

Report for Resolution

Report to Council
18 February 2014
Report of Chief finance officer
Subject General fund revenue budget and capital programme
2014-15

Item
7

Purpose

To propose for approval the budget and budgetary requirement, council tax requirement, level of council tax, and non-housing capital programme, for the financial year 2014-15 and the non-housing capital plan 2014-15 to 2018-19.

Recommendations

That Council approves cabinet's recommendations of 5 February for the 2014-15 financial year:

1. that the council's budgetary requirement be set to £18.407m and that the budgets set out in paragraphs 13 and 14 are approved, taking into account the savings, income and other budget movements set out in the report and annex A;
2. that the prudent level of reserves for the council is set at £4.496m in accordance with the recommendation of the chief finance officer;
3. that the council's council tax requirement is set at £7.776m;
4. that council tax should be set at £234.76 for band D, which is an increase of 1.95%;
5. that the precept of the collection fund for 2014-15 is calculated in accordance with sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 as per the statutory determination at annex 2;
6. that the *Non-housing capital plan 2014-15 to 2017-18* should be as set out in paragraph 9.8 of annex A, and the *Non-housing capital programme 2014-15* should be as set out in paragraph 10.4 of annex A;

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets the general fund budgetary requirement, the council tax requirement and non-housing capital programme for 2013-14.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, chief finance officer
Mark Smith, finance control manager

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Background documents

None

Report

1. Cabinet considered a report (annex A) at its meeting of 5 February, and approved recommendations to council as follows:
 - a) that the council's budgetary requirement be set to £19.087m (para 6.1 of annex A);
 - b) that the proposed general fund budgets be approved, taking into account the savings, income and other budget movements set out in the report. (para 6.3 of annex A);
 - c) that the council's council tax requirement be set at £7.775m and that council tax be set at £234.76 for band D, which is an increase of 1.95% (para 7.1 of Annex A);
 - d) that the precept on the council tax collection fund for 2014-15 be set at £7.731m calculated in accordance with sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (para 7.1 of Annex A);
 - e) that the prudent level of reserves for the council be set at £4.496m in accordance with the recommendation of the chief finance officer (para 8 of annex A);
 - f) that the proposed *Non-housing capital plan 2014-15 to 2018-19* (para 9.6 of annex A) and the *Non-housing capital programme 2014-15* (para 10.4 of annex A) be approved.
2. Additionally, cabinet resolved to delegate responsibility for agreeing any further alterations to the budget to be recommended to council to the chief finance officer in consultation with the deputy leader and portfolio holder for resources.

Budgetary context

3. Since the drafting of budgets for consideration by cabinet, the government has confirmed that the limit for council tax increases beyond which a local referendum is required will remain at 2%. The recommended increase in council tax of 1.95% is within this limit, and will not therefore trigger a local referendum.
4. Additionally, the government has now issued the finalised Formula Settlement Grant and NNDR1 form, setting figures for the council for Revenue Support Grant, Business Rate Tariff, and Business Rate Levy. The government has also determined the amount receivable by the council for small business rates relief, payable as S.31 grant.
5. These changes can be summarised as

Item	£000s
Business Rate Levy	529
Business Rate 2013/14 Deficit	152
Business Rate Other	(2)
S.31 Grant (Small Business Relief)	(1,130)
General fund impact	(451)
Business Rate Precepts	572
Business Rate Deficit/Surplus	(380)
Business Rate Collectable (net)	(182)
Business Rate Other	(10)
Collection fund impact	0

6. The net impact of the changes is an increase in general fund budget resources of £451k.
7. Following consultation with the deputy leader and portfolio holder for resources it is proposed that the uses of this additional budget resource should be:
 - a) Establishing a revenue “Invest to Save” budget of £200k, to fund work producing future savings or additional income.
 - b) Increasing the year’s revenue contribution to balances from the previously proposed £291k to £541k. This will recover some of the impact of the shortfall in the 2014-15 budget savings, and de-risk the *Medium term financial strategy* by reducing the magnitude of future years’ savings requirements.
8. The chief finance officer has consequently, in consultation with the deputy leader and portfolio holder for resources, approved amendments to cabinet’s recommendations to council as set out in the following paragraphs.

Medium Term Financial Strategy (MTFS)

9. The recommended contribution of an additional £250k to balances in 2014-15 would reduce future “smoothed” savings requirements from £1.908m to £1.883m per annum.
10. The ongoing impact of the changes to business rates and the associated grant regime will be brought into future updates of the MTFS during the course of the year,

Budgetary resources

11. The following table updates table 5.3 in annex A to show the change since last year in central government grant funding:

Item	2013/14	2014-15	% change
	£000s	£000s	
Revenue Support Grant (RSG)	7,861	5,981	-23.9%
Business Rates funding baseline	5,230	4,651	-11.1%
Formula funding	13,091	10,632	-18.8%
New Homes Bonus	1,613	2,038	26.4%
Local Council Tax Support / Housing Benefit Administration Grant	1,249	1,272	1.8%
Private Finance Initiative (PFI) Grant	1,429	1,429	0.0%
S.31 Small Business Rate Relief Grant	0	1,130	100.0%
Other grants	548	447	-18.4%
Total grant funding	17,930	16,948	-5.5%

Budgetary requirement

12. The following table updates table 6.1b in annex A to analyse the movement since last year in the council's budget requirement:

	£s	£000s
Budgetary requirement 2013/14	20,616,854	20,617
Base budget adjustment	(234,348)	(234)
Planned Growth	1,796,521	1,797
Recommended Growth	1,479,544	1,480
Planned Income Reduction	178,044	178
Recommended Income Reduction	4,393,438	4,393
Planned Savings	(1,680,430)	(1,680)
Recommended Savings	(4,131,291)	(4,131)
Planned Income Increase	(1,837,700)	(1,838)
Recommended Income Increase	(2,176,443)	(2,176)
Transfers	3,409	3
Budgetary requirement 2014-15	18,407,598	18,408

Recommended budget

13. The following table updates table 6.3a in annex A to analyse the movement since last year in the council's budget requirement by type of expenditure or income (subjective group) :

Subjective group	Budget 2013/14 £000s	Budget 2014-15 £000s	Change £000s
Employees	17,011	17,367	355
Premises	8,562	8,550	(12)
Transport	305	314	9
Supplies and Services	17,262	15,981	(1,281)
Savings Proposals	-	(55)	(55)
Third Party Payments (shared services)	7,960	7,785	(175)
Transfer Payments	70,823	68,533	(2,289)
Capital Financing	3,271	3,685	414
Recharge Expenditure	18,309	18,818	509
Subtotal EXPENDITURE	143,503	140,978	(2,526)
Government grants	(75,175)	(73,697)	1,478
Receipts	(22,133)	(23,186)	(1,053)
Recharge income	(25,579)	(25,687)	(108)
Subtotal INCOME	(122,886)	(122,570)	316
Total General Fund budgetary requirement	20,617	18,408	(2,209)

14. The following table updates table 6.3b in annex A to analyse the movement since last year in the council's budget requirement by service group :

Service group	Budget 2013/14 £000s	Budget 2014-15 £000s	Change £000s
Business relationship management	(305)	973	1,278
Chief executive and corporate	2,188	(1,079)	(3,267)
Customers, communications & culture	2,453	2,409	(44)
Operations	15,828	15,765	(64)
Strategy, people and democracy	452	340	(112)
Total budgetary requirement	20,617	18,408	(2,209)

Council tax and precept

15. The above amendments to cabinet's recommended budget have no impact on the recommended council tax requirement, precept, or level of council tax, although the calculation in table 7.1 of annex A is amended to reflect the change in budgetary requirement:

	No.	£
Budgetary requirement		18,407,598
- Formula grant		-5,980,649
- NNDR Distribution		-4,651,181
= Council Tax requirement		7,775,768
- Surplus on Collection Fund		-44,652
= Council Tax precept		7,731,116
Band D Equivalent properties	32,932	
Council Tax (Band D)		234.76

16. The statutory resolution to give effect to cabinet's recommendations is attached as annex 2.

Supplementary report by the chief finance officer on the robustness of estimates, reserves and balances

17. The above amendments to cabinet's recommendations have no material impact on the robustness of estimates, reserves, and balances other than a small reduction in the risk attached to future years' savings requirements.

