast resources arising - receipts	(1,250)	(1,671)	(1,286)	(1,286)	(1,286)
Forecast resources utilised (ongoing works)	9,539	0	0	0	0
Forecast resources utilised (proposed)	9,974	26,201	12,460	1,486	1,486
Total other capital resources	***(556)***	***(556)***	***(556)***	***(556)***	***(556)***
Total non-housing capital resources	**(1,236)**	**(1,397)**	**(1,652)**	**(1,517)**	**(1,436)**

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 phase 2, construction of a new multi-storey car park, Hurricane Way development and other schemes generating revenue income in excess of the borrowing costs.

9.7 The following table shows the proposed capital plan, based on capital expenditure supporting the Asset Management Plan and the forecast non-housing capital resources.

Table 9.7: Capital plan 2015/16 – 2019/20

Non-housing capital plan	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Asset improvement	30	0	0	0	0
Asset investment	1,000	7,065	27	0	0
Asset maintenance	1,233	1,176	886	886	886
Initiative funds	500	450	400	400	400
Regeneration and growth	6,865	17,210	10,947	0	0
Section 106 schemes	324	192	236	316	267
CIL	1,150	1,879	1,705	1,389	1,474
GNGP Strategic Pool Schemes	346	300	200	200	200
Total expenditure	**11,448**	**28,272**	**14,401**	**3,191**	**3,227**
S106	324	192	236	316	267
CIL Funding	1,150	1,879	1,705	1,389	1,474
Other capital resources	9,974	26,201	12,460	1,486	1,486
Total resources applied	**11,448**	**28,272**	**14,401**	**3,191**	**3,227**
Total non-housing capital plan	**0**	**0**	**0**	**0**	**0**

9.8 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.

10. Capital programme 2014/15

10.1 The proposed capital programme for 2014/15 continues to focus on the five core themes of the Asset Management Plan:

- **Asset maintenance**
  This theme includes provision for repair costs to St Andrews MSCP.
- **Asset improvement**
  This theme includes provision for the initial costs of Phase II of the reconfiguration of City Hall to maximise utilisation and facilitate income generation
- **Asset investment**
  This theme includes provision for capital works and possible acquisitions to increase revenue income generation and reduce revenue costs.
- **Regeneration and growth**
  This theme includes provision for the use of the Norwich and Homes & Communities Agency Strategic Partnership's strategic priority fund, subject to decisions of the partnership's Strategic Board.
- **Developer-funded section 106 schemes**

10.2 Additionally, the proposed capital programme incorporates **Initiative Funds**, including provision for community grants, environmental initiatives, and IT investment which relieves pressure on general fund revenue resources.

10.3 The following table sets out the elements making up the proposed capital plan and programme, over and above existing programme items rolling forward.

Table 10.3: Capital Programme 2015/16

Scheme	£000's
City Hall external lighting	30
Asset improvement total	**30**
Asset investment for income	1,000
Asset investment total	**1,000**
Eaton Park access improvements	30
Major repairs programme	886
Millar Hall walkway replacement	10
Park depot redevelopment	97
Waterloo Park pavillion works	210
Asset maintenance total	**1,233**
CIL GNGB strategic pool contribution	1,000
CIL neighbourhood projects	150
Corporate Infrastructure Levy total	**1,150**
Riverside Walk at Fye Bridge	30
Earlham Millennium Green	66
Marriots Way	250
GNGP strategic pool schemes total	**346**
IT development	400
Eco investment fund	50
Municipal Bonds Agency	50
Initiative funds total	**500**
Push the Pedalway administration	22
Threescore phase 2	4,333
Mountergate West phase 2	587
Hurricane Way development	1,884
Magpie Road city wall landscape	39
Regeneration and growth total	**6,865**
Riverside Walk at Fye Bridge	32
Hall Road cycling scheme	44
Pointers Field phase 3	19
The Runnell play area	99
Castle green spaces	9
Bowthorpe southern park	66
Car club investment	38
Wensum View play area	17
Section 106 schemes total	**324**
Total non-housing capital programme 2015/16	**11,448**

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



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:	4 February 2015
Head of service:	Justine Hartley, Chief finance officer
Report subject:	General Fund Budget & Capital Programme 2015/16
Date assessed:	16 January 2015
Description:	This integrated impact assessment covers the proposed general fund budget, capital programme, and council tax for 2015/16

	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	☒	☐	☐	
Environmental (please add an ‘x’ as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☐	☒	☐	The proposed capital plan and 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 plan and 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 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 general fund reserves
Recommendations from impact assessment				
Positive				
None				
Negative				
None				
Neutral				
None				
Issues				
None				

Appendix 1

Consultation responses on the proposed budget for 2015/16

Across the whole consultation a total of 239 responses were received from groups or individuals who did not classify themselves as a member of staff. These data represent the results from those 239 responses. No data has been weighted

To what extent do you support the city council raising its share of the council tax by 2% in 2015-16 and using that money to protect key council services in the future? (Please show your level of support by ticking one box below).