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

Year ending	£000s
31 March 2015	7,323
31 March 2016	7,559
31 March 2017	7,282
31 March 2018	5,969
31 March 2019	5,409
31 March 2020	5,524

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Subject	General fund revenue budget and non-housing capital programme 2014/15	

Purpose

To set a budgetary requirement, council tax requirement and level of council tax and to approve the non-housing capital programme, both for the financial year 2014/15.

Recommendations

That cabinet recommends to council for the 2014/15 financial year:

- a) that the council's budgetary requirement be set to £19,087m ([para 6.1](#));
 - b) that the proposed general fund budgets 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 be set at £7.775m and that council tax be set at £234.76 for Band D, which is an increase of 1.95% ([para 7.1](#));
 - d) that the precept on the council tax collection fund for 2014/15 be set at £7.731m 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 the prudent level of reserves for the council be set at £4.496m in accordance with the recommendation of the Chief Finance Officer ([para 8](#));
 - f) that the proposed non-housing capital plan 2014/15 to 2018/19 ([para 9.6](#)) and the non-housing capital programme 2014/15 ([para 10.4](#)) be approved;
- and
- g) That cabinet delegates to the Deputy chief executive (operations), in consultation with the Deputy leader and resource portfolio holder, 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 10.4;

Corporate and service priorities

The report helps to meet all the corporate priorities.

Financial implications

This report sets out the proposed budget requirement for 2014/15 of £19.087m and the means by which this is to be financed, including through a proposed council tax of £234.76 per Band D property.

It also sets out the proposed capital programme for 2014/15, 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

Caroline Ryba, Chief finance officer

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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 2014/15 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 2014/15 to 2018/18](#)
10. [Proposed capital programme 2014/15](#)
11. [Progress in reducing the council's carbon footprint](#)

Appendix 1 [Budget consultation results](#)

Appendix 2 [Movements in budgets 2014/15 by type](#)

Appendix 3 [Movements in budgets 2014/15 by service group](#)

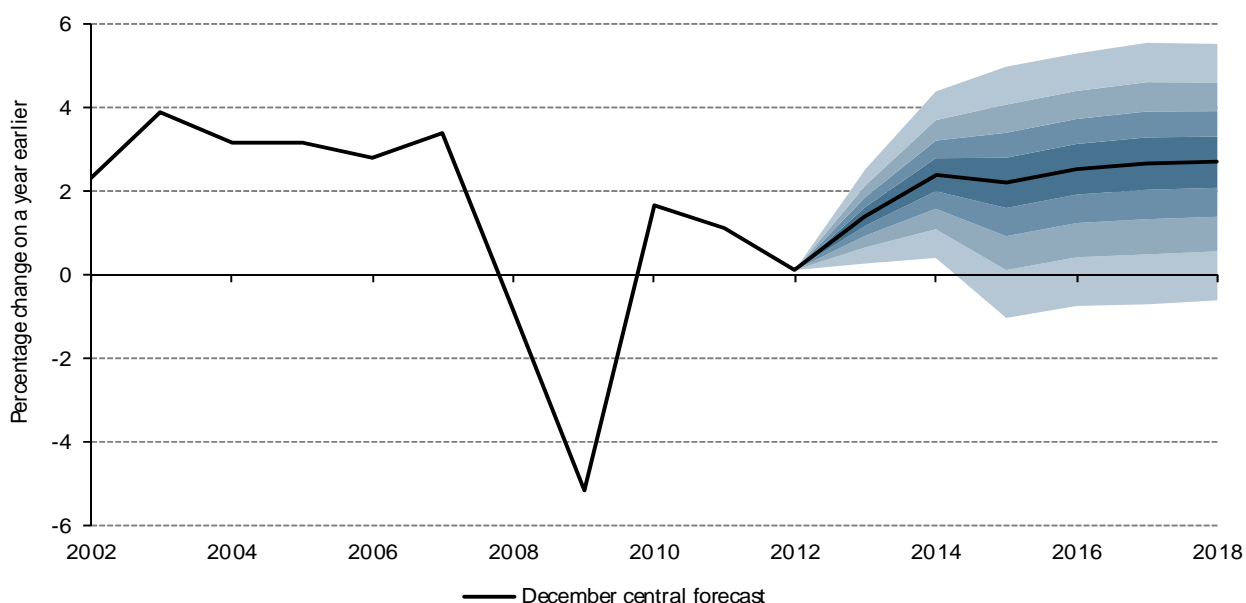
Appendix 4 [Key savings and income projects from the transformation programme](#)

Appendix 5 [Calculation of prudent minimum balance](#)

2. Budgetary context

2.1 The UK economy has picked up more strongly in 2013 than expected by the Office of Budget Responsibility (OBR). This has been driven by private consumption and housing investment, while business investment and net trade have continued to disappoint. The OBR assesses positive growth to have been cyclical, reducing the amount of spare capacity in the economy, rather than indicating stronger underlying growth potential. Therefore, the OBR does not expect quarterly growth rates seen during 2013 to be sustained in 2014. While consumer confidence, credit conditions and the housing market have improved, productivity and real earnings growth have remained weak.

Diagram 2.1: Real gross domestic product (GDP) growth fan chart



Source: ONS, OBR

- 2.2 As a result of this growth, public sector net borrowing (PSNB) – the gap between what the government spends and raises in revenue – is forecast to be lower than expected this year. Despite this improvement, the government has announced a fiscally-neutral Autumn Statement, reinforcing its commitment to the long-term economic plan set out in 2010 to deliver sound public finances, ensuring continuing progress in reducing the deficit and levels of debt.
- 2.3 Within this context, Department Expenditure Limit (DEL) budgets will be reduced by a further £1.1bn in 2014-15 and £1bn in 2015-16, a reduction of 1.1% in each year. However, with the significant cuts already faced by local government, councils have been excluded from this reduction.
- 2.4 The OBR’s updated forecasts for the Retail Price Index (RPI) until 2018/19 are shown in the table below. Whilst general levels of inflation impact upon the council’s expenditure, the RPI is also used to update the business rates multiplier each financial year based on the previous September’s figures. However, the Autumn Statement announced that the government will cap the RPI increase in business rates to 2% in 2014/15.

Table 2.4 September Retail Price Index (RPI)

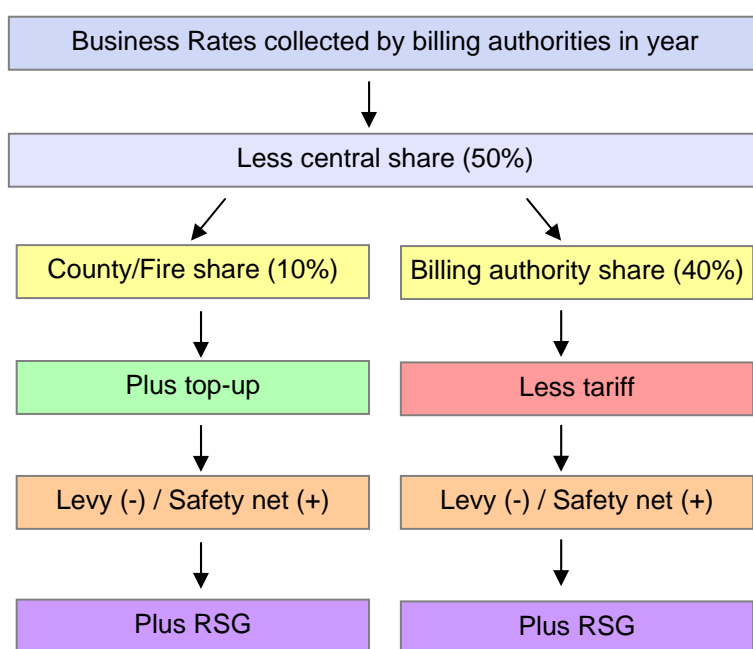
Year	2013 Budget	2013 Autumn Statement	Change
2013/14	3.3%	3.1%	↓
2014/15	2.8%	2.9%	↑
2015/16	3.2%	3.3%	↑
2016/17	3.6%	3.6%	↓
2017/18	3.9%	3.7%	↓
2018/19	n/a	4.0%	n/a

- 2.5 The Spending Review published in 2010 covers the period 2011/12 to 2014/15. In June 2013 the Government published a one-year Spending Review covering 2015/16. Within the context established by these two reviews, the provisional **Local Government Finance Settlement** announced by the government in December 2013 set out detailed grant allocations for individual local authorities for 2014/15 and 2015/16. However, there are a number of areas which require further

clarification, including how the shortfall in the uprating of business rates will be made good, referendum limits on proposed council tax increases and any further conditions around freezing council tax. The final settlement is expected in late January.

- 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 new scheme is 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 2.1: 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 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. As a result, the most that the council can lose as a result of a decline in business rates collected will be £400,000.
- 2.11 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.

- 2.12 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. There is, at the current time, a significant backlog at the Valuation Office which presents a significant risk to forecasts.
- 2.13 The Autumn Statement announced a number of changes to discounts and reliefs and the capping of the increase in business rates to 2%. The government has given assurances that the resulting losses will be reimbursed through S31 grant, but details on the calculation and timing of this have not yet been announced. Due to the existing complexity of the system, these additional changes give rise further levels of uncertainty and risk to forecasts
- 2.14 In 2013/14 the government localised support for Council Tax. A grant of approximately 90% of the Council Tax benefit allowed in the previous year was provided. The council decided to implement a 'no cuts' scheme to protect benefit recipients, and to make up the resulting shortfall in funding through savings in other budgets. In 2014/15, the grant supporting the Council Tax Reduction Scheme has been included in formula funding, and therefore subject to the cuts in that funding. The council has agreed to continue the 'no cuts' scheme in 2014/15, and therefore to fund the additional shortfall resulting from the reduction in grant.

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 has been changed to show the net savings required to deliver a balanced budget. Previously estimates were included for unavoidable growth and one-off demands, giving rise to a gross savings requirement. Items such as growth and decreases in income are now incorporated within the transformation programme.
- 3.3 A net reduction for 2014/15 of £1.530m has now been included within the budget. The MTFS shows a need to make further net savings of £9.540m over the next 5 years, which following the "smoothed" approach equates to £1.908m each year.
- 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%, 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 2.1%, reducing marginally in future years to reflect forecast changes in CPI.

3.6 Specific grant figures have been confirmed by the Department for Communities & Local Government for 2014/15. Grants for future years have been estimated at 2014/15 levels, except for New Homes Bonus, which has been projected on the basis of current trends and Housing Benefit / CTS Administration Grants, which have been assumed to decrease by 5% per year.. The MTFS assumes no increases in Council Tax beyond that recommended in this report for 2014/15.

Table 3.1: Budget 2014/15 and medium term financial projections for 5 years to 2019/20

Item	2014/15 Year 1 £000s	2015/16 Year 2 £000s	2016/17 Year 3 £000s	2017/18 Year 4 £000s	2018/19 Year 5 £000s	2019/20 Year 6 £000s
Employees	£17,367	£18,259	£19,660	£20,160	£20,475	£20,964
Premises	£8,550	£8,796	£9,041	£9,293	£9,552	£9,818
Transport	£314	£322	£330	£338	£346	£354
Supplies & Services	£15,781	£16,199	£16,616	£17,044	£17,484	£17,935
Capital Charges	£3,144	£2,608	£2,638	£2,672	£2,706	£2,742
Transfer Payments	£68,533	£68,533	£68,533	£68,533	£68,533	£68,533
Third Party Payments	£7,785	£7,787	£7,789	£7,791	£7,793	£7,795
Centrally Managed	£1,304	£1,338	£1,372	£1,407	£1,443	£1,479
Recharge Expenditure	£17,514	£17,591	£17,669	£17,748	£17,827	£17,906
Recharge Income	-£25,687	-£25,746	-£25,804	-£25,863	-£25,923	-£25,983
In-Year Savings	-£55	-£55	-£55	-£55	-£55	-£55
Receipts	-£23,186	-£23,667	-£24,158	-£24,660	-£25,172	-£25,696
<i>Government Grants:</i>	£0	£0	£0	£0	£0	£0
New Homes Bonus	-£2,038	-£2,438	-£2,838	-£2,564	-£2,449	-£2,425
PFI Grant	-£1,429	-£1,429	-£1,429	£0	£0	£0
Benefit Subsidy	-£67,379	-£67,379	-£67,379	-£67,379	-£67,379	-£67,379
Benefit/CTS Admin Grant	-£1,272	-£1,209	-£1,145	-£1,081	-£1,018	-£954
Other Government Grants	-£449	-£449	-£450	-£450	-£450	-£451
Subtotal budgets	£18,797	£19,061	£20,390	£22,934	£23,713	£24,583
Savings	0	-£1,908	-£3,816	-£5,724	-£7,632	-£9,540
Contribution to/(from) bals	£290	£261	-£227	-£1,238	-£460	£240
Budget requirement	£19,087	£17,414	£16,347	£15,972	£15,621	£15,283
Share of NNDR (Baseline)	-£5,332	-£5,479	-£5,638	-£5,824	-£6,034	-£6,257
Council Tax Freeze Grants	£0	-£99	£0	£0	£0	£0
Formula Funding	-£5,979	-£4,066	-£2,900	-£2,300	-£1,700	-£1,100
Council Tax Requirement	-£7,776	-£7,770	-£7,809	-£7,848	-£7,887	-£7,926
Total funding	-£19,087	-£17,414	-£16,347	-£15,972	-£15,621	-£15,283

New savings (smoothed)		£1,908	£1,908	£1,908	£1,908	£1,908
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Balance brought forward	-£6,782	-£7,072	-£7,333	-£7,106	-£5,868	-£5,408
Contributions (to)/from I&E	-£290	-£261	£227	£1,238	£460	-£240
Balance carried forward	-£7,072	-£7,333	-£7,106	-£5,868	-£5,408	-£5,648
<i>Percent of controllable spend</i>	14%	15%	14%	11%	10%	11%

4. Preparation of the 2014/15 budget

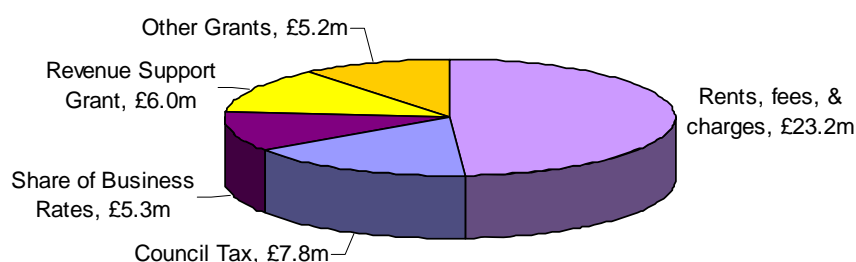
- 4.1 Guided by the council's corporate plan 2012-2015 and its 'changing pace blueprint' (operating model) a range of work has been carried out across the council through the transformation programme, to develop options for additional income and savings in order to meet the target within the MTFs and ensure a balanced budget. This work has been informed by a cross party working group.
- 4.2 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 2014/15. It was also agreed to consult the public on the potential for a council tax rise.
- 4.4 The consultation ran from the 21 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:
 - 68.2% supported the council's proposed approach for meeting its savings target
 - 66.1% supported a proposed council tax increase
 - 60.3% of comments supported retaining the current council tax reduction scheme
- 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 2014/15 are set out at [Appendix 4](#). They amount to just under £3.3m.
- 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 2014/15. 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 £23m of savings over the last five 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 £1.530m in 2014/15.