Answer Options	Response Percent	Response Count
Strongly agree	51.96%	106
Slightly agree	13.73%	28
Neither agree nor disagree	8.82%	18
Slightly disagree	5.88%	12
Strongly disagree	18.63%	38
Don't know	0.98%	2
answered question		204
skipped question		35

41.18%

Responses were also sought on the proposed approach to change ways of working and to save money or generate income. Early results analysed by the research company suggest that of the 115 responses the top five (excluding other / one off) can be grouped into very broad headings as follows (percentages represent the percentage of those mentioning this topic from those who responded to this question):

1. Like the ideas / agree 21%
2. Stop wasting money on unnecessary work and services (inc. car parks)14%
3. Maintain good services (inc. by not cutting staff) 9%
4. Financial priorities (inc. related to revenue and benefits etc.) 9%
5. Protect green space / no developments 8%

Responses were also sought on suggestion to change ways of working and to save money or generate income. Again early results analysed by the research company suggest that of the 104 responses the top five (excluding other / one off) can be grouped into very broad headings as follows (percentages represent the percentage of those mentioning this topic from those who responded to this question):

1. Consider financial priorities / stop wasting money 14%
2. Revisit current properties for development / improvement 11%
3. Increase in council tax 10%
4. Environmental efficiency 9%

5. More services shared / contracted out **and** Increase parking charges (inc. charging for parking permits) 8%

The detailed ideas will be analysed further and used to inform the future development of income and savings options.

Other individual responses to the proposed budget included:

- One resident suggested charging taxis to use St Stephen's Street, invite people to pick litter in parks and would support a council tax increase to support services but not necessarily to increase council tax year on year
- A letter to the local press was picked up suggesting reducing the number of councillors to one per ward
- The Office of the Police and Crime Commissioner, considering both the detailed proposals for council tax reduction (specifically losses to them by implementing into the main scheme war pensions disregard) and the council tax increase said *"The PCC receives a grant to compensate for the loss of taxbase. How long the grant will be payable for and whether it will be cut year on year we do not know. Clearly we are pleased that your proposed scheme changes will generate additional council tax (taxbase) for us"*

Appendix 2

Movements in budget 2015/16 by type

Table A2.1: Adjustments to base budgets

Adjusted Base / Transfers	£000s
Correction to neighbourhood wardens budgets	61
Removal of one off item from Contingency - Invest to Save budget	-200
Audit fee recharge to HRA now part of LGSS recharges	97
Reduced contribution to Reserves	-924
Reduction in contribution to airport pension costs	-13
Removal of temporary posts	-88
Home options recharges	-24
Adjustment to corporate recharges	160
Corrections to salary costs	14
Other adjustments (<£10k)	-47
Total Adjusted Base / Transfers	**-964**

Table A2.2: Growth and Inflation

Growth and Inflation	£000s
Office block to be pulled down	41
Creation of procurement apprentice post	23
Capacity Grid NDR review	49
Capacity Grid Council Tax long term empty review	20
New Street Worker post funded by County	34
Initial operating costs for Rose Lane car park	230
Budgets transferred to accurately reflect LGSS savings and growth	15
LEAP programme budgets – offset by savings	119
Transformation Programme growth (see appendix 2)	593
Salary inflation, increment and pay awards	261
Business Rates	21
Contract inflation/living wage/properties/driver uplift	110
Other contractual inflation	214
Pay award for NPS Core Services	73
Increased recharge costs due to pay inflation	17
Other growth and inflation adjustments (<£10k)	207
Total Growth and Inflation	**2,026**