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 2014/15

General Fund Income 2014/15 (excluding Benefit Subsidy)



19.

5.2 The total of £36.2m raised locally (through business rates, council tax and rents, fees and charges) amounts to 76% of this income, whilst the £11.2m of central government funding (RSG and other grants) amounts to 24%.

5.3 The government announced the provisional local government finance settlement on 18 December 2013. The final settlement is due to be confirmed in early February.

Table 5.3 Formula and other grants 2013/14 and 2014/15

	2013/14 £000s	2014/15 £000s	% change
Revenue Support Grant (RSG)	7,861	5,979	-23.9
Business Rates funding baseline	5,230	5,332	2.0
Formula funding	13,091	11,311	-13.6
New Homes Bonus	1,613	2,038	26.3
Local Council Tax Support / Housing Benefit Administration Grant	1,249	1,272	-1.7
Private Finance Initiative (PFI) Grant	1,429	1,429	0.0
Other grants	548	447	-18.4
Total grant funding	17,953	16,497	-8.1

5.4 The 2013/14 formula grant included £1.899m council tax support funding which was intended to make up 90% of the cost of council tax support, the full costs of which fell on the council for the first time in that year. This funding is no longer separately identifiable within the formula grant total.

5.5 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 which are usually announced with the provisional

settlement. However, no firm announcement has yet been made so an assumption of a 2% limit on increases (as for 2013/14) has been made for the purposes of the proposals in this report.

- 5.6 The government has announced a further Council Tax Freeze Grant for 2014/15. The value of the grant equates to a 1% increase in council tax and would be paid in 2014/15 and 2015/16. The value of the grant offered is less than the amount that can be raised through the proposed increase in council tax and therefore the resulting shortfall would add considerably to already significant budgetary pressures. Therefore, based on recommendations in this report, the council would reject the freeze grant.
- 5.7 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.

Table 6.1a: Movement in budgetary resources 2013/14 to 2014/15

	£000s
Formula funding 2013/14	(13,055)
Council tax 2013/14	(7,562)
Budgetary resources 2013/14	(20,617)
- Decrease in formula funding	1,744
+ Increases in council tax	(214)
+ Movement 2013/14 to 2014/15	1,530
= Formula funding 2014/15	(11,311)
= Council tax 2014/15	(7,776)
= Budgetary resources 2014/15	(19,087)

Table 6.1b: Movement in budget requirement 2013/14 to 2014/15

	£000s

Budgetary requirement 2013/14	20,617
Base budget adjustment	(234)
Planned Growth	1,797
Recommended Growth	1,029
Planned Income Reduction	178
Recommended Income Reduction	4,393
Planned Savings	(1,680)
Recommended Savings	(4,131)
Planned Income Increase	(1,838)
Recommended Income Increase	(1,047)
Transfers	3
Budgetary requirement 2014/15	19,087

6.2 Movements in budget for each type are detailed in [Appendix 2](#).

6.3 The following tables show the proposed budget, analysed firstly by type of expenditure or income (subjective group), and secondly by service group:

Table 6.3a: Proposed budget analysis 2014/15 by subjective group

Subjective group	Budget 2013/14 £000s	Budget 2014/15 £000s	Change £000s
Employees	17,011	17,367	355
Premises	8,562	8,550	(12)
Transport	305	314	9
Supplies & services	17,262	15,781	(1,481)
Savings proposals	-	(55)	(55)
Third party payments (shared services)	7,960	7,785	(175)
Transfer payments	70,823	68,533	(2,289)
Capital financing	3,271	3,435	163
Recharge expenditure	18,309	18,818	509
Subtotal expenditure	143,503	140,527	(2,976)
Government grants	(75,175)	(72,567)	2,607
Receipts	(22,133)	(23,186)	(1,053)
Recharge income	(25,579)	(25,687)	(108)
Subtotal income	(122,886)	(121,440)	1,446
Total Budgetary Requirement	20,617	19,087	(1,530)

Table 6.3b: Proposed budget analysis 2014/15 by service group

Service group	Budget 2013/14 £000s	Budget 2014/15 £000s	Change £000s
Business relationship management	(305)	973	1,278
Chief executive & corporate	2,188	(400)	(2,588)
Customers, communications & culture	2,453	2,409	(44)
Operations	15,828	15,765	(64)
Strategy, people & democracy	452	340	(112)
Total Budgetary Requirement	20,617	19,087	(1,530)

6.4 Movements in budgets for each service group are detailed in [Appendix 3](#).

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 2014/15

	No.	£
Budgetary requirement		19,086,768
- Formula grant		-5,979,000
- NNDR Distribution		-5,332,000
= Council tax requirement		7,775,768
- Surplus on collection fund		-44,652
= Council tax precept		7,731,116
Band D Equivalent properties	32,932	
Council tax (Band D)		234.76

7.2 The following table shows the impact of the proposed increase for each council tax band. The figures shown will be reduced, for qualifying council tax payers, by the discount scheme which has replaced the council tax benefit system.

Table 7.2: Council tax increases 2013/14 to 2014/15, Bands A to H

Band	A	B	C	D	E	F	G	H
2013/14	£153.51	£179.10	£204.68	£230.27	£281.44	£332.61	£383.78	£460.54
Increase	£3.00	£3.49	£4.00	£4.49	£5.49	£6.49	£7.49	£8.98
2014/15	£156.51	£182.59	£208.68	£234.76	£286.93	£339.10	£391.27	£469.52

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 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 when assessing the levels of reserves.
- 8.3 There are risks around the level of unavoidable expenditure and income loss from 2015/16 onwards. Historically this has been in excess of £1 million per annum and it has been estimated each year for the year ahead within the budgeting process. This year both the identification and estimation of these amounts have 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 Allowing for the above comment 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.
- 8.5 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 5](#).
- 8.6 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.
- 8.7 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.
- 8.8 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.
- 8.9 Earmarked reserves remain legally part of the general fund although they are accounted for separately.
- 8.10 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 2014/15 will be of the order of £4.50m as shown in [Appendix 5](#).
- 8.11 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 8.10: Estimated general fund balance through the MTFS period

Year ending	20. £000s
31 March 2015	7,072
31 March 2016	7,333
31 March 2017	7,106
31 March 2018	5,868
31 March 2019	5,408
31 March 2020	5,648

9. Capital resources and capital plan 2014/15 – 2018/19

- 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 2014/15 – 2018/19

Non-housing capital resources	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
S106 Balances b/f	(1,138)	(210)	(273)	(369)	(367)
S106 Forecast resources arising	(164)	(338)	(467)	(365)	(324)
S106 Forecast resources utilised (ongoing works)	643	0	0	0	0
S106 Forecast resources utilised (proposed)	448	275	371	368	346
Total S106 Resources	(210)	(273)	(369)	(367)	(344)
Balance b/f	(5,250)	0	0	0	0
Less grants received in advance	4,267	0	0	0	0
Forecast resources arising - borrowing	(18,085)	(25,445)	(21,329)	0	0
Forecast resources arising - grants	(7,020)	0	0	0	0
Forecast resources arising - receipts	(1,820)	(3,802)	(1,250)	(1,250)	(1,250)
Forecast resources arising - other	(312)	(3)	0	0	0
Forecast resources utilised (ongoing works)	1,831	0	0	0	0
Forecast resources utilised (proposed)	26,389	29,250	22,579	1,250	1,250
Total other capital resources	0	0	0	0	0
Total non-housing capital resources	(210)	(273)	(369)	(367)	(344)

- 9.4 Considerable caution needs to be attached to the forecast levels of resources from receipts from asset disposals and section 106 payments, for the following reasons:

- The levels of capital receipts from disposals in 2014/15 and 2015/16 (£1.8m and £3.8m respectively) is acknowledged to be aspirational. Shortfalls against these targets will be managed by continuing the council's policy of not committing spend against forecast resources until they materialise, alongside consideration of further use of borrowing where the associated revenue costs are manageable.
- The rolling programme of asset reviews will bring forward buildings and land for disposal and the projected income of £1.25m each year from 2016/17 to 2018/19 is considered to be a challenging but at the same time realistic estimate.
- The development industry is facing a very difficult outlook and this will impact on S106 income and the total level of receipts is expected to be fairly constrained. In future years the council will start to accrue income from the community infrastructure levy and this will replace most of the current 106 funding.

9.5 In view of the market constraints the S106 programme for 2014/15 does not commit the entire unallocated section106 fund currently available. The balance, together with contributions accrued during 2014/15, will help to provide some continuity of investment over the planning year period.

9.6 A significant level of resource is anticipated from grants and contributions, including from the Homes & Communities agency supporting development at Bowthorpe and City Cycle Ambition grant supporting the Push the Pedalways projects.

9.7 Anticipated borrowing covers mainly costs associated with the strategic asset investment scheme, Threescore infrastructure, construction of a new multi-storey car park, and other schemes generating revenue income in excess of the borrowing costs.

9.8 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 9.6: Capital plan 2014/15 – 2017/18

Non-housing capital plan	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s
Asset improvement	360	1,765	0	0	0
Asset investment	10,735	14,200	10,500	0	0
Asset maintenance	1,290	1,100	800	800	800
Initiative funds	50	450	450	450	450
Regeneration and growth	14,244	11,735	10,829	0	0
Section 106 schemes	157	275	371	368	346
Total expenditure	26,837	29,525	22,950	1,618	1,596
S106	(448)	(275)	(371)	(368)	(346)
Other capital resources	(26,389)	(29,250)	(22,579)	(1,250)	(1,250)
Total resources applied	(26,837)	(29,525)	(22,950)	(1,618)	(1,596)
Total non-housing capital plan	0	0	0	0	0

21.

9.9 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 A significant addition to the programme since last year is the **City Cycle Ambition** workstream ("Push the pedalways") which reflects the attraction of millions of pounds of additional capital resource to invest in the city's transport infrastructure.

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

Table 10.4: Capital Programme 2014/15

Scheme	£000s
City Hall 2 nd floor refurbishment to maximise utilisation and facilitate income generation and savings	250
Earlham Park access improvements	110
Asset improvement total	360
Private sector new build	85
Asset investment for income	900
Strategic asset investment	9,750
Asset investment total	10,735
St Andrews car park – defect repairs	550
Major repairs programme	740
Asset maintenance total	1,290
Carbon management programme	50
Carbon management programme total	50
Mountergate Phase 2	159
Mile Cross offices	150
Rose Lane – design/build of new multi-storey car park	7,000
Threescore Infrastructure	2,385

Threescore Phase 2	300
Park depots	265
Riverside Walk	260
Regeneration and growth total	10,519
Pilling Park Improvements	4
Mile Cross Gardens Play Project	60
Heartsease Play Project	40
Mousehold Environs Play Project	25
Pointers Field Cycle/Footpath	22
Fire Station Bethel St Cycle Stands	6
Section 106 schemes total	157
The Avenues	585
Earlham Road (Gypsy Lane - Christchurch Road)	423
Park Lane - Vauxhall Street	90
Vauxhall Street - Bethel Street	740
Magdalen Street and Cowgate contraflow	219
Tombland & Palace Street	291
Heathgate - Valley Drive	459
Salhouse Road (Hammond Way - Racecourse Inn)	165
20 mph areas	277
Simplify cycling and loading in pedestrian areas	50
Directional signage and clutter removal	60
Cycle City Ambition Project Administration	367
City Cycle Ambition total	3,726
Total non-housing capital programme 2014/15	26,837

10.5 The capital budget monitoring report on this cabinet agenda shows the position on the capital programme 2013/14, and a forecast of expenditure and resources for which approval will be sought to be carried forward, adding to the above 2014/15 programme.

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/EcolIssues/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:	5 February 2014
Head of service:	Caroline Ryba, Chief Finance Officer
Report subject:	General Fund Budget & Capital Programme 2014/15
Date assessed:	22 January 2014
Description:	This integrated impact assessment covers the proposed general fund budget, capital programme, and council tax for 2014/15

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The proposed capital plan and programme will provide for improvements to the council's assets and the surrounding environment
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	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	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>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</p>
Recommendations from impact assessment				
Positive				
None				
Negative				
None				
Neutral				
None				
Issues				
None				

Budget consultation results

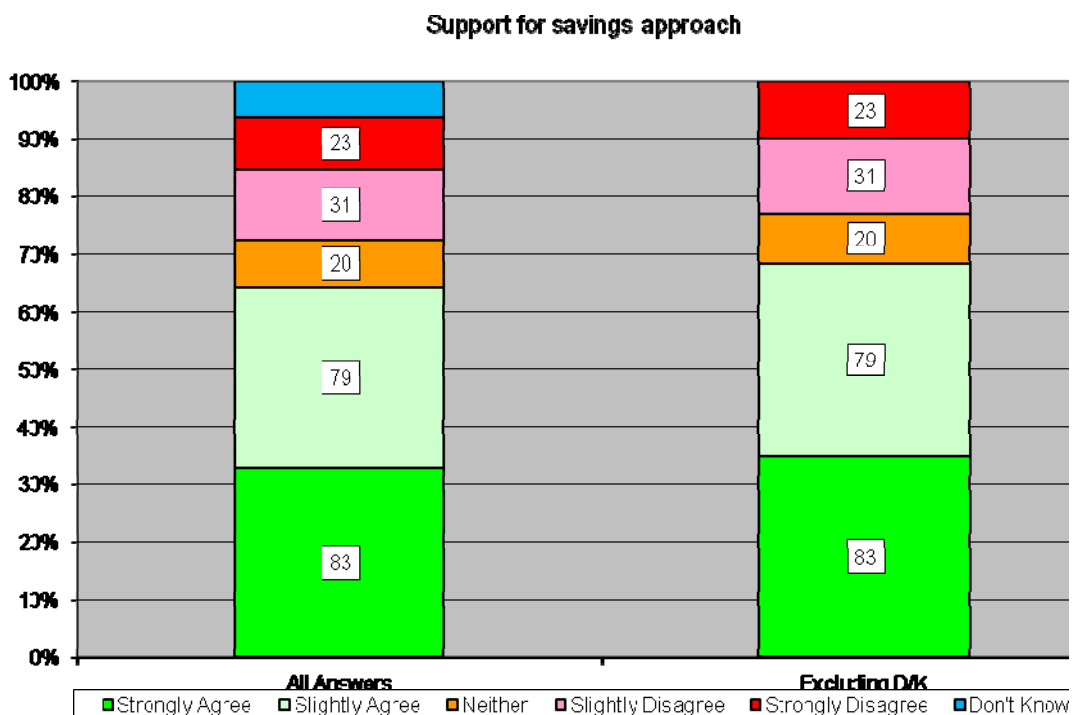
A total of 284 responses were received to the consultation on the budget and the council tax reduction scheme. Respondents were able to complete the survey online or request a paper copy.

26 of the 284 responses had said they were responding “as an employee of Norwich City Council”. In order to avoid any possible bias to the reported results these responses have been excluded from the results set out below.

The data below have been weighted by the research company primarily to reflect responses by age, where some groups have been under or over represented.