Table A2.3: Savings

Savings	£000s
Reduced Minimum Revenue Provision	-319
Office block to be pulled down	-50
Reduction in Business Rates following property reassessment	-53
Change in Riverside Centre management contract	-10
Salary adjustments	-56
Reduction in expenditure on vets bills & stray dogs	-25
Decrease in food waste gate fee costs	-12
Reduction in MRF operating costs as a result of new Joint Venture contract	-54
Increase in mixed recycling tonnage and increase in recycling credit rate	-93
Removal of discretionary rate relief budget as now part of Collection Fund	-65
Bank charges reduced due to change in banking contract	-50
Premium on early redemption of debt	-24
Ending of LEAP programme – offset by reduced income	-130
Service curtailment – offset by reduced income	-16
Budget no longer needed - Livestock Market Sold	-15
Savings to be made to accurately reflect LGSS costs - transferred in 2014/15	-65
Transformation Programme savings (see appendix)	-1,316
Other adjustments (<£10k)	-50
Total Savings	**-2,409**

Table A2.4: Income increases

Income Increases	£000s
Increase in garden waste subscriptions and increase in subscription charge	-46
Recharge 1.6 FTE Salary costs to capital	-119
New Street Worker post funded by County	-34
Adjustment to reflect new agency agreement and increased in line with change in national APT and C staff salaries	-17
Baseline' profit share higher than originally budgeted	-65
New Homes Bonus increase	-317
New Burdens Funding for Local Council Tax Reduction Scheme	-46
Riverside contract People for Places management fee income	-57
Increase in rents and lettings	-33
Increase in interest from Livestock Market	-10
Increase in s31 grant	-161

Income Increases	£000s
Transformation Programme income (see appendix)	-927
Other adjustments (<£10k)	-18
Total Income Increases	**-1,850**

Table A2.5: Income reductions

Income Reductions	£000s
S31 grant transfer to reserves to meet future business rate deficits	1290
Reduced service charge income as a result of disposal of assets	13
Salary savings	20
Reduced to reflect actual income received for pest control	25
Reduction in MRF income/profit share	153
Reduction in Council Tax Admin Subsidy	10
Other interest - removal of one off income re airport loan	222
Reduction in Housing Benefit Admin grant	35
Service curtailment - income will not be received	20
NPS Baseline profit share likely to be less than originally budgeted	25
Other adjustments (<£10k)	30
Total Income Reductions	**1,843**

Appendix 3

Key savings and income projects from the transformation programme

In the table below are a range of the key savings and income projects included within different parts of the draft budget:

Transformation programme savings and new income streams for 2015/16			
No	**Service**	**Description of key savings / income projects**	**Revenue savings / income for 2015/16**
1	Property services	Further sharing of City Hall with other organisations	25,000
2	Business relationship mgt/ LGSS	Implementation of paperless committee meetings/ councillors/ senior officers supported by electronic committee management system and suitable electronic devices for councillors and officers.	15,000
3	City development	Additional car parking income (excluding Rose Lane)	150,000
4	Multiple	Business rates review	75,000
5	Planning	Increases in planning fee income due to economic recovery	57,000
6	City development	Replace Rose Lane car park with a new multi storey car park	110,457
7	City development	Surplus share for NPS and Norse joint ventures (environmental and buildings)	55,000
8	Citywide services	Increase in cemetery fees (the public were consulted on this previously).	58,000
9	Citywide services	Increase use of parks (concessions etc).	8,827
10	Citywide services	Increase charges for allotments (the public were consulted on this previously).	1,100
11	Multiple	Advertising income review	50,000
12	Hr and learning	Reduction in learning and development spend in line with reducing organisation	15,000
13	Housing	Review of housing options	49,000
14	Planning	Estimate of increased fee income from capital projects	60,000
15	Finance	Inflation lower than planned for in medium term financial strategy	71,228
16	Planning	Reducing planning budget that is no longer required	7,500
17	City development	Increased private sector housing income	25,512
18	Citywide services	Reduce emergency planning contingency as will be covered by corporate contingency in the future	12,000
19	Business relationship mgt/ LGSS	Reduce insurance budget that is no longer required	10,000
20	Business relationship mgt/ LGSS	Reduce systems support advice budget this is no longer required	10,000
21	Business relationship mgt/ LGSS	Reduce democratic services budgets that are no longer required	60,000
22	Business relationship mgt/ LGSS	Reduce telecommunications and printing budgets that are no longer required	69,590