Approach to making savings

The first question set out the council’s proposed approach to generating income and saving money for 2014/15 through continuing to change the way the council works and provided a long list of examples. The question that was then asked was “Do you agree with the council’s proposed approach of continuing to change the way it works to generate income and save money?”:



	Agree with approach to making savings					
	Strongly Agree	Slightly Agree	Neither	Slightly Disagree	Strongly Disagree	Don't Know
All Answers	83	79	20	31	23	15
All	33.1%	31.5%	8.1%	12.4%	9.0%	5.8%
Excluding D/K	35.1%	33.5%	8.6%	13.2%	9.6%	

This shows approximately two in three responses supporting this approach to a greater or lesser degree. About one in five disagree.

Other suggestions

Respondents were also asked two further questions in this section. The first asked for any comments or suggestions on the council's proposed approach of continuing to change the way it works to generate income and save money. The second question asked for any ideas on other things the council could do differently to generate income or save money.

Comments or suggestions

The number of respondents making the comment or suggestion is shown in brackets. Other comments were made by only 1 person.

- Disagree with the increase in rent for allotments (21)
- Joint/ partnership working inc. shared services (10)
- Rent out Council property inc. City Hall (7)
- Disagree with the increased fees for cemeteries (5)
- Sell Council property/ land (5)
- Get rid of non-statutory services/ events e.g. free firework displays (4)
- Shouldn't charge businesses late rent payments (3)
- Make more use of online services (3)
- Make staff cuts (2)
- Increase council tax (2)

Other things the Council could do

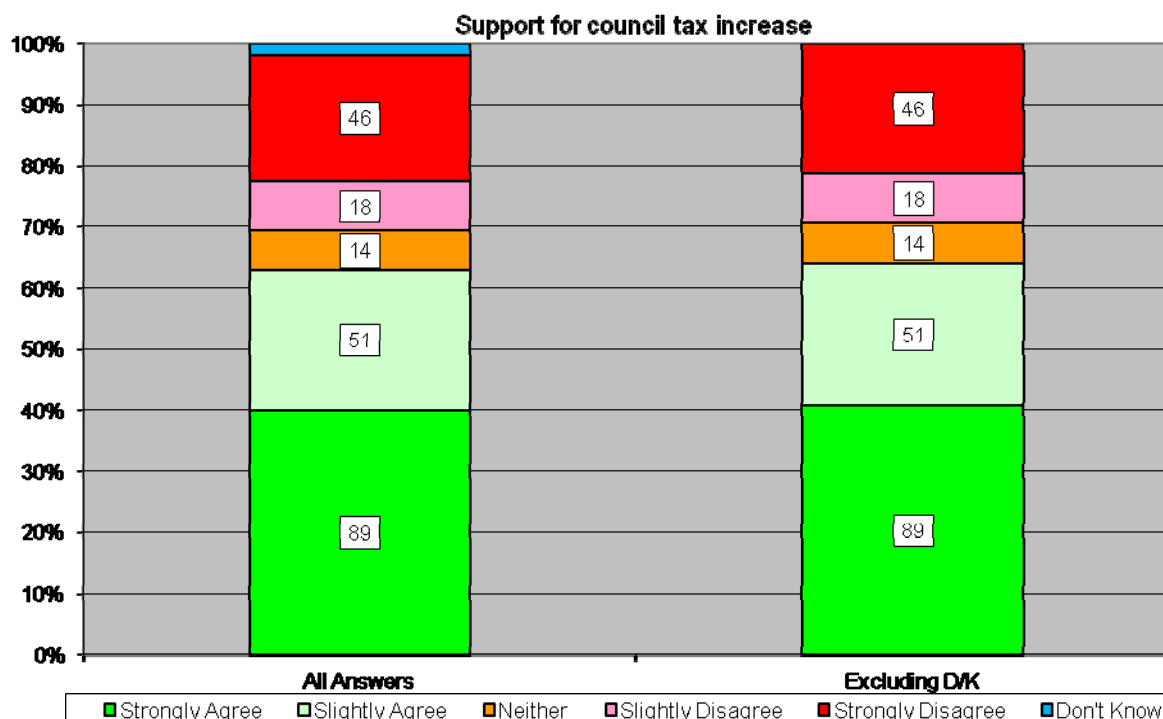
- More services should be shared or contracted out (10)
- There should be fewer staff at the council (5)
- More services should be provided electronically/ there should be fewer offices (5)
- Increase parking charges inc. charging for Housing parking permits (4)
- Managers/ staff at the council should be paid less (2)
- I don't think the council should spend money on events such as firework displays/ Lord Mayor's weekend (2)
- More sponsorship opportunities should be used for events (2)
- More should be done to collect outstanding debts (2)
- Reduction in grass cutting services (2)

As above, there were other responses, some of which are not easily categorised/ were only mentioned by one person.

All the comments will be gone through individually by officers looking at ongoing income and savings to see if there are other ideas which could be considered.

Council tax increase

Respondents were asked to what extent they supported the city council raising its share of council tax by 2% for 2014 / 15 to generate an estimated £150,000 in extra income and using that money to protect key council services in the future



	Support a 2 % council tax increase					
	Strongly Agree	Slightly Agree	Neither	Slightly Disagree	Strongly Disagree	Don't Know
All Answers	89	51	14	18	46	4
All	39.9%	22.9%	6.5%	8.2%	20.6%	1.9%
Excluding D/K	40.7%	23.4%	6.6%	8.3%	21.0%	

These figures show that there is generally support for an increase with more than six in ten who answered agreeing, there is a polarisation of opinion with just less than one in three against. The number strongly agreeing, at around 40%, is quite a lot higher than in last year's consultation (approx 25%), whilst the proportion strongly disagreeing has gone down. Overall, those in favour of a council tax increase outnumber those opposed by a factor of greater than 2:1.

Council tax reduction scheme for Norwich

From April 2013 the national Council Tax Benefit Scheme which helped people with low or no income to pay their council tax was abolished and councils were required to introduce a local scheme called the Council Tax Reduction Scheme. As part of this the government reduced the amount of funding it provided to councils to pay for this by 10%.

Norwich City Council introduced a scheme which funded the 10% cut so that households on low or no income still received the same help with their council tax.

Respondents were asked if they have any comments or suggestions on our council tax reduction scheme.

A total of 91 comments in total were received which were broken down as below:

Support the current scheme	35	60.3%
Level of support should be reduced/ everyone should pay	23	39.7%

A number of other comments were also made:

- Increase council tax on second homes (6)
- Lower income should pay less/ higher income should pay more (4)
- Pensioners should not be protected (4)
- Students should have to pay (2)

Again there were a number of other comments made by just one respondent and officers will look at any suggestions that could be used.

Change local pubs to other uses

Respondents were asked about their support for a proposal to government where landowners who want to change local pubs into other uses such as shops cannot do so without consulting the local community and getting planning permission.

The question asked was “do you agree that it would be a good idea to ask the government to change planning law in this way and try to protect community pubs?”

	Yes	No	Don't Know
	146	42	25
All respondents	68.6%	19.8%	11.6%
Excluding Don't Know	77.7%	22.3%	

More than three quarters of respondents who expressed a view would support the Council using the Sustainable Communities Act to submit a proposal asking the government to change planning law so that landowners would require planning permission to convert a pub to another use such as a shop.

Movements in budget 2014/15 by type

Table A2.1: Adjustments to base budgets

Adjusted Base	£000s
Contribution to/from balances	(1,587)
Minimum Revenue Provision	1,339
Other Adjusted Base	14
Total Adjusted Base	(234)

Table A2.2: Planned budget growth

Planned Growth	£000s
Payroll cost increase	545
Contribution to/from balances	291
Transformation Programme growth	273
Grounds Maintenance contract savings	246
Pension cost decrease	183
Inflation on LGSS shared service	91
Insurance costs	43
Fuel Poverty & Energy Officer	23
Other Planned Growth	101
Total Planned Growth	1,797

Table A2.3: Recommended budget growth

Recommended Growth	£000s
Debt Interest & Investment income	225
Contribution to provision for bad debts	143
Overhead cost increase	117
Business Rates increase	84
Post costs due to HB & CT reforms	76
Increase in TUPE'd staff pension deficit	64
Increase in JNHAC Highways costs	56
On Street Parking income paid to County	52
NPS management fee	28
New cash collection contract	28
Pension cost decrease	27

Recommended Growth	£000s
Increased fuel costs	18
Total Recommended Growth	112

Table A2.4: Planned income reductions

Planned Income Reduction	£000s
Transformation Programme growth	159
Grounds Maintenance contract savings	19
Total Recommended Income Reduction	178

Table A2.5: Recommended income reduction

Recommended Income Reduction	£000s
Reduction in Housing Benefit subsidy	2,741
NPS management fee	682
Loss of Council Tax Admin Grant	204
Reduced Housing Options recharge to HRA	164
Debt Interest & Investment income	155
Reduction in Planning Fee income	100
Non-housing rent income	72
Reduced Citywide Services income	65
Removal of staff recharge to LEAP	53
Temporary Accommodation benefit loss	50
Shortfall in Natural Burials income	40
Other Recommended Income Reduction	67
Total Recommended Income Reduction	4,393

Table A2.6: Planned Savings

Planned Savings	£000s
Transformation Programme savings	(1,641)
NPS management fee	(1)
Other Planned Savings	(38)
Total Planned Savings	(1,680)

Table A2.7: Recommended savings

Recommended Savings	£000s
Reduction in Housing Benefit costs	-2,289
Reduction in General Fund Contingency	-762

Recommended Savings	£000s
Reduction in Housing Benefit costs	(2,289)
Reduction in General Fund Contingency	(762)
NPS management fee	(563)
Debt Interest & Investment income	(240)
Budget saving reductions	(70)
Savings on building works costs	(59)
Pension cost decrease	(57)
Temporary Accommodation benefit loss	(5)
Other Recommended Savings	(87)
Total Recommended Savings	(4,131)

Table A2.8: Planned income increases

Planned Income Increase	£000s
Transformation Programme savings	(1,570)
Increase in New Homes Bonus	(187)
Individual Electoral Registration grant	(71)
Dwelling void reduction	(10)
Total Planned Income Increase	(1,838)

Table A2.9: Recommended income increases

Recommended Income Increase	£000s
Discretionary Housing Allowance grant	(280)
Debt Interest & Investment income	(200)
Recharge of New Build costs to HRA	(160)
Localising Council Tax Support Grant	(125)
Non-housing rent income	(60)
Increased CBL advertising income	(55)
Other Recommended Income Increase	(167)
Total Recommended Income Increase	(1,047)

Table A2.10: Budget transfers

Transfers	£000s
Transformation Programme savings	(2)
Other Transfers	6
Total Transfers	3

Movements in budget 2014/15 by service group

Table A3.1: Business Relationship Management

Business Relationship Management	£000s
Reduction in Housing Benefit subsidy	2,741
Reduction in Housing Benefit costs	(2,289)
Minimum Revenue Provision	1,339
Transformation Programme savings	(539)
Pension cost decrease	(312)
Discretionary Housing Allowance grant	(280)
Loss of Council Tax Admin Grant	204
Contribution to provision for bad debts	143
Transformation Programme growth	97
Inflation on LGSS shared service	91
Increase in postal costs from CT & HB reforms	76
Debt Interest & Investment income	(60)
Payroll cost increase	40
Overhead cost increase	25
Other Business Relationship Management	2
Total Business Relationship Management	1,278

Table A3.2: Chief Executive & Corporate

Chief Executive & Corporate	£000s
Contribution to/from balances	(1,296)
Reduction in General Fund Contingency	(762)
Transformation Programme savings	(557)
Increase in New Homes Bonus	(187)
Overhead cost decrease	181
Payroll cost increase	138
Localising Council Tax Support Grant	(125)
Pension cost increase	7
Insurance costs	(3)
Other Localising Council Tax Support Grant	16
Total Chief Executive & Corporate	(2,588)

Table A3.3: Customers, Communications & Culture

Customers, Communications & Culture	£000s
Overhead cost decrease	(115)
Pension cost increase	97
Savings on building works costs	(59)
Transformation Programme savings	(57)
Payroll cost increase	44
New cash collection contract	28
Grounds Maintenance contract savings	(9)
Insurance costs	3
Other Customers, Communications & Culture	26
Total Customers, Communications & Culture	(44)

Table A3.4: Operations

Operations	£000s
Transformation Programme savings	(1,830)
Pension cost increase	293
Grounds Maintenance contract	275
Payroll cost increase	245
Transformation Programme growth	216
Overhead cost decrease	187
Reduced Housing Options recharge to HRA	164
Recharge of New Build costs to HRA	(160)
NPS management fee	146
Reduction in Planning Fee income	100
Business Rates increase	84
Decrease in Highways income from County	28
Budget saving reductions	(70)
Reduced Citywide Services income	65
Increase in TUPE'd staff pension deficit	64
Increased CBL advertising income	(55)
Removal of staff recharge to LEAP	53
On Street Parking income paid to County	52
Temporary Accommodation benefit loss	45
Shortfall in natural burials income	40
Insurance costs	36

Operations	£000s
Increased fuel costs	18
Non-housing rent income	12
Other Operations	(70)
Total Operations	(64)

Table A3.4: Strategy, People, & Democracy

Strategy, People & Democracy	£000s
Transformation Programme savings	(230)
Overhead cost decrease	(133)
Transformation Programme growth	120
Payroll cost increase	78
Individual Electoral Registration grant	(71)
Pension cost increase	69
Fuel Poverty & Energy Officer	23
Insurance costs	7
Other Strategy, People & Democracy	24
Total Strategy, People & Democracy	(112)

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:

No.	Service	Description of key savings / income projects	Revenue savings / income for 2014/15
1	City development / NPS	Income from surplus for Norse Norwich Building joint venture	165,000
2	City development / NPS	Renting of self storage containers at Mile Cross Depot and other uses of the site to generate income and a new approach to document storage	10,000
3	City development / NPS	Charge interest on late payment of commercial rent in line with other organisations	33,000
4	City development / NPS	Transfer the commercial debt management function to NPS Norwich in order to create efficiencies in the process	10,000
5	City development / NPS	Demolition of general fund void properties that are unlikely to be let in order to avoid rates charge.	43,000
6	City development / NPS	Use prominent empty shop fronts to market other empty units/services the Council can provide using temporary/movable boards.	10,000
7	City development / NPS	Review of the current processes for the non-housing responsive maintenance & planned work.	50,000
8	Business relationship mgt/ LGSS	Revenues and benefits improvement project resulting in increased grant through lower error rates	150,000
9	Business relationship mgt/ LGSS	Savings from LGSS including reduction in external audit fee.	201,621
10	Business relationship mgt/ LGSS	Correct budgeting error whereby audit fee included twice in budget	198,466
11	City development	Carry out works in default and private work income	6,000
12	City development	Charge cost of parking pool cars dedicated to housing rent and arrears team to HRA	6,000
13	Citywide services	Increase in cemetery fees - resulting in cost recovery over three years	53,000
15	Citywide services	Proposed changes to refuse contract	150,000
16	Citywide services	Increase trading capacity of Norwich Norse to include commercial; pest control, private tree works, private landscaping works and bin washing programmes	80,000