No	Service	Description of key savings / income projects	Revenue savings / income for 2015/16
23	Customers, communications and culture service grouping	Reduce customer contact and mail handling budgets that are no longer required	10,000
24	Hr and learning	Reduce HR budget that is no longer required	5,000
25	Finance	Reduce corporate contingency budget that is no longer required	301,813
26	Planning and city development	Capitalised fee income associated with increased capital programme	125,000
27	Business relationship mgt/ LGSS	Revenues and benefits improvement project resulting in increased grant through lower error rates	250,000
28	Finance	Potential council tax rise (beyond freeze grant amount included in medium term financial strategy)	60,000
29	Finance	Potential change to council tax discount (remove one month empty property discount)	70,000
30	Finance	Formally include war pension disregard in to our council tax reduction scheme in line with approach to housing benefit	17,000
31	City development / NPS	Additional income from new property arrangements and removal of need for grant spend	38,534
32	Customers, communications and culture service grouping	Review of sports development including the Norman Centre and the Halls	32,000
33	Customers, communications and culture service grouping	Review of tourism development and tourist Information centre including on-line selling	10,000
34	Citywide services	Increased cost recvery for Norfolk Waste Partnership	15,000
35	Planning	Further savings from CNC building control	20,000
		Appendix 5 items	651,268
		Total	**2,600,829**

Transformation programme growth for 2015/16			
No	**Service**	**Description of key savings / income projects**	**Growth for 2015/16**
1	Provision market	This includes loss of income from empty stalls and rates to pay and support for future development/ improvement work	134,000
2	Investment general code	Reduced service charge and other income as a result of disposal of assets	66,967
3	Policy and performance	Growth re loss of second homes money from County Council and small contribution to Healthy Norwich	45,000
4	Neighbourhood management	Additional money into tree budget which was previously reduced	16,000
6	Business relationship management	LGSS inflation uplifts as part of LGSS partnering and delegation agreement	106,257
7	Homelessness	Reduction in income due to lowering of homelessness expenditure budget, matched by savings	13,000
8	Integrated waste management strategy	Removal of enhanced recycling credit for food waste by County Council	51,600
9	HR	Cost of joining national graduate trainee scheme	18,000
10	GNDP	Increased cost on Greater Norwich Growth Board.	25,000
11	Planning policy	Increase in cost for policy documents	20,000
12	Conservation design and landscape	Post funded from Push the Pedalways to be put into establishment	30,834
13	Conservation design and landscape	Additional hours funded 60% from Capital	31,360
14	Environmental strategy	Growth re additional resource to support delivery of new environmental strategy	20,000
15	Neighbourhood management	To provide a small budget to support activity on safeguarding, domestic abuse etc	5,000
16	Planning	Increased hours for Planning posts to be made permanent including hours funded by Push the Pedalways	10,474
		Total	**593,492**

Appendix 4

Calculation of prudent minimum balance

Estimate of prudent level of General Fund reserves 2014/15

Description	Level of risk		Amount at risk		Risk
Employee Costs	*Medium*		17,380,959		34,762
Premises Costs	*Medium*		9,018,251		33,818
Transport Costs	*Medium*		271,926		1,360
Supplies & Services	*Medium*		15,382,412		230,736
Third Party Payments	*Medium*		7,530,604		56,480
Transfer Payments	*Medium*		65,821,823		197,465
Centrally Managed Expenditure	*Medium*		1,075,019		32,251
Receipts	*Medium*		24,100,589		126,528
Grants & Contributions	*Low*		116,466,907		174,700
Total One Year Operational Risk					888,100
Allowing three years cover on operational risk					**2,664,300**
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					**4,474,300**

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	26,071	34,762	26,071
Premises Costs	overspend	2.50%	5.00%	7.50%
	probability	10.0%	7.5%	5.0%
	amount at risk	22,546	33,818	33,818
Transport Costs	overspend	5.00%	7.50%	10.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	1,360	1,530	1,360
Supplies & Services	overspend	5.00%	10.00%	15.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	153,824	230,736	230,736
Third Party Payments	overspend	5.00%	10.00%	15.00%
	probability	10.0%	7.5%	5.0%
	amount at risk	37,653	56,480	56,480
Transfer Payments	overspend	1.00%	2.00%	3.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	164,555	197,465	197,465
Centrally Managed Expenditure	overspend	10.00%	20.00%	30.00%
	probability	20.0%	15.0%	10.0%
	amount at risk	21,500	32,251	32,251
Receipts	shortfall	2.00%	3.50%	5.00%
	probability	25.0%	15.0%	10.0%
	amount at risk	120,503	126,528	120,503
Grants & Contributions	shortfall	1.00%	1.50%	2.00%
	probability	15.0%	10.0%	5.0%
	amount at risk	174,700	174,700	116,467