No.	Service	Description of key savings / income projects	Revenue savings / income for 2014/15
17	Citywide services	Retender basis for dog kennelling changing from number of kennels to grant base	9,000
18	Citywide services	Develop other income opportunities - memorial benches/trees/shop	5,000
19	Citywide services	End of project identifying land outside current scope of works (contracts unit)	36,379
20	Citywide services	Increased income through greater usage of golf courses	18,161
21	Citywide services	Increase charges for allotments leading to cost recovery over three years	1,808
22	Strategy, people and democracy service grouping	Providing recruitment and assessment centres to other organisations and selling places on our learning and development courses to offset costs.	20,000
23	Strategy, people and democracy service grouping	Reduction in learning and development spend in line with reducing organisation	13,720
24	Strategy, people and democracy service grouping	Environmental strategy team to be included in recharges in line with activity	45,000
25	Strategy, people and democracy service grouping	Reduction in HR costs and recruitment budget following realisation of benefits of the implementation of self serve and policy changes (Ask HR, business partnering approach) and implementation of e-recruitment	53,830
26	Strategy, people and democracy service grouping	Implementation of paperless committee meetings/ councillors/ senior officers supported by electronic committee management system and suitable electronic devices for councillors and officers.	15,000
27	Strategy, people and democracy service grouping	Strategic services review resulting in redesign and refocusing of strategic resources including removal of vacant management post	54,024
28	Strategy, people and democracy service grouping	Redesign of elections function in line with new requirements e.g. increased elections, individual electoral registration and with aim to improve resilience	15,000
29	Strategy, people and democracy service grouping	Senior management changes	65,463
30	Strategy, people and democracy service grouping	Small miscellaneous savings across the different teams	19,989
31	Strategy, people and democracy service grouping	Water optimisation project - to be carried out jointly with Anglian Water to ensure we are on the most efficient tariffs	30,000
32	Multiple	Advertising income review	25,000

No.	Service	Description of key savings / income projects	Revenue savings / income for 2014/15
33	Multiple	New homes bonus through enabling new homes and bringing empty properties back into use leading to increased new homes bonus	238,441
34	Multiple	Property classification changes (already approved by cabinet)	159,783
35	Customers, communications and culture service grouping	Redesign of the communications function to meet the needs of the council as we move forward with channel shift	17,946
36	Customers, communications and culture service grouping	Review of culture and events	20,600
37	Customers, communications and culture service grouping	Review of sports development including the Norman Centre and the Halls	16,640
38	Customers, communications and culture service grouping	Review of tourism development and tourist Information centre including on-line selling	2,090
39	Housing services	Review of housing services -efficiency savings identified within housing options	90,000
40	Local neighbourhood services	Asb hotline out of hours charges review - savings related to underspend in last financial year.	2,000
41	Local neighbourhood services	Reduce small amounts across local neighbourhood services supplies and services budget	5,960
42	Local neighbourhood services	Remove support/crisis grants (contingency) to community centre management committees that have not previously been used. Contingency now to be provided for this corporately.	3,028
43	Local neighbourhood services	Increase re-charge for wardens costs to the HRA in line with activity	100,360
44	Planning	Professional advice - Cost reduction reflects cyclical nature of producing major policy documents and merger of cost centres.	147,880
45	Planning	Printing - Cost reduction reflects cyclical nature of producing major policy documents plus gradual move away from hard copy printing plus merger of printing budgets.	25,000
46	Planning	Promotion and publicity - Reduction in a budget that is higher than necessary.	4,000
47	Multiple	Savings from pension cost contributions through JVs	79,137
48	City	Increase in parking tariffs	225,000

No.	Service	Description of key savings / income projects	Revenue savings / income for 2014/15
	development		
49	City wide services	Efficiencies from environmental contracts	110,237
50	City development	Changes to NPS Norwich pension contribution rate	223,706
51	City development	Strategic investment project	187,500
		Totals	3,252,769

Calculation of prudent minimum balance

Estimate of prudent level of General Fund reserves 2014/15				Page 1/2
<u>Description</u>	<u>Level of risk</u>	<u>Amount at risk</u>	<u>Risk</u>	
Employee Costs	<i>Medium</i>	17,328,107	34,656	
Premises Costs	<i>Medium</i>	8,691,775	32,594	
Transport Costs	<i>Medium</i>	314,000	1,766	
Supplies & Services	<i>Medium</i>	6,792,186	101,883	
Third Party Payments	<i>Medium</i>	7,779,742	58,348	
Transfer Payments	<i>Medium</i>	91,249,849	273,750	
Centrally Managed Expenditure	<i>Medium</i>	1,517,614	45,528	
Receipts	<i>Medium</i>	23,106,678	121,310	
Grants & Contributions	<i>Low</i>	115,959,447	173,939	
Total One Year Operational Risk				843,775
Allowing three years cover on operational risk				2,531,324
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
St Andrews Car Park – additional income loss	255,000	@	100%	255,000
Council Tax Reduction	700,000	@	10%	70,000
Business Rates retention	400,000	@	100%	400,000
Litigation / claims	700,000	@	20%	140,000
ESTIMATED REQUIRED LEVEL OF GENERAL FUND RESERVES				4,496,324

Operational cost risk profiles

		<i>Low Risk</i>	<i>Med Risk</i>	<i>High Risk</i>
Employee Costs	overspend probability amount at risk	1.00% 15.0% 25,992	2.00% 10.0% 34,656	3.00% 5.0% 25,992
Premises Costs	overspend probability amount at risk	2.50% 10.0% 21,729	5.00% 7.5% 32,594	7.50% 5.0% 32,594
Transport Costs	overspend probability amount at risk	5.00% 10.0% 1,570	7.50% 7.5% 1,766	10.00% 5.0% 1,570
Supplies & Services	overspend probability amount at risk	5.00% 20.0% 67,922	10.00% 15.0% 101,883	15.00% 10.0% 101,883
Third Party Payments	overspend probability amount at risk	5.00% 10.0% 38,899	10.00% 7.5% 58,348	15.00% 5.0% 58,348
Transfer Payments	overspend probability amount at risk	1.00% 25.0% 228,125	2.00% 15.0% 273,750	3.00% 10.0% 273,750
Centrally Managed Expenditure	overspend probability amount at risk	10.00% 20.0% 30,352	20.00% 15.0% 45,528	30.00% 10.0% 45,528
Receipts	shortfall probability amount at risk	2.00% 25.0% 115,533	3.50% 15.0% 121,310	5.00% 10.0% 115,533
Grants & Contributions	shortfall probability amount at risk	1.00% 15.0% 173,939	1.50% 10.0% 173,939	2.00% 5.0% 115,959

ANNEX 2 (UPDATED)

General fund revenue budget and capital programme 2014/15 – Statutory Council Tax Resolution

The Council is recommended to resolve as follows:

- 1 That it be noted that on 29 January 2014 the Council calculated the Council Tax Base 2014/15 for the whole Council area as 32,932 [Item T in the formula in Section 31B 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 2014/15 (excluding Parish precepts) is £7,731,116
- 3 That the following amounts be calculated for the year 2014/15 in accordance with Sections 31 to 36 of the Act:
 - (a) £220,026,066 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £212,294,950 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £7,731,116 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 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act)
 - (d) £234.76 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) £234.76 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 2014/15 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	£763.38	£890.61	£1,017.84	£1,145.07	£1,399.53	£1,653.99	£1,908.45	£2,290.14
Police	£136.50	£159.25	£182.00	£204.75	£250.25	£295.75	£341.25	£409.50

- 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 2014/15 for each part of its area and for each of the categories of dwellings.

Band	A	B	C	D	E	F	G	H
City	£156.51	£182.59	£208.68	£234.76	£286.93	£339.10	£391.27	£469.52
County	£763.38	£890.61	£1,017.84	£1,145.07	£1,399.53	£1,653.99	£1,908.45	£2,290.14
Police	£136.50	£159.25	£182.00	£204.75	£250.25	£295.75	£341.25	£409.50
Total	£1,056.39	£1,232.45	£1,408.52	£1,584.58	£1,936.71	£2,288.84	£2,640.97	£3,169.16

- 6 To determine in accordance with Section 52ZB Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2014/15 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC.