Norfolk County Council

Policy and Resources Committee

Date:	**Monday, 29 January 2018**
Time:	**10 am**
Venue:	**Edwards Room, County Hall, Norwich**

Persons attending the meeting are requested to turn off mobile phones.

Membership

Mr C Jordan (Chairman)

Mr B Borrett
Mrs P Carpenter
Mrs M Dewsbury
Mr T Garrod
Mr K Kiddie
Mr S Morphew
Mr R Oliver
Mr D Roper
Mr E Seward
Mrs A Thomas
Mrs C Walker
Mr M Wilby

For further details and general enquiries about this Agenda please contact the Committee Officer:
Tim Shaw on 01603 222948
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A g e n d a

1. **To receive apologies and details of any substitute members attending**

2. **Minutes** **(Page 7)**
To agree the minutes from the meeting held on 27 November 2017

3. **Members to Declare any Interests**

If you have a Disclosable Pecuniary Interest in a matter to be considered at the meeting and that interest is on your Register of Interests you must not speak or vote on the matter.

If you have a Disclosable Pecuniary Interest in a matter to be considered at the meeting and that interest is not on your Register of Interests you must declare that interest at the meeting and not speak or vote on the matter.

In either case you may remain in the room where the meeting is taking place. If you consider that it would be inappropriate in the circumstances to remain in the room, you may leave the room while the matter is dealt with.

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an Other Interest in a matter to be discussed if it affects

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

If that is the case then you must declare an interest but can speak and vote on the matter.

4. **To receive any items of business which the Chairman decides should be considered as a matter of urgency**

5. **Public Question Time**

15 minutes for questions from members of the public of which due notice has been given.

Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223055) by **5pm on Wednesday 24 January 2018.** For guidance on submitting public question please view the Constitution at Appendix 10.

6. Local Member Issues

Fifteen minutes for local members to raise issues of concern of which due notice has been given.

Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223230) by **5pm on Wednesday 24 January 2018.** For guidance on submitting public question please view the Constitution at Appendix 10.

Section A – Items for Discussion and Decision/Action

7	**Finance Monitoring Report Period 8** Report by Executive Director, Finance and Commercial Services	**(Page 19)**
8	**Delivering Financial Savings 2017-18** Report by Executive Director, Finance and Commercial Services	**(Page 49)**
9	**Our Vision, Strategy & Service Plans** Report by Managing Director	**(Page 88)**
10	**Strategic and Financial Planning – 2018-22 and Revenue Budget 2018/19.** Report by the Executive Director, Finance and Commercial Services and Strategy Director	**(Page 114)**
	Note:	
	• **The rural and equality assessments on savings proposals for 2018-19 (Appendix H (ii)) can be found as a separate document on the Committee pages website.**	**(Page 185)**
	• **The Medium Term Financial Strategy 2018-22 can be found at Appendix I**	**(Page 189)**
	• **The public consultation results can be found at Appendix J to the report.**	**(Page 217)**
11	**Capital Strategy and Programme 2018-19** Report by Executive Director of Finance and Commercial Services	**(Page 233)**
12	**County Council Budget 2018-19 to 2021-22: Statement on the Adequacy of Provisions and Reserves 2018-22** Report by Executive Director of Finance and Commercial Services	**(Page 271)**
13	**County Council Budget 2018-19 to 2021-22: Robustness of Estimates** Report by Executive Director of Finance and Commercial Services	**(Page 300)**

14 **Annual Investment and Treasury Strategy 2018-19** **(Page 313)**
Report by Executive Director of Finance and Commercial Services

15 **Recycling Norfolk's Disused Railways – a vision for a cycling and walking network for the County** **(Page 344)**

Report by Executive Director, Community and Environmental Services

16 **Progress on the Council's Equality, Diversity & Inclusion Objectives 2017-2020** **(Page 352)**
Report by Executive Director, Community and Environmental Services

17 **Bullying and Harassment Cases** **(Page 367)**
Report by the Managing Director

18 **Determination of Admission Arrangements 2019-20** **(Page 372)**
Report by Director of Children's Services

Section B – Items for Report

19 **Notifications of Exemptions Under Contract Standing Orders** **(Page 378)**
Report by Executive Director of Finance and Commercial Services

20 **Feedback from Members serving on Outside Bodies**

To receive verbal reports (where appropriate) from Members serving on the following outside bodies:

1. LGA General Assembly
2. County Council Network
3. East of England Local Government Association:

Group Meetings

Conservative	9:00am	Leader and Deputy Leader Room

Labour	9:00am	Labour Group Room
Liberal Democrats	9:00am	Liberal Democrats Group Room

Chris Walton
Head of Democratic Services
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 19th January 2019

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Norfolk County Council

Policy and Resources Committee

Minutes of the Meeting Held on 27 November 2017
10:00am Edwards Room, County Hall, Norwich

Present:

Mr C Jordan (Chairman)

Mr B Borrett	Mr D Roper
Mrs M Dewsbury	Mr E Seward
Mr T Garrod	Mrs A Thomas
Mr S Morphew	Mr M Wilby
Mr R Oliver	

Substitute Member present:

Ms E Corlett for Mrs C Walker
Mr S Dark for Mrs P Carpenter
Mr B Iles for Mr K Kiddie

1. Apologies for Absence

1.1 Apologies for absence were received from Mrs P Carpenter, Mr K Kiddie and Mrs C Walker.

2 **Minutes**

2.1 The minutes of the previous meeting held on 30 October 2017 were confirmed by the Committee and signed by the Chairman.

3 **Declarations of Interest**

3.1 Mrs M Dewsbury (son worked for NORSE), Mrs A Thomas and Mr M Wilby declared personal interests in Item 14 regarding NORSE Consents because they were south Norfolk members.

3.2 Mr C Jordan declared a personal interest in item 10 regarding Mid-Year Treasury Management Monitoring Report 2017-18 because he was Chairman of the Norfolk Pensions Committee.

4 **Items of Urgent Business: Land at the Willows In King's Lynn**

4.1 The Chairman reported that Norfolk County Council had received an enquiry about the land known as the Willows in Kings Lynn. Given the sensitivity of this site and the Council's commitment to be transparent, the Chairman took the unusual step of updating the Committee on this case.

4.2 The Chairman reported that Officers had responded that the County Council owned the land but were not willing to sell the land, given the decision made by the Business and Property Committee and Council. Officers requested further details as to who was interested in acquiring the land, what it would be used for and whether it would help generate employment. Following discussions (including with the Borough of Kings Lynn who also owned some land in this area), a more formal proposal had been put to NCC:

1. The interest was from EP Power UK Development Ltd – the new owners of the 'Centrica B' site. They were seeking to build a new gas fired power station (which would not affect the current Centrica operation), where there was currently consent for a smaller station.
2. They required additional land for the creation of a Carbon Capture Plant - an obligation as part of the planning permission. Without this land, there could be no development.
3. The proposal would generate 50-60 permanent jobs and a substantial number of construction jobs, as well as advantages for the local supply chain. It would also generate substantial business rates.
4. The proposal was for them to lease the land from BKLWN and NCC.
5. The land would not be used for the incineration of waste, but rather Carbon Capture Equipment or the CCGT plant. The Councils would be able to control the use of the land via the lease. Any lease would be on commercial terms.
6. Any development would be subject to a number of technical, planning and statutory consents and tests.
7. NCC would remove this site from the Local Waste Plan.

4.3 The Chairman informed the Committee that discussions were only at the very early phase and were just at this point exploratory. However this development provided the opportunity for a substantial development, providing high quality jobs and supply chain opportunities for Kings Lynn. Any decision on the lease of this land would need to be undertaken in line with the governance procedures, and the local member protocol, but could be a fantastic opportunity to support economic growth in the County.

5 **Public Question Time**

There were no public questions.

6 **Local Member Issues**

6.1 There were no local Member questions.

Section A – Items for Discussion and Decision/Action

7 **Chancellor's Autumn Budget and Fair Funding Review**

7.1 The annexed report (7) by the Executive Director of Finance and Commercial Services and the Strategy Director was received.

7.2 The Committee received a report from the Executive Director of Finance and Commercial Services about the expectations before the Chancellor's Autumn Budget 2017 and a separate update (despatched with a supplementary agenda after the Budget Announcement) on what was presented to Parliament. In addition, the report set out the latest details about the Government's Fair Funding Review, including the anticipated timetable for implementation and some of the key issues for Norfolk. The report also summarised some of the recent representations that were made on funding matters and provided a brief overview of the Council's general approach to engaging with Government on financial issues.

7.3 The Committee welcomed the confirmation in the Autumn Budget that the Government would contribute £98m to support the Great Yarmouth third river crossing which was a high priority for the County Council and would alleviate congestion and stimulate growth in the Enterprise Zone. This was seen by Members as good news for the East of England in general. Thanks were placed on record to the officers of the County Council who had worked on the preparation of the project and to the Norfolk MPs for their support.

7.4 Members expressed disappointment at the lack of reference in the Budget to the impact that the rising cost of funding the social care system was having on Local Government finances. It was pointed out that Lord Porter, Chair of the Local Government Association, had been reported in the media as saying that the Government must take urgent action to fund social care properly, if Councils were to stand any chance of protecting care services for elderly and vulnerable people.

7.5 In reply, the Chairman said that he welcomed the measures announced in the Autumn Budget to stimulate affordable housebuilding and boost regional infrastructure but shared the disappointment shown throughout the County Council Network over the Chancellor's lack of action to address the social care funding crisis. He said that he remained hopeful that the Government would take measures by other means to tackle this issue. The Chairman added that the County Council would continue to take up the issue of social funding costs with the Government, both directly and through the County Council Network, and that he would welcome the support that was offered by other Party Spokespersons to help put forward a strong case for better social care funding for everyone living in Norfolk.

7.6 **RESOLVED**

That the Policy and Resources Committee:

1. **Note the expected implications of the Autumn Budget.**

2. **Note the latest information about the anticipated Fair Funding Review timetable and implications.**
3. **Agree the Council's general approach to engaging with Government on the Fair Funding Review and other financial issues as set out in this report.**

8 **Finance Monitoring Report-Period 6 – September 2017**

8.1 The annexed report (8) by the Executive Director of Finance and Commercial Services was received.

8.2 The Committee received a report by the Executive Director of Finance and Commercial Services that summarised the Period 6 (September 2017) forecast financial outturn position for 2017-18, to assist Members to maintain an overview of the overall financial position of the Council.

8.3 A Member asked how the costs of the NDR were monitored by Members and whether Members should have received more regular updates of the cost increases. In reply, the Executive Director of Community and Environmental Services said that the EDT Committee had received update reports at its meetings in June and September 2017, prior to the opening of the first section of the NDR from the A1067 to the A140 Cromer Road, in November 2017. Also, Members were kept informed of developments through the work of an All Party Working Group. The latest update to the Policy and Resources Committee (which could be found at Capital Annex 3) provided further details of the costs following extensive negotiations with the contractor, Balfour Beatty.

8.4 The Executive Director of Community and Environmental Services was then asked why the County Council had not entered into a "fixed price" contract with the contractor. In reply, the Executive Director of Community and Environmental Services said that this would have meant the County Council had to pay a premium of typically some 20 to 30pc, while the "target cost" contract that was agreed with Balfour Beatty (where financial risks were shared between the County Council and the Contractor) was currently about 14.3 pc over budget. As such, the "target cost" contract was subject to a range of price variations depending upon issues faced during construction.

8.5 Some Members commented about how the "target cost" contract had potentially saved the County Council a great deal of money. In reply to questions, Members were informed that Officers had undertaken extensive contract monitoring discussions with the contractor and continued to do so. Delays in getting the go-ahead to take the road over the railway line at Rackheath and the cost to divert utilities were some of the reasons why the costs had risen.

8.6 The Executive Director of Finance and Commercial Services said that if the County Council was to agree to re-allocate £7.3m from the budget for capital projects and £12m from cash balances to fund the NDR then a long-term capital funding arrangement to replace the £12m would be submitted to the Policy and Resources Committee in January 2018 and that this could be considered in the context of the 2018/19 Capital Programme and the Council's Medium Term

Financial Strategy. If the County Council borrowed £12m then based on current rates that would cost about £425,000 a year for the next 40 years.

8.7 The Executive Director of Community and Environmental Services was then asked if the figures included in the report were the final costs for the NDR. In reply, the Executive Director of Community and Environmental Services said that he could not give that assurance because the contract remained live and as such there could be further cost changes. The section of the NDR from the A140 to Wroxham Road could open before the end of the year, with the remaining part programmed to open in March 2018. However, the final costs of the NDR would not be known until after the end of construction work and after all the bills were received.

8.8 **RESOLVED**

That the Policy and Resources Committee:

1. **Note the period 6 forecast Revenue overspend of £3.694m;**
2. **Note the forecast General Balances at 31 March 2018 of £19.301m, before taking into account any over/under spends;**
3. **Approve the write-off of two Residential Care charges debts totalling £67,920.13, due to the exhaustion of the estates, as set out in section 5.9 of Annex 1 of the report;**
4. **Note the revised expenditure and funding of the current 2017-20 capital programme as set out in Appendix 3 of the report;**
5. **Approve a current year capital bid in respect of Exchequer Services office moves as set out in Appendix 3 section 4 of the report;**
6. **Support and contribute to the development of the 2017-20 capital programme, including the capital strategy, prioritisation scoring method, and potential new schemes, as set out in Appendix 3 Capital Annex 2 of the report;**
7. **Approve the virement of £7.250m within the existing 2017-18 Capital Programme from the Norfolk Energy Futures Investment Fund to the NDR budget as set out in Capital Annex 3, paragraph 4.3 of the report;**
8. **Agree that in the short term the remaining £12m budget increase is funded by internal borrowing using cash balances as set out in Capital Annex 3, paragraph 4.4 of the report;**
9. **Note that a permanent solution for funding the remaining £12m budget increase will be developed by officers and presented to the 29 January 2018 Policy and Resources Committee meeting as set out in Capital Annex 3, paragraph 4.4 of the report;**
10. **Agree to the principles set out in Capital Annex 3, section 3 of the report, to update the contract terms.**

8.9 **It was also RESOLVED TO RECOMMEND:**

That the County Council increase the NDR Budget by £19.25m to £205m as set out in Capital Annex 3, paragraph 4.2 of the report.

9 **Delivering Financial Savings 2017-18**

9.1 The annexed report (9) by the Executive Director of Finance and Commercial Services was received.

9.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided details of the forecast delivery of the 2017-18 savings agreed by the County Council at its meeting 20 February 2017.

9.3 A Member expressed concern about the wording used in a leaflet published by the Victory Housing Association that asked for sheltered housing residents to pay for emergency pull cords in Association properties in the North Walsham area. The Association was said to be wanting to pass on the cost to sheltered housing residents because of a withdrawal of funding from the County Council. In reply, the Chairman of the Adult Social Services Committee said that the description used in the leaflet appeared to be based on a misunderstanding of who was responsible for subsidising housing associations with funding of this kind. Since 2012 that responsibility had laid with District Councils as had the funding. The Executive Director of Adult Social Services said that if the Member who had raised the issue spoke to him after the meeting then he would examine the wording used in the leaflet.

9.4 **RESOLVED**

That the Policy and Resources Committee note:

1. **The forecast shortfall of savings delivery of £5.056m, which amounts to 11% of total savings for 2017-18;**
2. **The budgeted value of 2017-18 savings projects rated as RED of £7.378m, of which £2.880m are forecast to be delivered;**
3. **The budgeted value of 2017-18 savings projects rated as AMBER of £1.214m, of which £0.656m are forecast to be delivered;**
4. **The budgeted value of 2017-18 savings projects rated as GREEN or BLUE of £39.182m, of which £39.182m are forecast to be delivered; and**
5. **The forecast position of savings delivery for 2018-19 (£5.263m shortfall) and 2019-20 (£0.100m shortfall).**

10 **Mid-Year Treasury Management Monitoring Report 2017-18**

10.1` The annexed report (10) by the Executive Director of Finance and Commercial Services was received.

10.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided information on the treasury management activities of the County Council for the period 1 April 2017 to 30 September 2017.

10.3 During discussion the Executive Director of Finance and Commercial Services agreed to send to Committee Members a copy of the standard response that was given to those who enquired about the Norfolk Pension Fund's Environmental, Social and Governance Engagement Policy.
Note: this can be found at Appendix A to these minutes.

10.4 **RESOLVED TO RECOMMEND:**

That County Council agree to the Mid-Year Treasury Management Monitoring Report 2017/18.

11 **Health, Safety and Well-being Mid-Year Report**

11.1 The annexed report (11) by the Strategy Director was received.

11.2 The Committee received a report by the Strategy Director that provided a mid-year update performance position for health, safety and Well-being for NCC as an employer and an update on progress with the 2017/2- plan previously agreed. The report specifically referenced the County Council's response to the recently published Stevenson/Farmer report "thriving at Work."

11.3 In reply to two detailed questions, the Health, Safety and Well-Being Manager provided the answers that can be found (together with the questions) at Appendix B to these minutes.

11.4 **RESOLVED**

That Policy and Resources Committee:

1. **Note the mid-year performance position.**
2. **Note the progress made against the 2017-20 plan to date.**
3. **Note the assessment of NCCs position against the recommendations of 'Thriving at work'.**

12 **Recommendations from the Constitution Advisory Group meeting held on 8 November 2017**

12.1 The annexed report (12) by the Managing Director was received.

12.2 The Committee received a report that set out recommendations made by the Constitution Advisory Group at its meeting held on 8th November 2017.

12.3 **RESOLVED TO RECOMMEND:**

That County Council agree to the recommendations from the Constitution Advisory Group meeting held on 8 November 2017 that are contained within the report.

13 **Annual Review of the Enforcement Policy**

13.1 The annexed report (13) by the Executive Director Community and Environmental Services was received.

13.2 The Committee received a report from the Executive Director of Communities and Environmental Services that provided an annual review of the framework of the

Enforcement Policy to ensure that the County Council worked in an equitable, practical and consistent manner in the way the Council delivered regulatory activities and law enforcement. The policy and annexes were confirmed as meeting the requirements of EDT and Communities at the EDT committee on 20 October 2017 and the Communities Committee on 15 November 2017.

13.3 **RESOLVED**

That the Policy and Resources Committee approve the CES Enforcement Policy (appendix 1 to the report) and its annex documents, and agree to an ongoing review of the Policy on an annual basis.

14 **NORSE Consents**

14.1 The annexed report (14) by the Executive Director of Finance and Commercial Services was received.

14.2 The Committee received a report by the Executive Director of Finance and Commercial Services that recommended the purchase of 50% of Build Insight Ventures ltd, Build Insight Ltd and Build Insight Consulting Ltd by NPS. The report also contained a recommendation to the County Council about the appointment of directors to companies in the Norse group.

14.3 **RESOLVED**

That Policy and Resources Committee agree to the purchase of 50% of Build Insight Ventures ltd, Build Insight Ltd and Build Insight Consulting Ltd by NPS.

14.4 **It was also RESOLVED TO RECOMMEND:**

That the County Council approve the appointment of directors to companies in the Norse group as detailed in appendix B of the report.

Section B – Items for Report

15 **Notifications of Exemptions Under Contract Standing Orders**

15.1 The annexed report (15) by the Executive Director of Finance and Commercial Services was received.

15.2 The Committee received a report by the Executive Director of Finance and Commercial Services that set out the exemptions that had been made up to 2 November 2017 under paragraph 9.11 of Contract Standing Orders and that were over £250,000 and therefore needed to be notified to the Policy and Resources Committee.

15.3 **RESOLVED**

That as required by paragraph 9.12 of the Council's Contract Standing

Orders, Policy and Resources Committee note the exemptions that have been granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that are over £250,000.

16 **Feedback from Members serving on Outside Bodies- County Council Network Conference Item 16 (2)**

16.1 A report from the Chairman was laid on the table about the annual conference of the County Council Network that was held from 19 to 21 November 2017. Norfolk was represented by the Leader and Managing Director. ‘A New Deal for Counties: Our Plan for Government’ was launched at the conference. The report could be found on the County Council committee pages website.

The meeting concluded at 11.40 am

Chairman

APPENDIX A – the Norfolk Pension Fund’s Environmental, Social and Governance Engagement Policy See minute 10.3

Thank you for your email and for drawing our attention to the publication of a new report.

The Norfolk Pension Fund (administered by the County Council) does not have a policy to disinvest in companies associated with fossil fuels. The Norfolk Pension Fund adopts a policy of active share ownership and engagement rather than disinvestment or exclusion.

At the time of writing the fund is valued at over £3.5 billion and has exposure to over 1,000 companies around the world. Individual investment decisions are made by professional external fund managers appointed by the Fund in accordance with an overall asset allocation strategy set by the trustees. The trustees of the Fund take their responsibilities as a large institutional investor and custodians of a significant pool of financial assets very seriously. Those charged with governance of the Fund (the Pensions Committee) have an overriding fiduciary duty to maximise investment returns while taking an appropriate level of risk and in doing so minimise pension costs to the 350 plus participating scheme employers and the 28,000 active scheme members.

The Committee instructs those managing the investments (external investment managers) to engage with the companies in which the assets of the Fund are invested. This engagement is on a range of issues from executive remuneration to health and safety and environmental impact (including fossil fuels). Driving up standards of corporate governance and corporate responsibility through proactive engagement enhances long term investment returns.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and supports and participates in its engagement activities on behalf of member funds. The LAPFF represents the engagement activities of around 72 of the largest LGPS funds accounting for a significant proportion of the total assets of the scheme. Environmental factors remain a particular concern because climate change, the cost of pollution clean-ups and opportunities for the exploitation of green technology and services can be directly linked to long term investment returns.

The Fund is a signatory to the Carbon Disclosure Project. This is an annual initiative which contacts the largest companies in the world annually and asks that they report on their carbon emissions. In this way the Fund can lend its weight to an organisation which is pursuing a direct goal in accordance with our policy.

The Fund is also invested in a Clean Technology Venture Capital Fund.

Appendix 5 of the Fund's Investment Strategy Statement (which would be attached to this letter) provides a comprehensive description of the Fund's responsible investment policy which includes environmental, social and governance matters.

APPENDIX B- Health, Safety and Well-being Mid-Year Report. See minute 11.3

With reference to a question on the number of bullying and harassment complaints from employees it was confirmed that for the period the report covered (April – September) there were 2 formal complaints raised although not all concerns raised would result in formal complaints as HR provided advice and support to employees to help resolve issues and concerns informally.

With reference to a question on the work NFRS had undertaken in response to the blue light campaign it was confirmed that a number of steps had been taken by NFRS to support mental well-being, although not directly as a result of the blue light campaign. These included:

- **Participated in an audit by MIND the mental health charity**
- **Started to implement some of the recommendations of the audit including:**
    - **Established a well-being group with representation from across NFRS including unions**

    - **Delivered training in mental health awareness to all managers including specific training for the senior management team**

- **Introduced specific support for staff involved in major incidents**
- **Integrated with the occupational health and Norfolk Support Line services provided to other NCC services**
- **Undertook promotional campaigns.**

There were a number of further actions planned. An update on progress with these would be included in the annual Health, Safety and Well-being Report at the July 2018 P&R committee.

Policy and Resources Committee

Item No 7

Report title:	**Finance monitoring report P8: November 2017**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

The Annexes to this report summarise the Period 8 (November 2017) forecast financial outturn position for 2017-18, to assist members to maintain an overview of the overall financial position of the Council.

Executive summary

This report gives a summary of the forecast position for the 2017-18 Revenue and Capital Budgets, General Balances, and related financial information.

Members are asked to:

- **note the period 8 forecast Revenue overspend of £2.790m, subject to approved use of reserves;**
- **agree the use of £2.591m reserves, as set out in paragraph 3.2 below and paragraph 2.10 in Appendix 1, to reduce the level of the Children's Services forecast revenue overspend, as recommended by 16 January 2018 Children's Services Committee;**
- **note the forecast General Balances at 31 March 2018 of £19.301m, before taking into account any over/under spends;**
- **note the revised expenditure and funding of the current 2017-20 capital programme as set out in Appendix 3;**
- **agree to the addition of £0.100m to the capital programme to fund a corporate financial reporting systems upgrade as described in section 4 of Appendix 2 (Capital Programme);**
- **approve the decision not to pursue potential retrospective performance deductions of £0.150m, due to incorrectly interpreted rectification periods through the early years of the Street Lighting PFI contract as explained in Appendix 1 section 5, and paragraph 4 below.**

1. Introduction

1.1 On 20 February 2017, the County Council agreed a net revenue budget of £358.812m. At the end of each month, officers prepare financial forecasts for each service including forecast expenditure and the planned impact on earmarked reserves.

2. Evidence

2.1 Three appendices are attached to this report:

Appendix 1 summarises the forecast revenue outturn position, including:
- Forecast over and under spends
- Changes to the approved budget
- Payments and debt performance

Appendix 2 summarises forecasts relating to services covered by this committee

Appendix 3 summarises the forecast capital outturn position, and includes
- Changes to the capital programme
- Future years capital programmes
- Capital programme funding
- Income from property sales

3. Financial Implications

3.1 As stated above, the forecast revenue outturn for 2017-18 is an overspend of £2.790m (month 6 £3.694m), subject to the approved use of £2.591m Children's Services reserves.

3.2 Children's Services Committee has approved the use of £2.591m reserves to revenue to partly offset the Children's Services projected overspend. This is made up of the £2.418m balance of the PFI sinking fund reserve, the £0.052m balance of the School Sickness Insurance Scheme reserve and £0.121m unrequired unconditional grants and contributions reserve. The £2.418m use of the PFI reserve will leave a "hole" to pay future contractor unitary payments over the remaining life of the programme. An annual budget of £0.220m (plus inflation) from 2018-19 onwards will be needed to fund this shortfall for which budget provision has been identified.

3.3 The forecast assumes realisation of savings as set out on page 27 of the 2017-20 budget book, and use of reserves as set out in the budget book Table 26.

3.4 The Council's capital programme contains schemes approved by County Council on 22 February 2017, other capital funding and schemes brought forward from previous years, and schemes more recently approved.

4. Issues, risks and innovation

Risk implications - monitoring

4.1 The Council's Corporate Risk Register provides a full description of corporate risks, including corporate level financial risks, mitigating actions and the progress made in managing the level of risk.

4.2 Risk management reports which include the corporate risk register are presented regularly to this Committee. A majority of risks, if not managed, could have significant financial consequences. The risks addressed include finance specific risks, for example of failing to generate income or to realise savings.

4.3 Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers will take measures throughout the year to reduce or eliminate potential over-spends.

Street Lighting PFI performance

4.4 From the commencement of the Street Lighting PFI contract, the contractor and the County Council had not correctly interpreted the rectification period, and penalties were not calculated accordingly. Having identified the misinterpretation, it has been calculated that using a strict interpretation of the contract provisions, performance deductions of approximately £0.150m could have become payable.

4.5 During the period from 2008, neither party was aware of the misinterpretation. Had the contractor been made aware, then it is very likely that they would have amended their performance targets to meet the contract specification. Given the time which has elapsed since the start of the contract, and the extent to which the service received has been considered acceptable in the light of current lighting standards, and industry best practice, the Service proposes that to take this through the contract dispute provisions would not prove value for money.

4.6 In general, the contract managers have confirmed that the service is being performed to. Performance in future will be based on the agreed contract provisions relating to rectification periods and any penalties due will be pursued.

5. Background

5.1 Having set a revenue and capital budget at the start of the financial year, the Council needs to ensure service delivery within allocated and available resources, which in turn underpins the financial stability of the Council. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required.

5.2 The monthly forecasts in this report are based on detailed cost centre level data supplied by responsible budget officers after the end of each financial period. Moderation by chief officers is completed approximately 18-20 days after each month end.

Officer Contact
If you have any questions about the matters contained in this paper please get in touch with:

Name	Telephone Number	Email address
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Harvey Bullen	01603 223330	harvey.bullen@norfolk.gov.uk

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Norfolk County Council

Appendix 1: 2017-18 Revenue Finance Monitoring Report Month 8

Report by the Executive Director of Finance and Commercial Services

1 Introduction

This report gives details of:

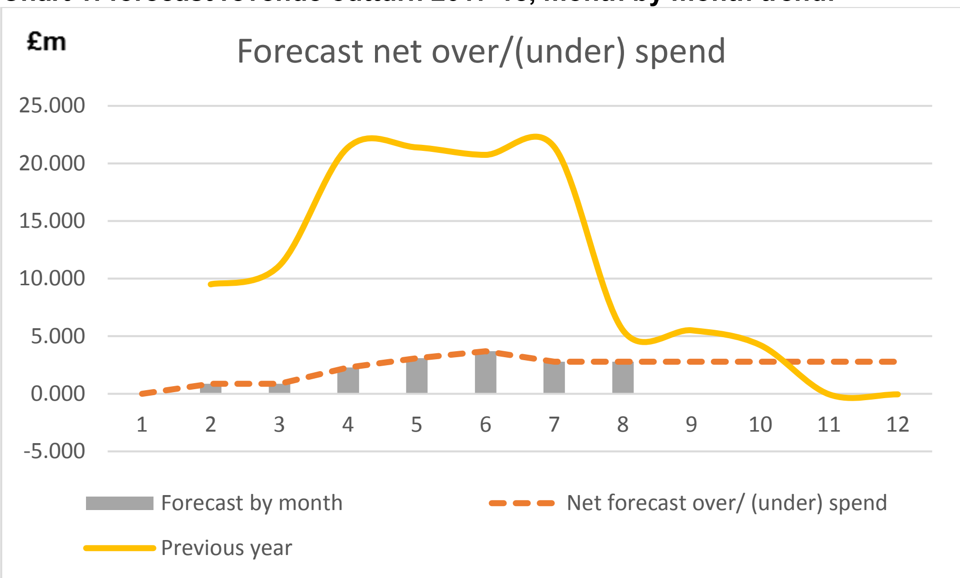
- the latest monitoring position for the 2017-18 Revenue Budget
- forecast General Balances and Reserves at 31 March 2018 and
- other key information relating to the overall financial position of the Council.

2 Summary of financial monitoring position

At the end of November 2017 (month 8):

An overspend of £2.790m (month 6: £3.694m) is forecast on a net budget of £358.812m.

Chart 1: forecast revenue outturn 2017-18, month by month trend:



- The main reason for the forecast overspend is pressure in Children's Services, in particular costs associated with looked after children.
- The graph demonstrates that the forecast overspend position has been far less volatile in 2017-18 compared with the previous year.

Agreed budget, changes and variations

2.1 The 2017-18 budget was agreed by Council on 20 February 2017 and is summarised in the Council's Budget Book 2017-20. A summary of budgets by service is as follows:

Table 1: 2017-18 original and revised net budget by service

Service	Approved net base budget	Revised budget P6	Revised budget P7	Revised budget P8
	£m	£m	£m	£m
Adult Social Services	261.453	261.313	261.313	261.313
Children's Services	177.351	177.351	177.452	177.409
Community and Environmental Services	189.342	153.688	153.633	153.831
Managing Director's Department	8.505	7.873	7.827	7.827
Finance and Commercial Services	26.005	26.646	26.646	26.646
Finance General	-303.844	-268.059	-268.057	-268.212
Total	**358.812**	**358.812**	**358.812**	**358.812**

2.2 There were no large movements in the budgets shown above during P7. Small adjustments relate to the transfer of remaining Complaints Team budgets to Democratic Services, and School Appeal Service budgets from Democratic Services to Childrens Services. P8 movements relate to a transfer of budgets to services for the impact of business rates revaluations, and a Public Health contribution towards relevant Youth Offending team activities.

2.3 Year to date, the main budget movement has been a £35m cost neutral adjustment to depreciation charges to reflect the withdrawal of new accounting rules in respect of the Highways Network asset. This change did not affect service expenditure budgets. Other minor changes have been made to reflect changes to reporting lines. Overall, the Council's overall net budget for 2017-18 is unchanged.

2.4 **Savings targets**: The key savings targets required for the delivery of a balanced 2017-18 budget are addressed in separate reports to this Policy and Resources Committee.

Revenue outturn – forecast over/underspends

2.5 Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. They have been charged with reviewing all of their cost centres to ensure that, where an overspend is identified, action is taken to ensure that a balanced budget is achieved for the year.

2.6 Details of all projected under and over spends for each service, together with details of areas where mitigating action is being taken, are shown as Revenue Annex 1 to this report, and are summarised in the following table:

Table 2: 2017-18 projected forecast (under)/over spends by service

Service	Revised Budget	Projected net (under)/ over spend	%	RAG
	£m	**£m**		
Adult Social Services	261.313	-		G
Children's Services	177.409	3.414	1.9%	A
Community and Environmental Services	153.831	-		G
Managing Director's Department	7.827	-		G
Finance and Commercial Services	26.646	-0.036	-0.1%	G
Finance General	-268.212	-0.588	0.2%	G
Totals	**358.812**	**2.790**	0.8%	A

Notes:

1) the RAG ratings are subjective and take into account both the relative (%) and absolute (£m) impact of forecast overspends.

2.7 The forecast overspend at the end of P8 relates to Children's Services budgets, due mainly to forecasts in relation to costs associated with looked after children. There has been a significant increase in number of children currently supported compared to the 16-17 average and since the start of 17-18. There are also additional costs for extensive nursing support for children with disabilities (net of health contribution) that were not anticipated when the budget was set.

2.8 It remains a top priority of the local authority to reduce the numbers of children in its care. Officers have identified a number of actions which are set out in the Financial Implications section of the 16 January 2018 Children's Services Committee Finance Monitoring Report.

2.9 As has been previously reported in this Committee and the Children's Services Committee certain in-year Children's Services costs relating to savings shortfalls and an expected overspend relating to the contract costs of specialist intervention, totalling £2.2m, will be offset through the one off use of revenue contributions previously applied for capital purposes.

2.10 Children's Services Committee has approved the use of £2.591m reserves to revenue to partly offset the Children's Services projected overspend. This is made up of the £2.418m balance of the PFI sinking fund reserve, the £0.052m balance of the School Sickness Insurance Scheme reserve and £0.121m unrequired unconditional grants and contributions reserve. The £2.418m use of the PFI reserve will leave a "hole" to pay future contractor unitary payments over the remaining life of the programme. An annual budget of £0.220m (plus inflation) from 2018-19 onwards will be needed to fund this shortfall for which budget provision has been identified. The use of reserves has been taken into account in the table above, and is subject to the approval of this Committee.

2.11 The Schools' revenue budget shows a projected overspend of £9.439m for the 2017-18 financial year, primarily due to demand for specialist placements. Any overspend in 2017-18 will need to be funded from a loan from Locally Maintained Schools balances, (or other school balances if insufficient), that will need to be repaid in future years. A plan to reduce the under-lying overspend and to repay the loan, whilst meeting the needs of Children and Young People, is being developed and proposals have been discussed and agreed at the Schools' Forum, following a consultation with schools. The outcome of this work is included with the "Dedicated Schools Grant 2018-19" paper presented to the January Children's Services Committee.

2.12 Additional demand for SEND places will put additional pressure on the High Needs block spend, which would also have an effect on the DSG budget recovery plan as described in the Dedicated Schools Grant (DSG) report to 16 January 2018 Children's Services Committee. A review will be made in-year of any impact, with a possibility at looking to request from the Secretary of State for Education a transfer of additional funds, (above the 0.5% limit), from the schools block to the high needs block of the dedicated schools grant in 2019-20.

General balances and reserves

General balances

2.14 On 20 February 2017 Council agreed the recommendation from the Executive Director of Finance and Commercial Services for a minimum level of General Balances of £19.252m through 2017-18. The balance at 1 April 2017 was £19.301m. The forecast at 31 March 2017 is unchanged at £19.301m, assuming a balance budget is achieved.

Reserves 2017-18 – opening balances

2.15 The use of reserves anticipated at the time of budget setting was based on reserves balances anticipated in January 2017. Actual balances at the end of March 2017 were higher than planned, partly as a result of grants being carried forward, and reserves use being deferred. This is resulted in reserves use being over £13m higher at 31 March 2017 than had been anticipated at the time of budget setting:

Table 3a: Increase in reserves balances b'fwd over budget book assumptions

Reserves and provisions by service	Budget book forecast balances 1 April 2017	Actual balances 1 April 2017	Increase in b'fwd balances over budget book assumptions
	£m	£m	£m
Adult Social Services	4.136	6.230	2.094
Children's Services (excl LMS)	7.703	8.491	0.788
Community and Environmental Services	30.802	39.504	8.702
Managing Director's Department	3.203	2.627	-0.576
Finance & Commercial Services	2.555	4.304	1.749
Finance General	26.175	26.897	0.722
Adj. to reconcile to statutory accounts		-0.028	-0.028
Total reserves and provisions (excl LMS)	**74.574**	**88.025**	**13.451**
LMS balances	14.000	13.954	-0.046
Total reserves and provisions	**88.574**	**101.979**	**13.405**

Reserves 2017-18 – forecast closing balances

2.16 The 2017-18 budget was approved on the basis of a total of £14.138m use of earmarked reserves (budget book 2017-18 page 35), including the allocation of £5.813m reserves use approved in detail at the 3 July 2017 meeting of this Committee.

2.17 Taking into account the £5.8m allocation, the 31 March 2018 balances forecast at the time of budget setting were £67.948m.

2.18 The following table sets out balances based on proposed use at budget setting time, as adjusted for the £5.813m, and also the latest forecast balances.

Table 3b: Increase in reserves balances at March 2018 over budget book assumptions

Reserves and provisions by service	Adjusted Budget book forecast balances 1 April 2018	Latest forecast 2018 balances	Latest March 2018 forecast in excess of budget book
	£m	£m	£m
Adult Social Services	3.427	16.676	13.249
Children's Services (excl LMS)	6.071	5.132	-0.939
Community and Environmental Services	26.647	31.943	5.296
Managing Director's Department	2.729	2.021	-0.708
Finance & Commercial Services	1.837	2.266	0.429
Finance General	15.237	14.592	-0.645
Total reserves and provisions (excl LMS)	**55.948**	**72.630**	**16.682**
LMS balances	12.000	-	-12.000
Total reserves and provisions	**67.948**	**72.630**	**4.682**

As can be seen from this table, forecast closing balances for non LMS balances at 31 March 2018 are £16m higher than anticipated at the time of budget setting, with higher than anticipated use in some areas more than off-set by additional funding being carried forward in Adult Social Services and CES.

The forecast LMS balance is shown as nil at this stage, in line with budget planning papers. Although the projected level of Locally Maintained School balances as at 31 March 2018 is £11.874m the likely overspend against the Schools' revenue budget as reported in the Children's Services Finance Monitoring Report Period 8 (November) 2017-18 to the 16 January 2018 Children's Services Committee will be funded through a "loan" from LMS balances. This "loan" will be repaid over future years.

2.19 **Provisions included in the figures above**

The table above include provisions of £26.8m at the start of the year. These comprise £10.7m insurance provision, £11.1m landfill provision, £4.2m provision for bad debts, and £0.8m payroll related provisions.

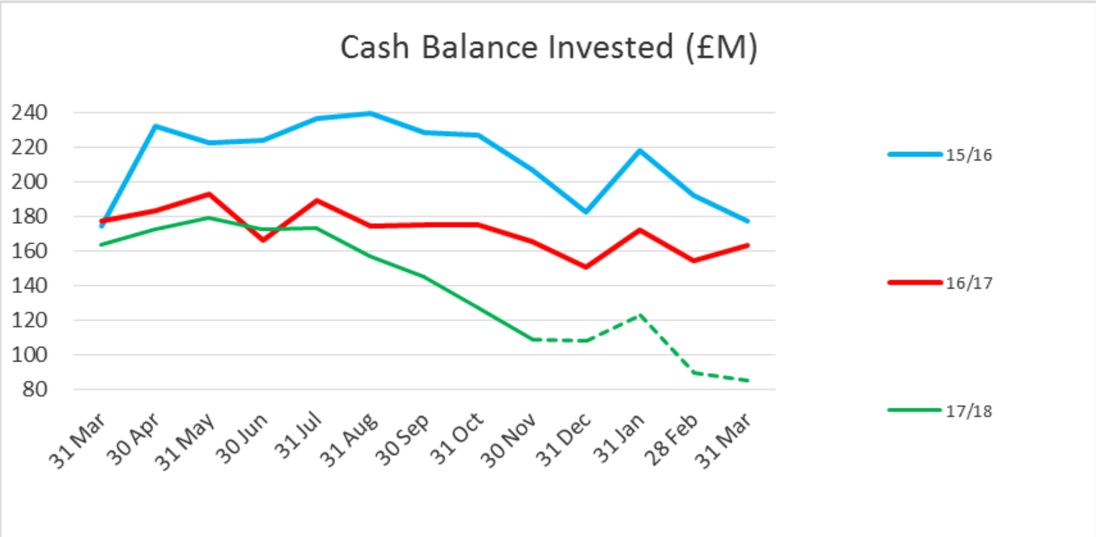
The landfill provision is required for accounting purposes and is included in the CES figures above. It is not cash backed and cannot be used to support revenue or capital expenditure.

3 Treasury management summary

3.1 The corporate treasury management function ensures the efficient management of all the authority's cash balances.

3.2 The graph below shows the level of cash balances over the last 2 years and the current financial year with a forecast based on projected receipts and expenditure.

Chart 2a: Treasury Cash Balances



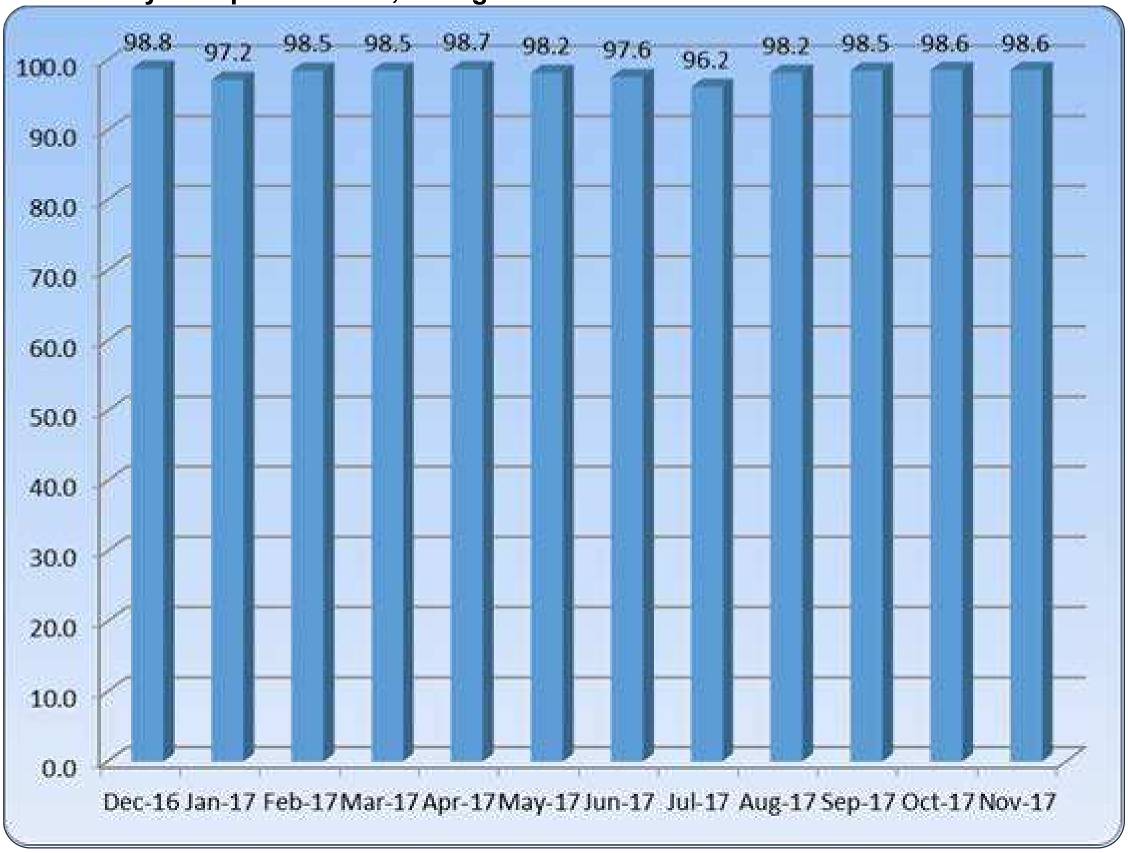
3.3 The projections assumes good progress on the capital programme in 2017-18, including the NDR. The balance shown above at the end of March 2017 was inflated by the addition of £40m PWLB debt into cash balances: this is forecast to be spent in 2017-18.

3.4 In accordance with the approved 2017-18 Investment Strategy, the County Council continues to delay new borrowing for the majority of capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term.

4 Payment performance

4.1 This chart shows the percentage of invoices that were paid by the authority within 30 days of such invoices being received. Some 420,000 invoices are paid annually. 98.6% were paid on time in November 2017. The percentage has not dropped below 96% in the last 12 months.

Chart 3: Payment performance, rolling 12 months



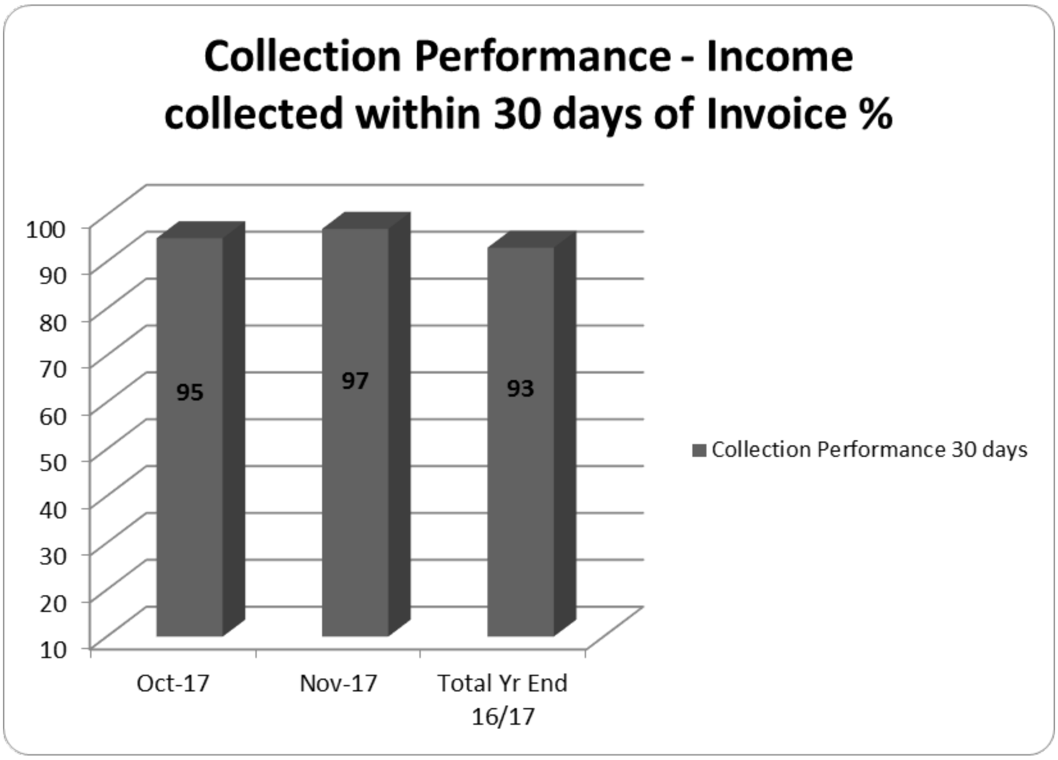
*Note: The figures include an allowance for disputes/exclusions.

5 Debt recovery

5.1 **Introduction**: Each year the County Council raises over 135,000 invoices for statutory and non-statutory services totalling over £830m. The value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council. In 2016-17 93% of all invoiced income was collected within 30 days of issuing an invoice, and 98% was collected overall.

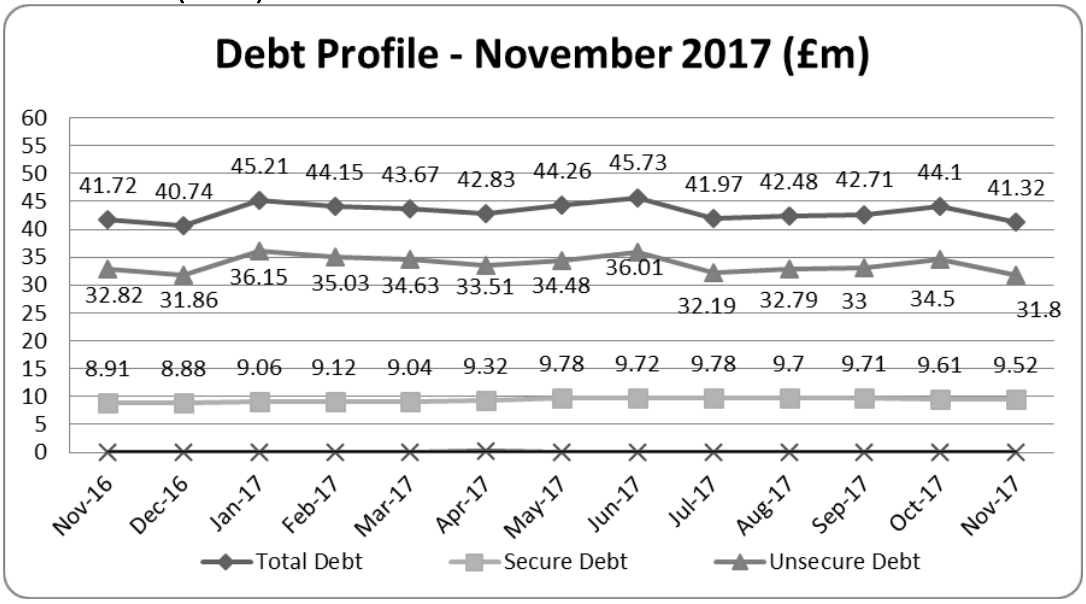
5.2 **Debt collection performance measures**
97% of invoiced income was collected within 30 days for the month of November 2017. The percentage is the proportion of income collected within 30 days for invoices raised in the previous month – measured by value.

Latest Collection Performance



5.3 The value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council. The level of debt is shown in the following graph:

Debt Profile (Total)



The overall level of unsecure debt has decreased slightly in November. The largest area of unsecure debt relates to charges for social care. Of the £22.9m unsecure social care debt, £12.1m is debt with the CCG's, the majority of which is for shared care, Better Care Pooled Fund, continuing care and free nursing care.

Secured debts amount to £9.5m at the end of November 2017. Within this total £2.7m relates to estate finalisation where the client has died and the estate is in the hands of the executors.

5.4 **Debt write-offs:** In accordance with Financial Regulation and Financial Procedures, the Policy & Resources Committee is required to approve the write-off of debts over £10,000. The Executive Director of Finance and Commercial Services approves the write off of all debts up to £10,000.

5.5 Before writing off any debt all appropriate credit control procedures are followed. Where economically practical the County Council's legal position is protected by court proceedings being issued and judgment being entered. For a variety of reasons, such as being unable to locate the debtor, it is sometimes not appropriate to commence legal action.

5.6 Service departments are responsible for funding their debt write offs. Once the debt is written off the amount of the write off is reflected a) in the service department's budget through the reversal of the income or b) where a service has set up a bad debt provision, use of that provision.

5.7 For the period 1 April 2017 to 30 November 2017, 348 debts less than £10,000 were approved to be written off following approval from the Executive Director of Finance and Commercial Services. These debts totalled £248,785.68. Since the 2016-17 outturn report, four debts over £10,000 have been approved by Policy & Resources Committee. These debts totals £95,432.26.

5.8 **Street Lighting PFI performance**: From the commencement of the Street Lighting PFI contract, the contractor and the County Council had not correctly interpreted the rectification period, and penalties were not calculated accordingly. Having identified the misinterpretation, it has been calculated that using a strict interpretation of the contract provisions, performance deductions of approximately £0.150m could have become payable.

5.9 During the period from 2008, neither party was aware of the misinterpretation. Had the contractor been made aware, then it is very likely that they would have amended their performance targets to meet the contract specification. Given the time which has elapsed since the start of the contract, and the extent to which the service received has been considered acceptable in the light of current lighting standards, and industry best practice, the Service proposes that to take this through the contract dispute provisions would not prove value for money.

5.10 In general, the contract managers have confirmed that the service is being performed to. Performance in future will be based on the agreed contract provisions relating to rectification periods and any penalties due will be pursued.

5.11 As a result of the above, members are asked to approve the decision not to pursue potential retrospective performance deductions due to incorrectly interpreted rectification periods through the early years of the Street Lighting PFI contract.

Revenue Annex 1

Forecast revenue outturn

Projected revenue outturn by service

Table A1a: projected revenue over and (under) spends by service

Service	Revised Budget	Net total over / (under) spend	%	Forecast net spend
	£m	£m		
Adult Social Services	261.313	-		261.313
Children's Services	177.409	3.414	1.9%	180.823
Community and Environmental Services	153.831	-		153.831
Managing Director's Department	7.827	-		7.827
Finance and Commercial Services	26.646	-0.036	-0.1%	26.62
Finance General	-268.212	-0.588	0.2%	-268.82
Forecast outturn this period	**358.812**	**2.790**	**0.8%**	**361.594**
Totals previous report	358.812	3.104	0.9%	361.916

Reconciliation between current and previously reported underspend

Table A1b: monthly reconciliation of over / (under) spends

	£m
Forecast overspend brought forward P6	**3.694**
Movements November 2017	
Adult Social Services	-
Children's Services	-0.607
Community and Environmental Services	
Managing Director's Department	
Finance and Commercial Services	-0.006
Finance General	-0.291
Forecast over/(under) spend P8	**2.790**

Corporate resources spend as a proportion of "front line" net expenditure

Table A1c: Corporate resources spend as a proportion of front line spend

Service	Budget	Forecast
	£m	£m
Total "front line" services	592.553	595.967
Total corporate resources (adjusted)	34.473	34.447
Corporate resources as %age	5.8%	5.8%
Corporate resources as ratio	1:17	1:17

Revenue Annex 1 continued

The net underspend is a result of a range of underlying forecast over and underspends which are listed below.

Revenue budget outturn by service – detail

	Projected over spend	Projected under spend	Changes this period
	£m	£m	£m
Adult Social Services			
Business Development		-0.253	0.001
Commissioned Services	0.168		-0.387
Early Help & Prevention		-0.003	+0.196
Services to Users (net)		-2.649	-1.157
Management, Finance & HR	2.737		1.347
Forecast over / (under) spend	**2.905**	**- 2.905**	**-**
		0	

Children's Services	Projected over spend	Projected under spend	Changes this period
Spending increases and reductions	£m	£m	£m
LAC agency fostering	1.630		0.399
LAC agency residential	0.812		0.535
In-house LAC fostering	1.017		-0.071
LAC in-house residential	0.154		-0.046
Client costs: Social Care Looked After Children	0.625		0.208
Client costs: Social Care Non Looked After Children	0.181		+0.181
Client costs: Leaving Care	0.354		+0.354
Staying-put fostering	0.273		+0.008
Adoption Allowances	0.236		-0.072
Fostering and Adoption staff costs	0.174		+0.174
Independent reviewing officers	0.269		+0.109
Children with disabilities client costs	0.720		+0.079
Children's Services staff training	0.061		
Advocacy Services	0.075		
Social Care legal costs	0.168		+0.168
Home to school / college transport	0.460		+0.460
Children's Centres		-0.260	
Early Help Support		-0.220	
CWD short term breaks and personal budgets		-0.300	-0.300
Special Guardianship Orders (SGOs)		-0.075	-0.075
School / College redundancy / pension costs		-0.349	-0.127
Use of Children's Services reserves, subject to approval		-2.591	-2.591

Dedicated schools grant			
FE post 16 High Needs top up funding	0.805		+0.217
Special Schools places	0.541		+0.144
Special Education non-maintained school placements	5.443		+1.385
Short Stay School for Norfolk	0.957		-0.122
Alternative Education provision contracts	2.117		+0.218
Early Years High Needs EHCP plans	0.185		+0.185
Permanent Exclusions Charges	0.098		+0.186
Out of county recoupment		-0.112	+0.077
School growth contingency		-0.112	
School contingency funds		-0.300	+0.045
Permanent Exclusions Charges			+0.088
School staff suspensions		-0.183	+0.034
DSG (funded through a loan from LMS balances that will need to be repaid in future years)		-9.439	-2.457
Forecast over / (under) spend	**17.355**	**- 13.941**	**-0.607**
	3.414		

Community and Environmental Services	Projected over spend	Projected under spend	Changes this period
	£m	£m	£m
No Forecast over / (under) spends	**-**	**-**	**0**
	0		

Resources, Finance and Finance General	Projected over spend	Projected under spend	Changes this period
	£m	£m	£m
Managing Director's Department			
Intelligence & Analytics		-0.140	-0.114
Communications	0.080		-0.003
Strategy & Delivery Unit	0.151		0.085
Human Resources	-		
Democratic Services		-0.164	0.104
Nplaw	0.056		-0.083
MD's Office	-		
Shared Services contribution (from Public Health)	0.000		-0.006
Print recharges	0.017		0.017
Forecast over / (under) spend	**0.304**	**-0.304**	**0**
	0		
Finance and Commercial Services			
Finance (excl Fin Gen)		-	-
Property		-	-

Procurement		-0.036	-0.006
IMT		**-**	
Forecast over / (under) spend		**-0.036**	**-0.006**
Finance General (see Revenue Annex 2 for further details)			
Business rates upwards revaluation pressure	0.155		
Council tax discount administration	0.245		
Unbudgeted DCLG grant		-0.130	
Release of NHS pension provision		-0.440	-0.440
Members allowances		-	0.139
Adjustment to forecast interest on balances		-0.113	0.010
Unbudgeted precept income		-0.305	
Forecast over / (under) spend	**0.400**	**-0.988**	**-0.291**
		-0.588	

Norfolk County Council

Revenue Annex 2: Policy and Resources budget summary

1 Introduction

The Policy and Resources Committee is responsible for the oversight of the budgets listed in the table below, which also summarises the latest forecast outturn position.

2017 / 18	**Current Budget**	**Forecast**	**Over / (Under) spend**
	£m	**£m**	**£m**
Managing Director's Department			
Intelligence & Analytics	0.900	0.760	-0.140
Communications	0.764	0.844	0.080
Strategy & Delivery Unit	0.751	0.902	0.151
Human Resources	2.990	2.990	0.000
Democratic Services	2.902	2.738	-0.164
Nplaw	-0.572	-0.516	0.056
MD's Office	0.425	0.425	-
Shared Services Contribution	-0.356	-0.356	-
Print Service Recharges	0.023	0.040	0.017
	7.827	**7.827**	**-0.000**
Finance and Commercial Services (note 1)			
Finance	6.714	6.714	-
Procurement	1.227	1.191	-0.036
	7.941	7.905	-0.036
Finance General			
Business rates upwards revaluation pressure			0.155
Council tax discount administration			0.245
Unbudgeted DCLG grant			-0.130
Release of NHS pension provision			-0.440
Adjustment to forecast interest on balances			-0.113
Unbudgeted precept income			-0.305
			-0.588
Total P&R Committee			**-0.624**

Note 1: this table excludes Corporate Property budgets (Business and Property Committee) and IMT budgets (Digital Innovation and Efficiency committee)
Note 2: this table may contain rounding differences.

The Managing Director's Department is showing a balanced budget. The cost of unbudgeted publications, and some delays completing the staff moves needed to create the Strategy & Delivery Unit are fully offset by vacancy management savings.

The Finance General forecast underspend is explained below.

2 Finance General over and underspends

Explanations for the Finance General forecasts are as follows:

Business rates upwards revaluation pressure (overspend £0.155m)
This overspend relates to net increases in business rates charges for a number of the Council's operational properties.

Council tax discount administration (overspend £0.245m)
The Council has agreed to make a one off contribution to Norfolk district councils towards the administration costs of changing council tax discounts. This is a "spend to save" initiative the impact of which will be to significantly increase the Council's tax base.

Unbudgeted DCLG grant (underspend £0.130m)
This underspend relates to an unbudgeted DCLG Section 31 grant payment of £0.130m, relating to a reconciliation of the 2016-17 NNDR3 return.

Release of NHS pension provision (underspend £0.440m)
At the start of the year, the Council held a provision of £0.670m for a potential pension liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust. The liability has recently been settled, resulting in a release of a provision to finance general of £0.440m.

Interest on balances (underspend £0.113m)
The 2017-18 interest payable/receivable budget was prepared on the basis of a number of assumptions including cash flows, interest rates and the extent of actual borrowing. Despite falling back deposit interest rates, a small underspend is forecast due to the use of longer deposit periods.

Members allowances (nil over/underspend)
A previously reported underspend has been used to implement the 11 December 2017 County Council decision to increase members allowances.

Unbudgeted precept income (underspend £0.305m)
This represents one-off additional precept income from Kings Lynn and West Norfolk Borough Council, not known at the time of budget setting.

Norfolk County Council

Appendix 2: 2017-18 Capital Finance Monitoring Report

Report by the Executive Director of Finance and Commercial Services

1 Capital Programme 2017-18

1.1 On 20 February 2017, the County Council agreed a 2017-18 capital programme of £226.379m with a further £135.509m allocated to future years', giving a total of £361.888m.

1.2 Additional re-profiling from 2016-17 after the budget was set increased the overall capital programme at 1 April 2017 to £383.296m, after year end final accounting adjustments.

Table 1: Capital Programme budget

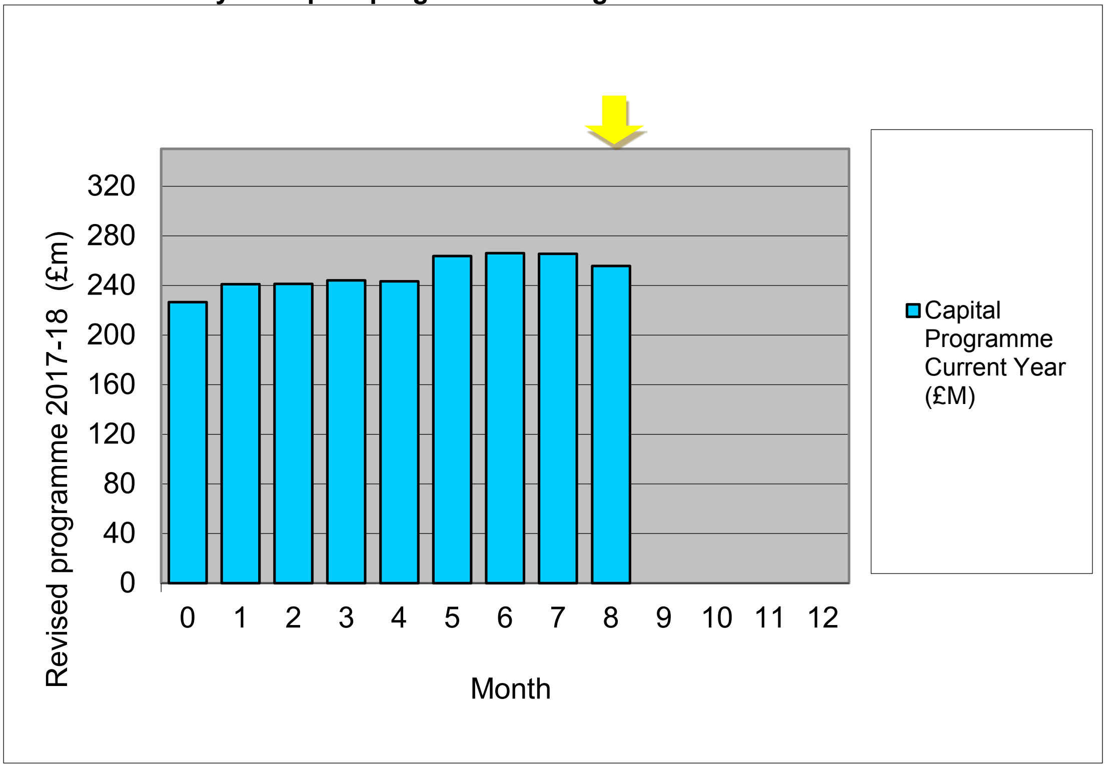
	2017-18 budget	Future years
	£m	**£m**
New schemes approved February 2017	45.629	15.600
Previously approved schemes brought forward	180.750	119.909
Totals in 2017-20 Budget Book (total £361.888m)	**226.379**	**135.509**
Schemes re-profiled after budget setting	9.540	6.666
Other Adjustments, including additional grants and re-allocation of underspends	6.212	-
Year-end statutory accounting adjustment	-1.010	
Revised Capital Programme Opening Position (total £383.296m)	**241.121**	**142.175**
Re-profiling since start of year	-29.228	29.228
Other movements	41.948	20.120
Capital programme budgets (total £445.364m)	**253.841**	**191.523**

Note: this table and the tables below contain rounding differences

Changes to the Capital Programme

1.3 The following chart shows changes to the 2017-18 capital programme through the year.

Chart 1: Current year capital programme through 2017-18



1.4 Month "0" shows the approved capital programme, and month one the revised opening position after re-profiling of unspent budget from 2016-17. The arrow shows the latest position.

1.5 Further increases in the programme to P6 have been the result of the addition of a large number highways projects funded from a variety of external sources including S278 monies and Growth Deal/LEP funding.

1.6 The movement in P8 reflects mainly re-profiling in advance of the 2018-19 capital programme.

1.7 The current year's capital budget for each service is set out in the table below:

Table 2: Service capital budgets and movements 2017-18

Service	Revised opening programme	Previous period reported budget	Reprofiling since last report	Other Changes since last report	2017-18 Current Capital Budget
	£m		£m	£m	£m
Children's Services	66.256	67.325	-10.204	1.662	58.783
Adult Social Care	12.721	12.721	-0.494	6.924	19.151
Community & Environmental Services	128.811	149.253	-8.096	4.938	146.094
Managing Director's Department	-				
Finance & Comm Servs	33.331	36.557	-6.844	0.100	29.813
Total	**241.119**	**265.856**	**-25.639**	**13.624**	**253.841**
				-12.015	

Note 1: this table may contain rounding differences

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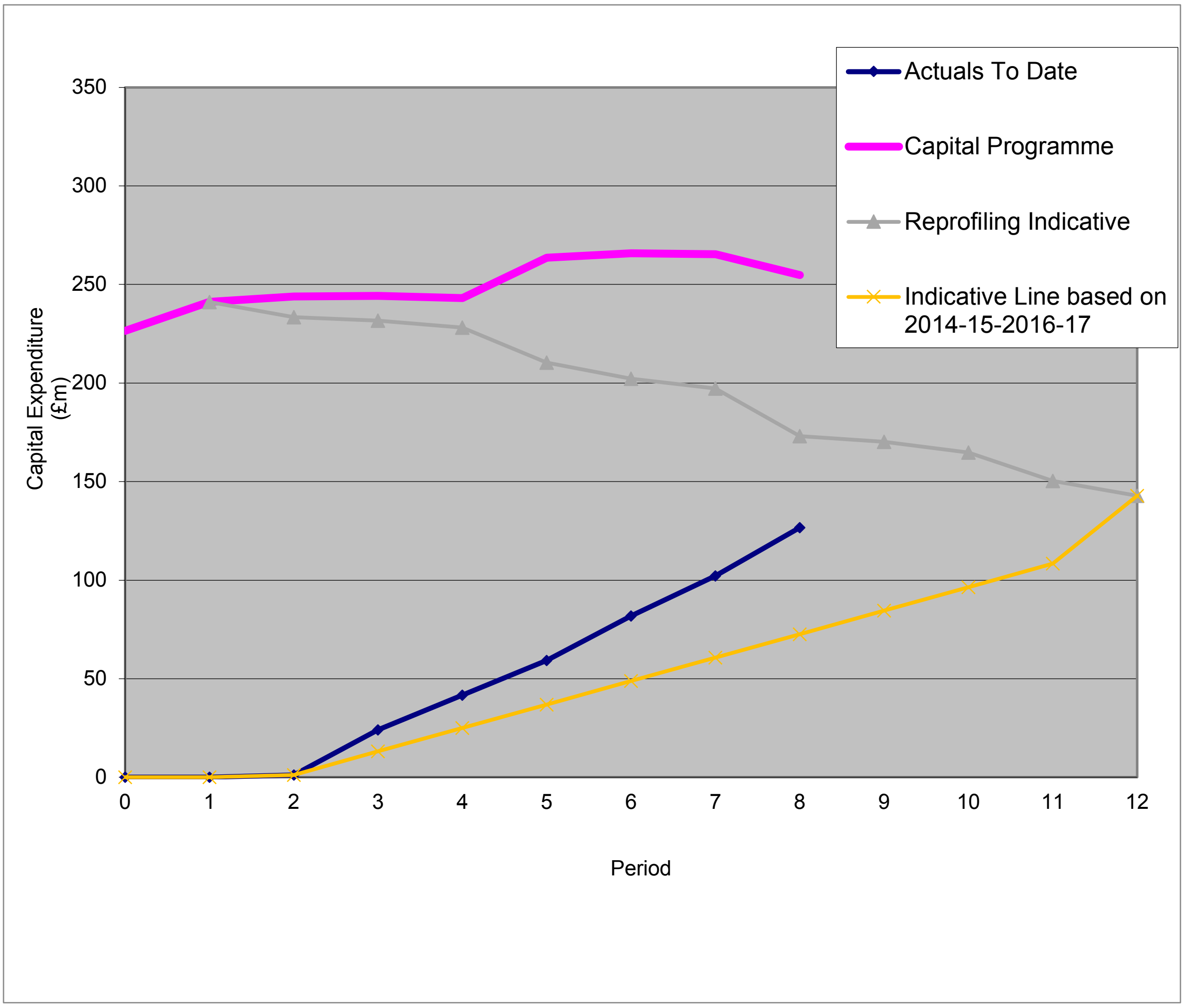
1.8 The trends within the current year's capital programme can be shown as follows.

Chart 1: capital programme trends and progress



1.9 Additional external funding allocated to current year highways projects, and the purchase of Bank House Farm increased the programme during periods 5 and 6. The chart shows that despite re-profiling of budgeted expenditure in periods 7 and 8, actual expenditure (purple line) will significantly exceed the indicative expected spend (yellow line) based on previous year's patterns.

1.10 Actual spend in the year to date has been relatively high due to spending on major schools projects over the summer holidays and continued good progress on the NDR.

1.11 The revised programme for future years (2018-19 to 2020-21) is as follows:

Table 3: Capital programme 2018-21

Service	**Revised opening programme**	**Previously reported budget**	**Reprofiling since last report**	**Other Changes since last report**	**2018+ Future Capital Budget**
	£m	**£m**	**£m**	**£m**	**£m**
Children's Services	74.727	77.961	10.204	25.732	113.897
Adult Social Care	1.912	1.912	0.494	0.000	2.406
Community & Environmental Services	39.268	39.374	8.096	-5.677	41.793
Managing Director's Department	-	0			0
Finance & Comm Servs	26.269	26.640	6.844	-0.056	33.428
Total	**142.176**	**145.886**	**25.639**	**19.999**	**191.524**
				45.638	

Note: this table may contain rounding differences

1.12 Forecasting in advance of the 2018-19 budget setting process has been updated so that budgets are more accurately allocated between years, and that changes are accurately reflected as a basis of future years' capital programmes.

2 Financing The Programme

2.1 Funding for the capital programme comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves.

2.2 The table below identifies the funding of the capital programme:

Table 4: Financing of the capital programme

Funding stream	2017-18 Programme	Future Years Forecast
	£m	£m
Prudential Borrowing	56.105	69.805
Use of Capital Receipts	0.000	
Revenue & Reserves	4.393	0.010
Grants and Contributions:		
DfE	45.858	92.601
DfT	63.458	3.600
DoH	13.927	
DCLG	0.426	1.125
DCMS	4.580	4.281
Developer Contributions	10.936	15.824
Other Local Authorities	8.668	3.580
LEP	9.800	
CIL supported borrowing	23.212	
Other	12.479	0.698
Total	**253.841**	**191.524**

Note: this table may contain rounding differences

2.3 Significant funding from capital receipts is anticipated over the life of the programme, which as and when realised will be used either to re-pay debt as it falls due, or to reduce the call on future prudential borrowing. For the purposes of the table above, it is assumed that all capital receipts will be applied directly to the re-payment of debt. Only capital receipts in excess of this will then be used to reduce the Council's future borrowing requirement.

2.4 The most significant sources of funding continue to be the major government capital grants for transport and schools, and the authority's prudential borrowing.

2.5 Developer contributions are funding held in relation to planning applications. Section 106 (Town and Country Planning Act 1990) contributions are held in relation to specific projects: primarily schools, with smaller amounts for libraries and highways. The majority of highways developer contributions are a result of section 278 agreements (Highways Act 1980).

2.6 Contributions from other local authorities relate mainly to projects undertaken with Norfolk districts. CIL supported borrowing relates to the use of funding relating to the NDR.

3 Capital Receipts

3.1 The Council's property portfolio has latent value and the estate needs to be challenged rigorously to ensure assets are only held where necessary so that capital release or liability reduction is maximised. This in turn will reduce revenue costs of the operational property portfolio.

3.2 The capital programme, approved in February 2017, demonstrated how asset sales can be a) used to reduce the borrowing requirement of the Council's capital programme in that year, (b) held to offset against future capital borrowing requirements or (c) used to repay existing borrowing.

3.3 The current revised schedule for disposals is:

Table 6: Revised disposal schedule £m

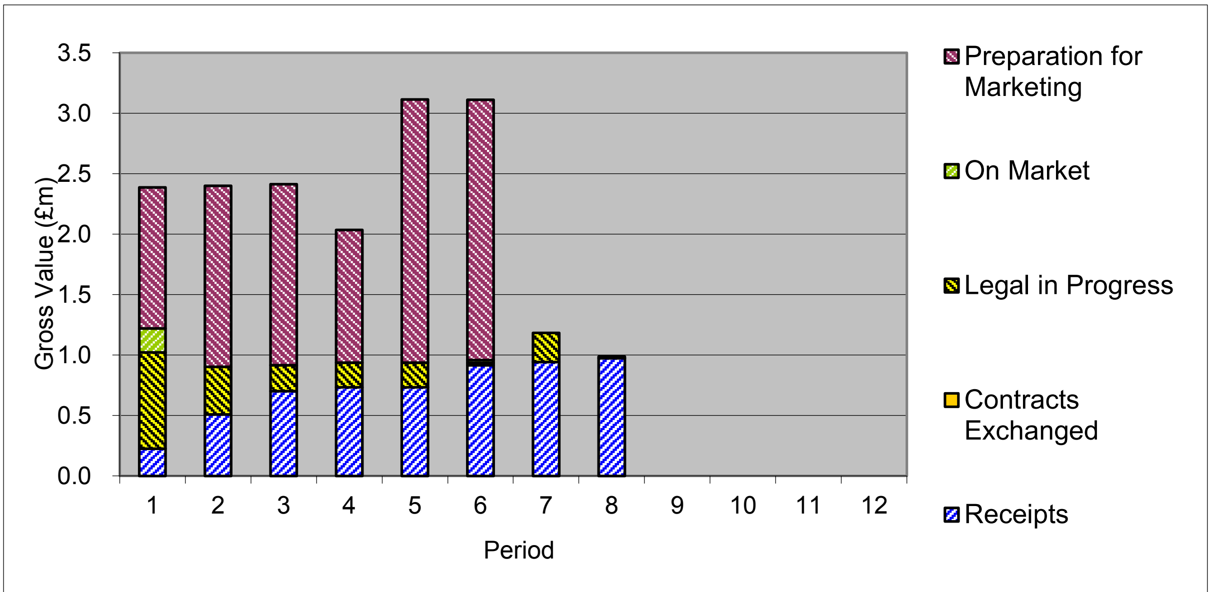
	2017-18 Approved £m	Latest forecast £m
General Capital Receipts	2.465	0.809
County Farms Capital Receipts	1.075	0.180
Major development sites	5.600	
Estimated Total Capital Receipts	**9.140**	**0.989**

3.4 The value of completed sales to date is £0.9m, including plot sales at the Oaks, Harvey Lane site, Drill Hall Aylsham, farm land at Hilgay, and a small a number of low value properties offered for auction.

3.5 The main reasons for the reduction in expected receipts in the current year is uncertainty relating to the timing of larger sales, primarily development land at Hopton and Acle.

3.6 Progress on sales is shown in the following chart

Chart 2: property sales progress



4 Proposed additions to the 2017-18 capital programme

Capital Bid – Corporate financial reporting systems upgrade - £0.100m

4.1 Norfolk County Council's primary Line of Business reporting tool from Oracle EBS is EiS eXpress Reporting. This is used to report against Oracle HR, Payroll, Finance and Procurement and is required to support a number of business critical processes e.g. Payroll processing, AP Payments etc. Without this reporting tool NCC would be unable to meet its statutory obligations.

4.2 The current version of the product is in extended support and needs to be upgraded in 2017-18. External and dedicated internal resources are required in order to update 270 custom reports as part of the upgrade. The cost of this is £0.060m. EiS now offer an enhanced product called SplashBI which is a natural progression and will replace EiS eXpress reporting. The additional one off cost for this is £0.040m.

5 Proposed additions to the 2018-19+ capital programme

5.1 Proposed new capital schemes for 2018-22 are presented in the budget papers being reported separately to this Committee.

Capital Annex 1

Changes to capital programme since last P&R report							
			17-18	17-18	18-19+	18-19+	
Service	**Project**	**Funding Type**	**Change (£m)**	**REPROFILE**	**Change (£m)**	**REPROFILE**	**Reason**
Adult Social Care							
	Disabled Facilities Grant	Borrwing and Capital Reciepts	6.924				Grant received for current year
	Social Care Information System	Borrwing and Capital Reciepts		- 0.494		0.494	Reprofiled to match expected expenditure for 17/18
Total Adult Social Care			**6.924**	**- 0.494**	**-**	**0.494**	
Children's Services							
	A1 - Major Growth	External			25.732		£25.7m 19/20 basic need grant allocation confirmed
	A1 - Major Growth			- 2.469		2.469	Land allocation reprofiled as no significant purchases in 17/18. Trowse Primary, earliest start on site in 18/19 so reprofiled accordingly. Hethersett New Primary reprofiled
	A2	External		0.715		- 0.715	
	A3 - Area Growth & Reorganisation	External		- 0.415		0.415	Wymonham/Attleborough projects reprofiled as not yet started
	A4			- 0.437		0.437	Roydon, reprofiled £0.5m as in planning but not on site until 18/19.
	B2			- 0.934		0.934	CS Sufficiency project funding reprofiled as no spend anticipated in 17/18
	C2			- 0.648		0.648	Project led by Academy partners, reprofiled in line with expected spend.
	Other		- 0.349	0.087		- 0.087	School based projects estimated reprofiling. £0.428m Refunds on conversion less £0.080m contributions
	S106		2.011	- 6.104		6.104	S106 income received pd 7/8 for future use. Aylsham schools and other s106 reprofiled for allocation in 18/19+.
Total Children's services			**1.662**	**-10.204**	**25.732**	**10.204**	
Library	Library S106 Projects	External	0.009	-0.029		0.029	S106 money received for Hethersett and Fram Earl
Museum	Voices project	Borrowing & Capital receipts	-0.287	-0.065		0.065	
Museum	Other Schemes	Borrowing & Capital receipts		-0.128		0.128	
Highways	NDR		10.477		-5.687		Realining of budgets in line with spend and approved funding.
Highways	Other Schemes		1.984				Realining of funding budgets to match forecast spend
EC Development	SEP	Borrowing & Capital receipts		-4.962		4.962	
CES	Better Broadband	External		-1.201		1.201	
Fire	NCC swipe cards/N Lynn Improvments	Borrowing & Capital receipts	0.006	-1.712	0.010	1.712	£0.010m inc from reserves for drone project/reprofiling due to delays and equipment need
ETD	NEFL loan facility		-7.250				Moved to NDR
Total CES			**4.938**	**-8.096**	**-5.677**	**8.096**	
Finance & Property	C Hall annex improvements	Borrowing & Capital receipts	0.100				£0.100m improvements to Annex (approved P&R)
Minor works		Borrowing & Capital Receipts		-0.185		0.185	
Offices		Borrowing & Capital Receipts		-9.004		9.004	
Offices - County Hall	One Public Estate	Borrowing & Capital Receipts		-0.050		0.050	
Capital loans facility		Borrowing & capital receipts		3.500		-3.500	Reprofiled back to match expected expenditure for 17/18
Farms		Borrowing & Capital receipts		-1.106	-0.056	1.106	Reprofiled to match expected expenditure for 17/18
Total Finance			**0.100**	**-6.844**	**-0.056**	**6.844**	
Total			**13.624**	**-25.639**	**19.999**	**25.639**	

Policy and Resources Committee

Item No 8

Report title:	**Delivering Financial Savings 2017-18**
Date of meeting:	**29 January 2017**
Responsible Chief Officer:	**Simon George – Executive Director of Finance and Commercial Services**

Strategic impact

This report to Policy and Resources Committee provides details of the forecast delivery of the 2017-18 savings agreed by the County Council at its meeting 20 February 2017.

Executive summary

County Council agreed savings of £47.774m for the year as part of the 2017-18 budget setting process. This report provides details of the forecast delivery of these savings as at period eight (November 2017).

The report comments on the exceptions to successful delivery, in particular those items rated RED.

Members are recommended to consider:

a) the forecast shortfall of savings delivery of £5.261m, which amounts to 11% of total savings for 2017-18;
b) the budgeted value of 2017-18 savings projects rated as RED of £7.428m, of which £2.725m are forecast to be delivered;
c) the budgeted value of 2017-18 savings projects rated as AMBER of £1.214m, of which £0.656m are forecast to be delivered;
d) the budgeted value of 2017-18 savings projects rated as GREEN or BLUE of £39.132m, of which £39.132m are forecast to be delivered; and
e) the forecast position of savings delivery for 2018-19 (£7.174m shortfall) and 2019-20 (£0.100m shortfall).

1. Savings overview

1.1. The County Council, as part of setting its budget for 2017-18, agreed net savings of £47.774m, which include one-off use of reserves relating to savings plans totalling £7.663m as set out in Appendix 1. The detailed categorisation of the total savings, and the savings identified for subsequent years of the Medium Term Financial Strategy agreed as part of the budget process, are also shown in Appendix 1.

2. RAG ratings

2.1. The definition of RAG rating levels is set out in the table below.

Table 1: RAG ratings

Level	Descriptor
Red	**Significant concern** that the saving may not be delivered, or there may be a large variance in the saving (50% and above)
Amber	**Some concern** that the saving may not be delivered or there may be a variance in the saving (up to 50%)
Green	**Confident** that the saving will be delivered (100% forecast)
Blue	Saving already **delivered** and reversal of previous year savings

2.2. This report starts with the overall RAG position, as set out at Table 2. The information in the report is derived from the detail at Appendix 3 which is informed by monitoring reports to Service Committees. The decision to rate a project as RED is based on the criteria shown above. This ensures that a common standard is maintained in the monitoring for Policy and Resources Committee.

2.3. A review of savings projects has been completed, with the result that the RAG ratings and forecasts shown in Table 2 and Appendix 3 have been applied. A number of 2017-18 savings have been categorised as BLUE where the actions are certain to be delivered. These include items such as agreed contributions from reserves, the implementation of the Council's MRP policy changes, and the reversal of one-off changes relating to the previous year.

Table 2: 2017-18 savings by RAG status

RAG Status	Budgeted value of savings 2017-18 (a)	Previous forecast savings 2017-18 (Period 6) (b)	Savings Forecast 2017-18 (Period 8) (c)	Change in savings forecast (b)-(c)	Savings shortfall 2017-18 (a)-(c)
	£m	£m	£m	£m	£m
Red	-7.428	-2.880	-2.725	-0.155	-4.703
Amber	-1.214	-0.656	-0.656	0.000	-0.558
Green	-23.181	-23.231	-23.181	-0.050	0.000
Blue	-15.951	-15.951	-15.951	0.000	0.000
Total	**-47.774**	**-42.718**	**-42.513**	**-0.205**	**-5.261**

2.4. Six savings projects have been rated as RED, representing a budgeted total savings value of £7.428m. £2.725m of these savings are forecast to be delivered as set out in the Table 2. This represents a shortfall of £4.703m (9.8% of total budgeted savings), which relates to RED rated projects.

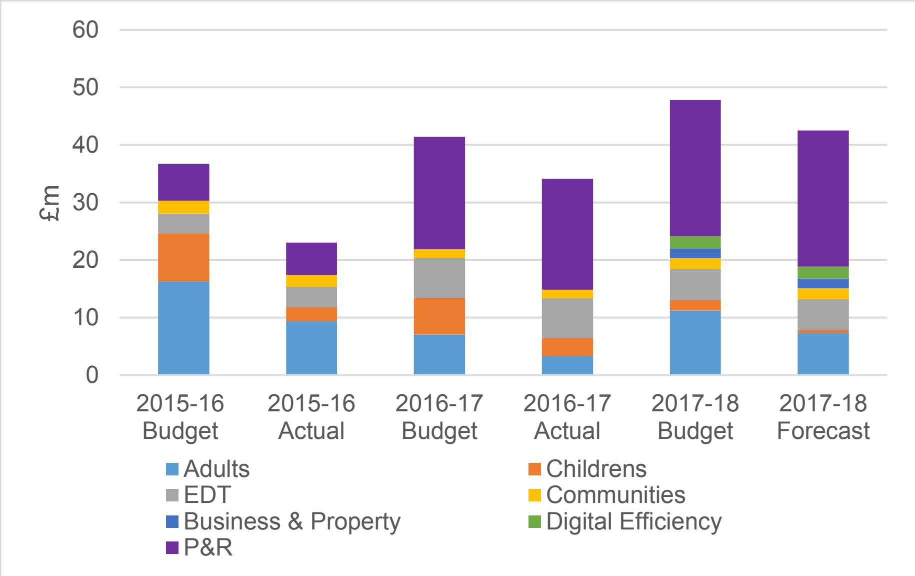
2.5. Two savings projects have been rated as AMBER, representing a budgeted total savings value of £1.214m. £0.656m of these savings are forecast to be delivered. This represents a shortfall of £0.558m (1.2% of total budgeted savings), which relates to AMBER rated projects. No over-delivery of savings has been identified. This results in a total **forecast shortfall of £5.261m**.

Table 3: Committee analysis of 2017-18 savings by RAG status
Note: This report reflects the savings attributable to the Business and Property, and Digital Innovation and Efficiency Committees, established during the year, as shown below.

	Latest forecast savings 2017-18 (c) analysed by Committee							
RAG status	**Adults**	**Children's Services**	**EDT**	**Communities**	**Business and Property**	**Digital Innovation and Efficiency**	**Policy and Resources**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Red	-2.312	-0.413	0.000	0.000	0.000	0.000	0.000	**-2.725**
Amber	-0.656	0.000	0.000	0.000	0.000	0.000	0.000	**-0.656**
Green	-3.981	-2.589	-5.340	-2.811	-1.710	0.006	-6.756	**-23.181**
Blue	-0.390	2.535	0.000	0.905	0.000	-2.111	-16.890	**-15.951**
Total	**-7.339**	**-0.467**	**-5.340**	**-1.906**	**-1.710**	**-2.105**	**-23.646**	**-42.513**
Forecast (shortfall) / over delivery	-3.874	-1.387	0.000	0.000	0.000	0.000	0.000	**-5.261**
Total	**-11.213**	**-1.854**	**-5.340**	**-1.906**	**-1.710**	**-2.105**	**-23.646**	**-47.774**

2.6. The graph below shows the forecast delivery of savings against budget by Committee, with comparative data for 2015-16 and 2016-17.

Figure 1: Savings targets – by Committee



2.7. Table 5 below sets out the categorisation of 2017-18 savings expected at year end based on the updated RAG rating assessment and the latest forecast variance position.

2.8. The 2017-18 budget monitoring report elsewhere on this agenda sets out details of the overall forecast outturn position for the year. Actions will be required within Service budgets including seeking offsetting savings where required to mitigate any non-delivery of savings forecast in this report. The non-delivery of savings in previous years, and a detailed review of the deliverability of planned savings, was taken into account during the preparation of the 2017-18 Budget, with the result that a number of savings were removed or delayed at budget-setting as shown in the 2017-18 Budget report to County Council. There remains a need for both Service Committees and Executive Directors to maintain the focus on the effective delivery of both the previous years' agreed savings and future planned savings. Achievement of the planned savings helps to minimise risks to the Council's overall financial position and the development of the 2018-19 Budget.

2.9. Wider actions that have been taken within each Committee to deliver savings will be reported to Policy and Resources Committee through the year.

3. Delivery of savings

3.1. Savings have been categorised in the 2017-18 budget process under the definitions shown in the table below. Planned savings for 2017-18 have also been analysed to provide the split between back office savings and those with an impact on front line services.

Table 4: Definition of saving categories 2017-18

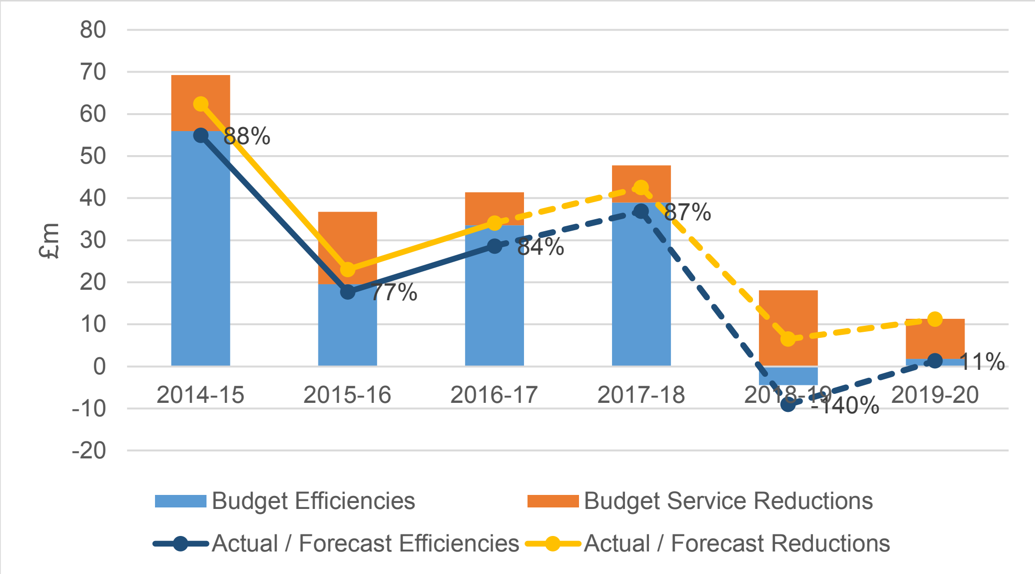
	Definition	Description
A.	Cutting costs through efficiencies	Savings which arise from reducing costs by delivering the same or more with less resources, including: • changes in staffing; • changes in systems; and • developing improved and more cost effective ways of working.
B.	Better value for money through procurement and contract management	Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money.
C.	Service Redesign: Early help and prevention, working locally	Savings achieved by developing new and better ways of working including sharing services with partner organisations, working with voluntary groups, early intervention to reduce costs elsewhere in the system, and working on a locality basis.
D.	Raising Revenue; commercial activities	Savings from generating additional revenue from existing processes and operating in a more business like way, including through income generation, reducing borrowing costs, and maximising the return on our investments.
E.	Maximising property and other assets	Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way.
i.	Back-office	Efficiency savings
ii.	Front-line	Reducing service standards
iii.	Front-line	Ceasing a service
iv.	Front-line	Providing statutory services differently

Table 5: Forecast delivery of savings by categorisation (as agreed at County Council February 2017)

Categorisation of saving	2017-18	2018-19	2019-20	2017-20
	£m	£m	£m	£m
A) Cutting costs through efficiencies	**-32.272**	**11.793**	**0.055**	**-20.425**
(i) Efficiency savings	-31.990	12.180	0.290	-19.521
(ii) Reducing service standards	-0.282	-0.387	-0.235	-0.904
B) Better value for money through procurement and contract management	**-0.978**	**-0.245**	**0.000**	**-1.223**
(i) Efficiency savings	-0.978	-0.245	0.000	-1.223
C) Service Redesign: Early help and prevention, working locally	**-4.991**	**-16.111**	**-10.200**	**-31.302**
(i) Efficiency savings	0.379	-0.950	-0.500	-1.071
(ii) Reducing service standards	-1.170	-4.899	-1.000	-7.069
(iii) Ceasing a service	-0.350	0.000	0.000	-0.350
(iv) Providing statutory services differently	-3.850	-10.262	-8.700	-22.812
D) Raising Revenue; commercial activities	**-2.509**	**-1.611**	**0.000**	**-4.120**
(i) Efficiency savings	-2.499	-1.611	0.000	-4.110
(ii) Reducing service standards	-0.010	0.000	0.000	-0.010
E) Maximising property and other assets	**-1.763**	**-0.310**	**-1.059**	**-3.132**
(i) Efficiency savings	-1.763	-0.310	-1.059	-3.132
Forecast (shortfall) / over delivery	-5.261	-7.174	-0.100	-12.535
Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**
(i) Efficiency savings	-36.851	9.063	-1.269	-29.057
(ii) Reducing service standards	-1.462	-5.286	-1.235	-7.983
(iii) Ceasing a service	-0.350	0.000	0.000	-0.350
(iv) Providing statutory services differently	-3.850	-10.262	-8.700	-22.812
Forecast (shortfall) / over delivery	-5.261	-7.174	-0.100	-12.535
Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**

3.2. The graph shows the share of savings delivered from support services compared to the front line, with comparative information since 2014-15. In 2017-18, 81% of savings are budgeted to be achieved through efficiencies.

Figure 2: Savings – support services compared to front line



3.3. The breakdown of savings by Committee for 2017-18, is shown in Table 6 below. The position for all three years is set out at Appendix 2. The position shown in Appendix 2 reflects risks to previously agreed future year savings identified as part of early 2018-19 budget planning work which have been removed in budget planning and incorporated in the Strategic and Financial Planning report to the January Policy and Resources Committee.

Table 6: Savings by Committee and categorisation 2017-18

	Adults	Children's Services	EDT	Communities	Business and Property	Digital Innovation and Efficiency	Policy and Resources	Total
	£m	£m	£m	£m	£m	£m	£m	£m
2017-18								
A) Cutting costs through efficiencies	**-2.334**	**-0.230**	**-4.222**	**-1.493**	**-0.020**	**-1.063**	**-22.910**	**-32.272**
(i) Efficiency savings	-2.334	-0.230	-4.122	-1.311	-0.020	-1.063	-22.910	**-31.990**
(ii) Reducing service standards	0.000	0.000	-0.100	-0.182	0.000	0.000	0.000	**-0.282**
B) Better value for money through procurement and contract management	**-0.125**	**-0.238**	**-0.080**	**0.000**	**0.000**	**-0.500**	**-0.035**	**-0.978**
(i) Efficiency savings	-0.125	-0.238	-0.080	0.000	0.000	-0.500	-0.035	**-0.978**
C) Service Redesign: Early help and prevention, working locally	**-3.700**	**0.101**	**-1.038**	**-0.354**	**0.000**	**0.000**	**0.000**	**-4.991**
(i) Efficiency savings	-0.250	1.867	-1.038	-0.200	0.000	0.000	0.000	**0.379**
(ii) Reducing service standards	0.900	-1.916	0.000	-0.154	0.000	0.000	0.000	**-1.170**
(iii) Ceasing a service	-0.500	0.150	0.000	0.000	0.000	0.000	0.000	**-0.350**
(iv) Providing statutory services differently	-3.850	0.000	0.000	0.000	0.000	0.000	0.000	**-3.850**
D) Raising Revenue; commercial activities	**-1.180**	**-0.100**	**0.000**	**0.031**	**-0.260**	**-0.299**	**-0.701**	**-2.509**
(i) Efficiency savings	-1.180	-0.100	0.000	0.031	-0.250	-0.299	-0.701	**-2.499**
(ii) Reducing service standards	0.000	0.000	0.000	0.000	-0.010	0.000	0.000	**-0.010**
E) Maximising property and other assets	**0.000**	**0.000**	**0.000**	**-0.090**	**-1.430**	**-0.243**	**0.000**	**-1.763**
(i) Efficiency savings	0.000	0.000	0.000	-0.090	-1.430	-0.243	0.000	**-1.763**
Forecast (shortfall) / over delivery	-3.874	-1.387	0.000	0.000	0.000	0.000	0.000	**-5.261**
Total	**-11.213**	**-1.854**	**-5.340**	**-1.906**	**-1.710**	**-2.105**	**-23.646**	**-47.774**
(i) Efficiency savings	-3.889	1.299	-5.240	-1.570	-1.700	-2.105	-23.646	**-36.851**
(ii) Reducing service standards	0.900	-1.916	-0.100	-0.336	-0.010	0.000	0.000	**-1.462**
(iii) Ceasing a service	-0.500	0.150	0.000	0.000	0.000	0.000	0.000	**-0.350**
(iv) Providing statutory services differently	-3.850	0.000	0.000	0.000	0.000	0.000	0.000	**-3.850**
Forecast (shortfall) / over delivery	-3.874	-1.387	0.000	0.000	0.000	0.000	0.000	**-5.261**
Total	**-11.213**	**-1.854**	**-5.340**	**-1.906**	**-1.710**	**-2.105**	**-23.646**	**-47.774**

4. Commentary on savings rated RED

4.1. Six savings have been rated as RED in respect of 2017-18, representing a savings shortfall of £4.703m within RED rated projects. Commentary on the RED rated savings is provided below.

Adults

- ASC024 Home care commissioning – an improved framework for procuring home care services in Norfolk – shortfall **£0.183m**: A new framework is in place for the Northern, Central and Southern areas and work is being finalised regarding fee structures. The framework is expected to improve stability in this market but is not forecast to achieve immediate savings. The new framework encourages provider collaboration to improve efficiency of home support rounds, which will improve the financial sustainability and support more cost effective commissioning of wider services, however it is expected that this will not result in savings in the short term.

- ASC006 Promoting Independence – Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting – shortfall **£2.399m**: This initial forecast is based on evidence of the actual impact from reviews completed earlier in the year. However, this is a difficult saving to accurately evidence and savings could still be achieved through other demand management interventions that will enable savings to be achieved across the workstream. Recruitment for additional social workers is underway and the Living Well programme has been launched, which will support approaches that will deliver increased independence for individuals.

- ASC013 Radical review of daycare services – shortfall **£0.734m**: The service is working closely with Independence Matters to reshape the contract and service model to enable long term savings to be delivered, however, part of the savings will require reduction in demand for day services and alternative approaches.

4.2. The Adults period 7 monitoring position as a whole is forecasting a balanced budget position for 2017-18. This is due to underspends in other areas such as the early achievement of 2018-19 transport savings and better than expected income recovery.

4.3. It should be noted that the presentation of Adults savings reported to the Adult Social Care Committee has been revised to reflect a new analysis of the savings as described in Appendix D of the Adult Social Care Finance

Monitoring Report. Monitoring to Policy and Resources Committee continues to reflect the savings as agreed by Full Council in February 2017 as set out in Appendix 3 to this report. The total value and forecast shortfall in savings is consistent across both Committee papers.

Children's

- CHL039 Refocus Education Service in light of Education White Paper – shortfall **£0.837m**: Delivery of savings from changes in the Education Service were delayed due to the extended general election purdah period. A one-off means of funding this saving in 2017-18 has been identified and was reported to Policy and Resources Committee in November.

- CHL027 Increase 'Troubled Families' income – shortfall **£0.500m**: The Troubled Families grant from Government is forecast to be lower than originally expected. A one-off means of funding this saving in 2017-18 has been identified and was reported to Policy and Resources Committee in November. A pressure in relation to the reduced grant income has been recognised in budget planning for 2018-19.

- CHL028 Education Psychology Service traded income – shortfall **£0.050m**: The service has not achieved its increased income target in 2017-18, due to financial pressures within school individual budgets to pay for psychological services and the impact of local authority schools converting to academies.

5. Commentary on savings rated AMBER

5.1. Two savings have been rated as AMBER in respect of 2017-18, representing a savings shortfall of £0.558m within AMBER rated projects. Commentary on the AMBER rated savings is provided below.

Adults

- ASC026 Review of various commissioning arrangements to identify more cost effective ways of providing services – shortfall **£0.541m**: Planned reduction and decommissioning of some contracts has not been achieved. This has been mitigated through revised usage of contracts to improve value for money.

- ASC023 A consistent approach to specific laundry needs – shortfall **£0.017m**: The final net saving from reviewing these services is £0.038m. The pressure of £0.017m will be managed within the Norwich purchase of care budget.

6. Commentary on overachieved savings

6.1. At this stage in the year, no 2017-18 savings are forecast to be overachieved.

7. 2018-19 and 2019-20 savings

7.1. Budget setting in 2017-18 saw the approval of £13.659m savings for 2018-19 and £11.304m savings for 2019-20. Budget planning work for 2018-19 has identified risks totalling **£7.174m for 2018-19** and **£0.100m for 2019-20** in relation to the following savings which are reflected in the forecast position for the future years. These are as follows:

- ASC021 (£0.250m 2018-19) – **removal** of saving relating to recommissioning of information advice and advocacy services.
- ASC003 & COM040 (£2.300m shortfall 2018-19, £0.200m additional 2019-20 savings) – **removal and delay** of Adults Transport savings. Adults Committee agreed to amend the transport savings figures over the next two years, alternative savings have been proposed in the 2018-19 budget to meet the difference.
- ASC024 (£0.549m 2018-19) - **removal** of Home care commissioning saving, alternative savings have been proposed in the 2018-19 budget to meet the difference.
- CHL017 (£0.450m 2018-19 and £0.535m 2019-20) **removal** of saving relating to reducing the number of social workers we use who work for employment agencies.
- EDT032 – (£1.850m 2018-19) **delay** of saving relating to a new waste strategy focussed on waste reduction and minimisation which is considered no longer achievable in 2018-19 and has been delayed in budget planning until 2021-22.
- CMM022 – (£0.235m 2018-19) **delay** of saving related to the library service to 2019-20. The original self-service saving is now expected to be delivered through a range of different proposals within the library service. These have been presented to Communities Committee.
- P&R027, P&R058 and P&R060 (£1.300m 2018-19) – **delay** of property savings no longer considered achievable in 2018-19. Half of these savings have been delayed until 2020-21 and half to 2021-22 in budget planning.
- P&R050, P&R063 and P&R064 (£0.362m 2018-19) – **removal** of Managing Director's Department savings following realignment of budgets to reflect new departmental structures and revised plans for savings delivery. Alternative replacement savings have been proposed in the 2018-19 budget process. The new approach to central and strategic services has created an operating model which recognises the key areas of focus and prioritises activity to make the most difference. This offers opportunities to make savings by investing in technological solutions to

deliver routine activities and support self-sufficiency through simpler and more streamlined central processes.

- P&R066 (-£0.122m 2018-19) – **additional** saving relating to revised second homes estimates.

8. Summary

8.1. The forecast position indicates 2017-18 shortfalls of £1.387m and £3.874m expected to arise respectively within Children's Services and Adult Social Care Committee budgets. Service Committees maintaining a strong focus on the delivery of savings in 2017-18 will be critical to supporting the achievement of the Council's budget plans for future years.

8.2. The proposed removal of savings in the 2018-19 budget process will ensure that the shortfalls identified in section 7 above do not ultimately arise in future years.

Background Papers

Norfolk County Council Revenue and Capital Budget 2017-20 (Item 4, County Council 20 February 2017)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/444/Committee/2/SelectedTab/Documents/Default.aspx

Officer Contact

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One-off amounts relating to reserves are included within the total agreed savings set out in the Categorisation of Savings table below, as shown below.

One-off savings in the 2017-18 budget round

	2017-18	2018-19
	£m	£m
Insurance Fund (P&R076)	-1.350	1.350
Use of reserves to be identified (P&R081) (see revenue monitoring report elsewhere on agenda)	-5.813	5.813
Better Broadband Reserve (EDT048)	-0.500	0.500
Total use of reserves and one-off items relating to savings plans 2017-18	**-7.663**	**7.663**

Categorisation of Budget Savings 2017-20 budget round

Categorisation of saving	2017-18	2018-19	2019-20	2017-20
	£m	£m	£m	£m
A) Cutting costs through efficiencies	**-32.813**	**8.967**	**-0.245**	**-24.091**
(i) Efficiency savings	-32.531	9.589	-0.245	-23.187
(ii) Reducing service standards	-0.282	-0.622	0.000	-0.904
B) Better value for money through procurement and contract management	**-1.161**	**-1.044**	**0.000**	**-2.205**
(i) Efficiency savings	-1.161	-1.044	0.000	-2.205
C) Service Redesign: Early help and prevention, working locally	**-8.978**	**-18.411**	**-10.000**	**-37.389**
(i) Efficiency savings	-0.458	-0.950	-0.500	-1.908
(ii) Reducing service standards	-1.170	-7.199	-0.800	-9.169
(iii) Ceasing a service	-0.350	0.000	0.000	-0.350
(iv) Providing statutory services differently	-7.000	-10.262	-8.700	-25.962
D) Raising Revenue; commercial activities	**-3.059**	**-1.561**	**0.000**	**-4.620**
(i) Efficiency savings	-3.049	-1.561	0.000	-4.610
(ii) Reducing service standards	-0.010	0.000	0.000	-0.010
E) Maximising property and other assets	**-1.763**	**-1.610**	**-1.059**	**-4.432**
(i) Efficiency savings	-1.763	-1.610	-1.059	-4.432
Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**
(i) Efficiency savings	-38.962	4.424	-1.804	-36.342
(ii) Reducing service standards	-1.462	-7.821	-0.800	-10.083
(iii) Ceasing a service	-0.350	0.000	0.000	-0.350
(iv) Providing statutory services differently	-7.000	-10.262	-8.700	-25.962
Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**

APPENDIX 2

Forecast savings by Committee and categorisation 2017-20 budget round

	Adults	Children's Services	EDT	Communities	Business and Property	Digital Innovation and Efficiency	Policy and Resources	Total
	£m	£m	£m	£m	£m	£m	£m	£m
2017-18								
A) Cutting costs through efficiencies	**-2.334**	**-0.230**	**-4.222**	**-1.493**	**-0.020**	**-1.063**	**-22.910**	**-32.272**
(i) Efficiency savings	-2.334	-0.230	-4.122	-1.311	-0.020	-1.063	-22.910	**-31.990**
(ii) Reducing service standards	0.000	0.000	-0.100	-0.182	0.000	0.000	0.000	**-0.282**
B) Better value for money through procurement and contract management	**-0.125**	**-0.238**	**-0.080**	**0.000**	**0.000**	**-0.500**	**-0.035**	**-0.978**
(i) Efficiency savings	-0.125	-0.238	-0.080	0.000	0.000	-0.500	-0.035	**-0.978**
C) Service Redesign: Early help and prevention, working locally	**-3.700**	**0.101**	**-1.038**	**-0.354**	**0.000**	**0.000**	**0.000**	**-4.991**
(i) Efficiency savings	-0.250	1.867	-1.038	-0.200	0.000	0.000	0.000	**0.379**
(ii) Reducing service standards	0.900	-1.916	0.000	-0.154	0.000	0.000	0.000	**-1.170**
(iii) Ceasing a service	-0.500	0.150	0.000	0.000	0.000	0.000	0.000	**-0.350**
(iv) Providing statutory services differently	-3.850	0.000	0.000	0.000	0.000	0.000	0.000	**-3.850**
D) Raising Revenue; commercial activities	**-1.180**	**-0.100**	**0.000**	**0.031**	**-0.260**	**-0.299**	**-0.701**	**-2.509**
(i) Efficiency savings	-1.180	-0.100	0.000	0.031	-0.250	-0.299	-0.701	**-2.499**
(ii) Reducing service standards	0.000	0.000	0.000	0.000	-0.010	0.000	0.000	**-0.010**
E) Maximising property and other assets	**0.000**	**0.000**	**0.000**	**-0.090**	**-1.430**	**-0.243**	**0.000**	**-1.763**
(i) Efficiency savings	0.000	0.000	0.000	-0.090	-1.430	-0.243	0.000	**-1.763**
Forecast (shortfall) / over delivery	-3.874	-1.387	0.000	0.000	0.000	0.000	0.000	**-5.261**
Total	**-11.213**	**-1.854**	**-5.340**	**-1.906**	**-1.710**	**-2.105**	**-23.646**	**-47.774**
(i) Efficiency savings	-3.889	1.299	-5.240	-1.570	-1.700	-2.105	-23.646	**-36.851**
(ii) Reducing service standards	0.900	-1.916	-0.100	-0.336	-0.010	0.000	0.000	**-1.462**
(iii) Ceasing a service	-0.500	0.150	0.000	0.000	0.000	0.000	0.000	**-0.350**
(iv) Providing statutory services differently	-3.850	0.000	0.000	0.000	0.000	0.000	0.000	**-3.850**
Forecast (shortfall) / over delivery	-3.874	-1.387	0.000	0.000	0.000	0.000	0.000	**-5.261**
Total	**-11.213**	**-1.854**	**-5.340**	**-1.906**	**-1.710**	**-2.105**	**-23.646**	**-47.774**

	Adults	Children's Services	EDT	Communities	Business and Property	Digital Innovation and Efficiency	Policy and Resources	Total
	£m	£m	£m	£m	£m	£m	£m	£m
2018-19								
A) Cutting costs through efficiencies	**0.000**	**-0.100**	**1.415**	**0.613**	**0.000**	**-0.424**	**10.289**	**11.793**
(i) Efficiency savings	0.000	-0.100	1.415	1.000	0.000	-0.424	10.289	**12.180**
(ii) Reducing service standards	0.000	0.000	0.000	-0.387	0.000	0.000	0.000	**-0.387**
B) Better value for money through procurement and contract management	**-0.275**	**0.000**	**0.030**	**0.000**	**0.000**	**0.000**	**0.000**	**-0.245**
(i) Efficiency savings	-0.275	0.000	0.030	0.000	0.000	0.000	0.000	**-0.245**
C) Service Redesign: Early help and prevention, working locally	**-15.112**	**-0.309**	**-0.200**	**-0.490**	**0.000**	**0.000**	**0.000**	**-16.111**
(i) Efficiency savings	-0.750	0.000	-0.200	0.000	0.000	0.000	0.000	**-0.950**
(ii) Reducing service standards	-4.100	-0.309	0.000	-0.490	0.000	0.000	0.000	**-4.899**
(iii) Ceasing a service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
(iv) Providing statutory services differently	-10.262	0.000	0.000	0.000	0.000	0.000	0.000	**-10.262**
D) Raising Revenue; commercial activities	**-0.230**	**0.000**	**0.000**	**-0.080**	**-0.051**	**-0.302**	**-0.948**	**-1.611**
(i) Efficiency savings	-0.230	0.000	0.000	-0.080	-0.051	-0.302	-0.948	**-1.611**
(ii) Reducing service standards	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
E) Maximising property and other assets	**0.000**	**0.000**	**0.000**	**0.090**	**-0.400**	**0.000**	**0.000**	**-0.310**
(i) Efficiency savings	0.000	0.000	0.000	0.090	-0.400	0.000	0.000	**-0.310**
Forecast (shortfall) / over delivery	-3.099	-0.450	-1.850	-0.235	-1.300	0.000	-0.240	**-7.174**
Total	**-18.716**	**-0.859**	**-0.605**	**-0.102**	**-1.751**	**-0.726**	**9.100**	**-13.659**
(i) Efficiency savings	-1.255	-0.100	1.245	1.010	-0.451	-0.726	9.340	**9.063**
(ii) Reducing service standards	-4.100	-0.309	0.000	-0.877	0.000	0.000	0.000	**-5.286**
(iii) Ceasing a service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
(iv) Providing statutory services differently	-10.262	0.000	0.000	0.000	0.000	0.000	0.000	**-10.262**
Forecast (shortfall) / over delivery	-3.099	-0.450	-1.850	-0.235	-1.300	0.000	-0.240	**-7.174**
Total	**-18.716**	**-0.859**	**-0.605**	**-0.102**	**-1.751**	**-0.726**	**9.100**	**-13.659**

APPENDIX 2

	Adults	Children's Services	EDT	Communities	Business and Property	Digital Innovation and Efficiency	Policy and Resources	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
2019-20								
A) Cutting costs through efficiencies	**0.000**	**0.000**	**0.000**	**-0.235**	**0.000**	**0.000**	**0.290**	**0.055**
(i) Efficiency savings	0.000	0.000	0.000	0.000	0.000	0.000	0.290	**0.290**
(ii) Reducing service standards	0.000	0.000	0.000	-0.235	0.000	0.000	0.000	**-0.235**
B) Better value for money through procurement and contract management	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
(i) Efficiency savings	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
C) Service Redesign: Early help and prevention, working locally	**-10.200**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**-10.200**
(i) Efficiency savings	-0.500	0.000	0.000	0.000	0.000	0.000	0.000	**-0.500**
(ii) Reducing service standards	-1.000	0.000	0.000	0.000	0.000	0.000	0.000	**-1.000**
(iii) Ceasing a service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
(iv) Providing statutory services differently	-8.700	0.000	0.000	0.000	0.000	0.000	0.000	**-8.700**
D) Raising Revenue; commercial activities	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
(i) Efficiency savings	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
(ii) Reducing service standards	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
E) Maximising property and other assets	**0.000**	**0.000**	**0.000**	**0.000**	**-1.000**	**-0.059**	**0.000**	**-1.059**
(i) Efficiency savings	0.000	0.000	0.000	0.000	-1.000	-0.059	0.000	**-1.059**
Forecast (shortfall) / over delivery	0.200	-0.535	0.000	0.235	0.000	0.000	0.000	**-0.100**
Total	**-10.000**	**-0.535**	**0.000**	**0.000**	**-1.000**	**-0.059**	**0.290**	**-11.304**
(i) Efficiency savings	-0.500	0.000	0.000	0.000	-1.000	-0.059	0.290	**-1.269**
(ii) Reducing service standards	-1.000	0.000	0.000	-0.235	0.000	0.000	0.000	**-1.235**
(iii) Ceasing a service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
(iv) Providing statutory services differently	-8.700	0.000	0.000	0.000	0.000	0.000	0.000	**-8.700**
Forecast (shortfall) / over delivery	0.200	-0.535	0.000	0.235	0.000	0.000	0.000	**-0.100**
Total	**-10.000**	**-0.535**	**0.000**	**0.000**	**-1.000**	**-0.059**	**0.290**	**-11.304**

2017-18 savings and RAG status detail (2017-20 budget round)

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		Adult Social Care						
		A - Cutting costs through efficiencies						
A(i)	ASC010	Reduce Training & Development spend following implementation of Promoting Independence	-0.200			-0.200	0.000	BLUE
A(i)	ASC022	Review of commissioning structure and wider opportunities to realign staffing structures in localities	-0.155			-0.155	0.000	GREEN
A(i)	ASC026	Review of various commissioning arrangements to identify more cost effective ways of providing services	-1.159			-0.618	-0.541	AMBER
A(i)	ASC027	Multiple small efficiencies within Service Level Agreements	-0.190			-0.190	0.000	BLUE
A(i)	ASC028	Maximise use of apprenticeships	-0.020			-0.020	0.000	GREEN
A(i)	ASC030	Rationalise mobile phones	-0.010			-0.010	0.000	GREEN
A(i)	ASC031	Revised use of Care Act and other funding not previously used for recurrent expenditure	-1.141			-1.141	0.000	GREEN
		B - Better value for money through procurement and contract management						
B(i)	ASC020	Remodel contracts for support to mental health recovery	-0.125	-0.275		-0.125	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
B(i)	ASC021	Recommissioning of information advice and advocacy services		-0.250			0.000	RED
B(i)	ASC024	Home care commissioning - an improved framework for procuring home care services in Norfolk	-0.183	-0.549		0.000	-0.183	RED
		C - Service Redesign: Early help and prevention, working locally						
C(i)	ASC008	Promoting Independence - Housing with Care - develop non-residential community based care solutions		-0.500	-0.500		0.000	GREEN
C(i)	ASC009	Promoting Independence - Integrated Community Equipment Service - expand service so through increased availability and access to equipment care costs will be reduced	-0.250	-0.250		-0.250	0.000	GREEN
C(ii)	ASC003	Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council	0.900	-0.900	-0.800	0.900	0.000	GREEN
C(ii)	ASC016-019	Building resilient lives: reshaping our work with people of all ages requiring housing related support to keep them independent	-2.100	-3.400		-2.100	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
C(ii)	COM040	Delay to 14-15, 15-16 and 16-17 saving: Reduce the number of service users we provide transport for	2.100	-2.100		2.100	0.000	GREEN
C(iii)	COM033	Reducing funding within personal budgets to focus on eligible unmet needs	-0.500			-0.500	0.000	GREEN
C(iv)	ASC006	Promoting Independence - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting	-4.445	-3.628	-7.538	-2.046	-2.399	RED
C(iv)	ASC007	Promoting Independence - Reablement - net reduction - expand Reablement Service to deal with 100% of demand and develop service for working age adults	-1.500	-0.500		-1.500	0.000	GREEN
C(iv)	ASC011	Move service mix to average of comparator family group or target - all specialisms		-1.444	-0.962		0.000	GREEN
C(iv)	ASC013	Radical review of daycare services	-1.000	-2.500		-0.266	-0.734	RED
C(iv)	ASC015	Move service mix to lowest of comparator family group - all specialisms		-2.190	-0.200		0.000	GREEN
C(iv)	ASC023	A consistent approach to specific laundry needs	-0.055			-0.038	-0.017	AMBER

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		D - Raising Revenue; commercial activities						
D(i)	ASC029	Align charging policy to more closely reflect actual disability related expenditure incurred by service users	-1.180	-0.230		-1.180	0.000	GREEN
		Adult Social Care net total	**-11.213**	**-18.716**	**-10.000**	**7.339**	**-3.874**	
		Children's Services						
		REMOVAL OF PRIOR YEAR SAVINGS						
		A - Cutting costs through efficiencies						
A(i)	CHI012	Removal of 2016-17 saving: Reduce the cost of transport for children with Special Educational Needs	0.500			0.500	0.000	BLUE
		C - Service Redesign: Early help and prevention, working locally						
C(i)	CHI001-4	Removal of 2016-17 saving: Increase the number of services we have to prevent children and young people from coming into our care and reducing the cost of LAC	3.000			3.000	0.000	BLUE

APPENDIX 3

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
C(iii)	CHI015	Reverse reduced funding for school crossing patrols as recommended by Committee 24-01-17	0.150			0.150	0.000	BLUE
		Subtotal Children's Services reversals	**3.650**	**0.000**	**0.000**	**3.650**	**0.000**	
		SAVINGS						
		A - Cutting costs through efficiencies						
A(i)	CHL013	Update our budget for retirement costs for teachers to reflect how much we are now spending on this - we are not responsible for paying redundancy and retirements costs for teachers that work for the growing number of academy schools	-0.050	-0.100		-0.050	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	CHL017	Reduce the number of social workers we use who work for employment agencies - we are giving more support to families at an earlier stage so that the challenges they face are resolved quicker and before they turn into more serious problems. As a result the number of families we are working with that need support from a social worker is reducing. We therefore won't need to use as many agency social workers		-0.450	-0.535		0.000	RED
A(i)	CHL029	Early Years Funding Panel – deliver greater efficiency in allocations	-0.100			-0.100	0.000	GREEN
A(i)	CHL034	Children's Legal Costs – review opportunities to reduce expenditure.	-0.050			-0.050	0.000	GREEN
A(i)	CHL035	Performance and Challenge staff budgets – review current establishment	-0.120			-0.120	0.000	GREEN
A(i)	CHL036	Children with Disabilities Short Breaks – return budget to previous level	-0.100			-0.100	0.000	BLUE
A(i)	CHL037	Early Years Settings Panel – achieve saving through prioritisation and targeting of resources	-0.250			-0.250	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	CHL038	Norfolk Institute for Practice Excellence (NIPE) – reduce agency spend by moving NIPE trainees into posts one month earlier, reducing agency spend	-0.060			-0.060	0.000	GREEN
		B - Better value for money through procurement and contract management						
B(i)	CHL009	End Children's Services funding for Homestart - this is a charity who supports families with young children who are struggling to cope	-0.158			-0.158	0.000	BLUE
B(i)	CHL030	East Coast Community Healthcare Speech and Language Contract increased income	-0.050			-0.050	0.000	BLUE
B(i)	CHL033	Service Level Agreement efficiencies – based on current levels of expenditure	-0.030			-0.030	0.000	BLUE
		C - Service Redesign: Early help and prevention, working locally						
C(i)	CHL019	Review of educational services	-0.350			-0.350	0.000	BLUE
C(i)	CHL032	Children's Homes – increase occupancy through review of placements and improving staff to child ratios	-0.100			-0.100	0.000	GREEN
C(i)	CHL039	Refocus Education Service in light of Education White Paper	-1.250			-0.413	-0.837	RED
C(i)	CHL040	Review Early Help Services	-0.270			-0.270	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
C(ii)	CHL010	Change how we provide parenting support - we have contracts with four organisations to provide parenting support programmes, they offer advice and one-to one support. We are proposing to end these contracts. Targeted family support activities will continue to be provided by Early Help staff and other commissioned providers	-0.427			-0.427	0.000	BLUE
C(ii)	CHL012	Change how we provide support to families who are struggling to cope with the challenges they face - we have contracts with two organisations to deliver Family Intervention Projects with families who are struggling to cope with the challenges they face. We are proposing to not renew these contracts when they end. Our 'Troubled Families' team will continue to provide support to these families	-0.580			-0.580	0.000	GREEN
C(ii)	CHL026	Keep all children's centres open and focus their work on supporting the families that need them most	-0.909	-0.309		-0.909	0.000	GREEN
		D - Raising Revenue; commercial activities						
D(i)	CHL027	Increase 'Troubled Families' income. There may be changes nationally which could reduce our ability to generate this extra income	-0.500			0.000	-0.500	RED

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
D(i)	CHL028	Education Psychology Service – increase traded income, based on charging more and taking on a greater workload.	-0.050			0.000	-0.050	RED
D(i)	CHL031	Woodside Norwich Early Years Hub - increase the income budget to reflect current forecasts	-0.100			-0.100	0.000	GREEN
		Subtotal Children's Services savings	**-5.504**	**-0.859**	**-0.535**	**-4.117**	**-1.387**	
		Children's Services net total	**-1.854**	**-0.859**	**-0.535**	**-0.467**	**-1.387**	
		Environment, Development and Transport						
		A - Cutting costs through efficiencies						
A(i)	EDT028	Intelligent transport systems - put new technology and models in place for delivery of the intelligent transport systems approaching the end of their economic life, including replacing rising bollard technologies at bus gates with camera enforcement and co-locating the control room with another public service provider	-0.383	-0.085		-0.383	0.000	GREEN

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Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	EDT032	Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week	-0.150	-1.850		-0.150	0.000	GREEN
A(i)	EDT037	Vacancy management and deletion of vacant posts	-0.488			-0.488	0.000	GREEN
A(i)	EDT038	Further reductions in back office spend	-0.128			-0.128	0.000	GREEN
A(i)	EDT042	Rationalise our highway depot provision and change inspection frequency for main roads	-0.473			-0.473	0.000	GREEN
A(i)	EDT044	Further capitalisation of highways maintenance activities to release a revenue saving	-1.000			-1.000	0.000	GREEN
A(i)	EDT045	One off saving - Further capitalisation of highways maintenance activities in 2016-17, to release a revenue saving to carry forward to 2017-18	-1.500	1.500		-1.500	0.000	GREEN
A(ii)	EDT043	Implement new national guidance for winter maintenance	-0.100			-0.100	0.000	GREEN
		B - Better value for money through procurement and contract management						
B(i)	EDT040	Waste – efficiency savings through robust management of costs through open-book accounting	-0.080	0.030		-0.080	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		C - Service Redesign: Early help and prevention, working locally						
C(i)	EDT027	Environment service - redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns		-0.200			0.000	GREEN
C(i)	EDT036	Service re-design - introduce a locality based structure for the Community and Environmental Services directorate	-1.038			-1.038	0.000	GREEN
		Environment, Development and Transport net total	**-5.340**	**-0.605**	**0.000**	**-5.340**	**0.000**	
		Communities						
		REMOVAL OF PRIOR YEAR SAVINGS						
		A - Cutting costs through efficiencies						
A(i)	RES082	Efficiency savings arising from utilising Public Health skills and resources to remove duplication – removal due to reduced Public Health Grant	0.805			0.805	0.000	BLUE
		Subtotal Communities reversals	**0.805**	**0.000**	**0.000**	**0.805**	**0.000**	

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		A - Cutting costs through efficiencies						
A(i)	CMM013	Healthwatch – reduce the Healthwatch grant	-0.150			-0.150	0.000	GREEN
A(i)	CMM033	Cross-cutting savings – Allocation of Public Health Grant to other services delivering Public Health outcomes	-0.250			-0.250	0.000	GREEN
A(i)	CMM034	Vacancy management and deletion of vacant posts	-0.021			-0.021	0.000	GREEN
A(i)	CMM035	Further reductions in back office spend	-0.015			-0.015	0.000	GREEN
A(i)	CMM040	Capitalisation of library books 16-17 resulting in a one-off saving	-1.000	1.000		-1.000	0.000	GREEN
A(i)	CMM041	Capitalisation of library books 17-18 – ongoing revenue saving	-0.680			-0.680	0.000	GREEN
A(ii)	CMM016	Norfolk and Norwich Millennium Library opening times - Reduce the opening times for Norfolk and Norwich Millennium Library but install Open Plus technology to enable the ground floor to be open longer via self service	-0.138			-0.138	0.000	GREEN
A(ii)	CMM022	Libraries self-service - introduce technology (Open Plus) to enable libraries to open with self-service machines		-0.622			0.000	AMBER
A(ii)	CMM026	Special service mobile library service - change the mobile library service for people in residential care, by	-0.044			-0.044	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		encouraging care homes to pay for the service or using volunteers to provide books for individual people						
		C - Service Redesign: Early help and prevention, working locally						
C(i)	CMM018	Customer Service delivery re-design - further re-shaping and re-design of some customer service teams	-0.200			-0.200	0.000	GREEN
C(ii)	CMM023	Fire service operational support reductions and redeployment of WDS staff - re-design the operational support structures to rationalise and remove some teams, and reduce the operational training budget. Re-design of some operational activities and redeployment of associated resource to other community focussed activities	-0.110	-0.490		-0.110	0.000	GREEN
C(ii)	CMM027	Public mobile libraries - reduce the public mobile library mobile fleet from 9 to 8 vehicles, reduce the frequency of some visits and stop Saturday routes	-0.044			-0.044	0.000	GREEN
		D - Raising Revenue; commercial activities						
D(i)	CMM004	One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history	0.100			0.100	0.000	BLUE

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
D(i)	CMM036	Registration service income generation - develop business opportunities within the service to generate additional income		-0.080			0.000	GREEN
D(i)	CMM037	Additional income generation (Museums, Records Office, Trading Standards)	-0.054			-0.054	0.000	GREEN
D(i)	CMM046	Additional income generation (Museums, Records Office, Arts Service)	-0.015			-0.015	0.000	GREEN
		E - Maximising property and other assets						
E(i)	CMM039	One-off saving through re-setting budgets for leased equipment	-0.090	0.090		-0.090	0.000	GREEN
		Subtotal Communities savings	**-2.711**	**-0.102**	**0.000**	**-2.711**	**0.000**	
		Communities net total	**-1.906**	**-0.102**	**0.000**	**-1.906**	**0.000**	
		Business and Property						
		A - Cutting costs through efficiencies						
A(i)	EDT038	Further reductions in back office spend	-0.020			-0.020	0.000	GREEN
		D - Raising Revenue; commercial activities						
D(i)	P&R030	Corporate Property Team approach to sponsorship & advertising	-0.100			-0.100	0.000	GREEN
D(i)	EDT019	Economic development sector grants funding - Cease the direct funding to support economic development	-0.050			-0.050	0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		projects, and work with others to identify alternative ways to secure funding						
D(i)	EDT020	Economic development match funding - cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities		-0.051			0.000	GREEN
D(ii)	EDT039	Reduction in Economic Development project fund	-0.010			-0.010	0.000	GREEN
D(i)	EDT047	Additional income generation Scottow Enterprise Park	-0.100			-0.100	0.000	GREEN
		E - Maximising property and other assets						
E(i)	P&R027	Reduce property costs through reducing area occupied and reducing cost per square metre	-1.430	-1.000	-1.000	-1.430	0.000	GREEN
E(i)	P&R058	Raising revenue: property development - to explore options for the authority regarding direct property development. The Council owns a significant land and building bank for which sale for capital receipt may not be the best option for the authority. Generating a higher capital receipt would reduce future borrowing costs		-0.500			0.000	AMBER
E(i)	P&R060	Property assets: reducing the costs of running the estate - explore what further opportunities we have for further reducing core facilities management standards across the estate, e.g. opening hours, security levels. It should be noted that there is already a significant level of property savings already included in the MTFS		-0.200			0.000	AMBER

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		Business and Property net total	**-1.710**	**-1.751**	**-1.000**	**-1.710**	**0.000**	
		Digital Innovation and Efficiency						
		A - Cutting costs through efficiencies						
A(i)	P&R050	Cutting costs through efficiencies by a zero based review of our services - working with services to establish the base requirement and shape of Resources to support the future needs of the organisation	0.006	-0.339		0.006	0.000	GREEN
A(i)	P&R063	Cutting costs through efficiencies by menu based pricing - the services provided by (former) Resources Department have evolved since the formation of Shared Services in 2010, services have had little visibility of costs or the ability to control them. A full review of the prices of services and equipment would offer visibility and choice to services - alternatives may include self service	-0.269	-0.264		-0.269	0.000	BLUE
A(i)	P&R064	Cutting costs through efficiencies by reducing unit costs - the menu based proposition above offers the opportunity to reduce costs by reduced demand, this proposition offers the opportunity to reduce unit costs, e.g. by benchmarking and taking any appropriate resulting actions		-0.321			0.000	GREEN

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	EDT048	Use of Better Broadband Reserves	-0.500	0.500		-0.500	0.000	BLUE
A(i)	P&R080	Capitalisation of ICT costs	-0.300			-0.300	0.000	BLUE
		B - Better value for money through procurement and contract management						
B(i)	P&R072	Opportunity to deliver parts of the remaining DNA project more cost effectively - primarily around in-house data storage	-0.220			-0.220	0.000	BLUE
B(i)	P&R073	Change the IT equipment model - renewal and upgrade of server infrastructure	-0.280			-0.280	0.000	BLUE
		D - Raising Revenue; commercial activities						
D(i)	P&R062	Raising revenue through recharging the full costs of our services to external customers - ensuring that ICT services to schools, and other external clients, fully reflect both the direct and indirect costs incurred	-0.299	-0.302		-0.299	0.000	BLUE
		E - Maximising property and other assets						
E(i)	P&R082	Release ICT lease budget no longer required	-0.243		-0.059	-0.243	0.000	BLUE
		Digital Innovation and Efficiency net total	**-2.105**	**-0.726**	**-0.059**	**-2.105**	**0.000**	
		<u>Policy and Resources</u>						
		REMOVAL OF PRIOR YEAR SAVINGS						

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
		D - Raising Revenue; commercial activities						
D(i)	P&R023	Remove 2015-16 saving: Optimise car leasing and reduced mileage	0.300			0.300	0.000	BLUE
D(i)	P&R029	Remove 2015-16 saving: Increased income from advertising	0.050			0.050	0.000	BLUE
		Subtotal Policy and Resources reversals	**0.350**	**0.000**	**0.000**	**0.350**	**0.000**	
		SAVINGS						
		A - Cutting costs through efficiencies						
A(i)	P&R049	Review of accounting treatment for notional debt repayment (MRP)	-5.216			-5.216	0.000	BLUE
A(i)	P&R050	Cutting costs through efficiencies by a zero based review of our services - working with services to establish the base requirement and shape of Resources to support the future needs of the organisation	-0.006	-0.286		-0.006	0.000	GREEN

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Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	P&R052	Cutting costs through efficiencies: staffing - the proposal is to work across Teams to deliver reductions in cost and headcount over two years via various work streams - delayering, critical review of all activities to ensure either we are helping to deliver council outcomes or we are working at a statutory minimum, reduce failure demand, and introduce automation wherever possible	-0.500	-0.500		-0.500	0.000	BLUE
A(i)	P&R063	Cutting costs through efficiencies by menu based pricing - the services provided by (former) Resources Department have evolved since the formation of Shared Services in 2010, services have had little visibility of costs or the ability to control them. A full review of the prices of services and equipment would offer visibility and choice to services - alternatives may include self service	-0.231	-0.236		-0.231	0.000	BLUE

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	P&R064	Cutting costs through efficiencies by reducing unit costs - the menu based proposition above offers the opportunity to reduce costs by reduced demand, this proposition offers the opportunity to reduce unit costs, e.g. by benchmarking and taking any appropriate resulting actions		-0.279			0.000	AMBER
A(i)	P&R068	Insurance Fund saving (reversal of 2016-17 one-off saving)	2.000			2.000	0.000	BLUE
A(i)	P&R069	Use of Organisational Change Reserve to fund Social Care system in 2016-17 (reversal of 2016-17 one-off saving)	0.478			0.478	0.000	BLUE
A(i)	P&R070	Use of Business Risk Reserve to fund reprofiling of COM033 Adults saving in 2016-17 (reversal of 2016-17 one-off saving)	0.500			0.500	0.000	BLUE
A(i)	P&R071	Use of Organisational Change Reserve in 2016-17 (reversal of 2016-17 one-off saving)	0.132			0.132	0.000	BLUE
A(i)	P&R076	Insurance Fund contribution	-1.350	1.350		-1.350	0.000	BLUE
A(i)	P&R077	Implementation of Minimum Revenue Provision policy	-6.904	0.136	0.290	-6.904	0.000	BLUE
A(i)	P&R078	Use of capital receipts in 17-18 to fund MRP	-6.000	4.000		-6.000	0.000	GREEN

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Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
A(i)	P&R081	One-off use of reserves to be identified in June 2017 (to support 2017-18 investment in Children's Services)	-5.813	5.813		-5.813	0.000	BLUE
		B - Better value for money through procurement and contract management						
B(i)	P&R025	Corporate Banking project - move to Barclays	-0.035			-0.035	0.000	BLUE
		D - Raising Revenue; commercial activities						
D(i)	P&R051	Raising revenue by an increased ESPO dividend - ESPO is a Joint Committee of which Norfolk is the largest member, buying on behalf of schools, councils and others. ESPO plans to reduce its costs and increase its market presence outside of its traditional operating area, resulting in an increased dividend	-0.100	-0.100		-0.100	0.000	BLUE

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
D(i)	P&R053	Raising revenue: a business strategy treasury management - our average return on investments is currently 0.75%, a modest increase in risk, e.g. 0.25% on £100m of cash, would produce a saving. The breadth of organisations we lend to and for how long can be reviewed. The average cash balance in 2015-16 was £215m	-0.500			-0.500	0.000	GREEN
D(i)	P&R059	Raising revenue: fraud error and debt - use of data analytical tools to collect debts otherwise considered unrecoverable, largely uncollected council tax, working with district councils. The work would be performed by specialist companies	-0.050			-0.050	0.000	GREEN
D(i)	P&R062	Raising revenue through recharging the full costs of our services to external customers - ensuring that ICT services to schools, and other external clients, fully reflect both the direct and indirect costs incurred	-0.201	-0.198		-0.201	0.000	BLUE
D(i)	P&R066	Second Homes income		-0.600			0.000	GREEN
D(i)	P&R074	Nplaw income growth - establishment of the Alternative Business Structure	-0.100			-0.100	0.000	GREEN

APPENDIX 3

Classification	Saving reference	Saving	2017-18	2018-19	2019-20	2017-18 forecast	2017-18 forecast variance (shortfall) / over delivery	RAG status
			£m	£m	£m	£m	£m	
D(i)	P&R075	Early payment rebate project	-0.100			-0.100	0.000	GREEN
		Subtotal Policy and Resources savings	**-23.996**	**9.100**	**0.290**	**-23.996**	**0.000**	
		Policy and Resources net total	**-23.646**	**9.100**	**0.290**	**-23.646**	**0.000**	
		Total Norfolk County Council net savings	**-47.774**	**-13.659**	**-11.304**	**-42.513**	**-5.261**	

Policy and Resources Committee

Item No 9

Report title:	**Our Vision, Strategy & Service Plans**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Wendy Thomson Managing Director**

Strategic impact

The Vision ‘Caring for Our County’ communicates the Council’s ambitions for Norfolk. The Strategy ‘Norfolk Futures’ sets out the principles and priorities we will adopt to turn this vision into plans that deliver sustainable services, working with our partners across the public and private sectors.

Executive summary

As a Council and a County we are in a time of great and exciting change. With a growing population, changing service demands and almost daily changes to the way we live, work, and form communities, there is a need for us to continually adapt, with fresh impetus to deliver for the long term; creating a sustainable, modern Council for all of our Citizens.

This paper sets out the Administration’s Vision with its ambitions for the County and the Council’s Strategy which shows how we will deliver those ambitions through effective delivery.

Recommendations

- **Adopt “Caring for our County: A Vision for Norfolk in 2021-22”**
- **Agree “Norfolk Futures” and the principles driving service transformation**
- **Commission the Service Committees to develop plans to demonstrate how each area of the Council’s work will change to deliver Norfolk Futures, progress against which will be monitored by Policy and Resources Committee**

1. Proposal

The Vision

The 2017 Administration was elected on a platform of Caring for our County. The Vision submitted today for adoption by members shows the Council’s commitment to playing a leading role in:

- Building communities we can be proud of
- Installing infrastructure first
- Building new homes to help young people get on the housing ladder
- Developing the skills of our people through training and apprenticeships
- Nurturing our growing digital economy
- Making the most of our heritage, culture and environment

We cannot do this alone and we need to work together. Norfolk’s future starts with our citizens and their families, and we need to deliver for them. We need to develop a new relationship with our Citizens and partners and adopt different ways of working. in order to sustain local services and realise Norfolk’s ambitions

These ambitions are widely supported and provide a platform for the Council to change. The need to change is also driven by profound external challenges facing all councils. Whilst our funding remains static, the demand for County Council services is rising in both Adult Social Care and in Children's Services at a faster rate, making the way we currently work unsustainable. If we continue using existing models of service delivery going forward we will be forced to make choices, borne out of crisis. By changing now we will proactively manage the challenges and better adapt for a positive future
Our Strategy 'Norfolk Futures' will deliver our commitments in a context where our costs are driven both by demographic and social trends, and by increasingly complex and more expensive forms of provision.

Norfolk Futures: The Council Strategy for 2018-21
This sets out how the Council will deliver the Vision. The Strategy sets out new ways of working within the Council and plans for a transformation programme that will change how Council services are delivered in future. By modernising our services and making them fit for purpose, then we can avoid a defensive retreat to minimum statutory services that store up more serious problems in the longer term.

The overarching principles underpinning the Strategy are;

- Offering our help early to prevent and **reduce demand** for specialist services
- **Joining up** our work so that similar activities and services are more easily accessible, done well and done once
- Being **business like** and making best use of digital technology to ensure value for money
- Using **evidence** and data to target our work where it can make the most difference.

These principles frame the transformation that we must lead across all our services and activities. Whole council transformation will be achieved through the County strategy and service planning process. In July 2017 Policy and Resources agreed the framework for the next County Strategy, and adopted a small number of corporate initiatives as a core element of Norfolk Futures. The fuller report at appendix 2 builds on that framework

Each Committee is expected to produce a 3 year forward plan, setting out how their areas of responsibility will be shaped by the ambition and principles of "Future Norfolk' and promote the council's vision. Committee plans need to set out what will be delivered over the next 3 years within the resources available. These service plans will be submitted to Service Committees in the March cycle of meetings. Progress against service transformation will be monitored by Policy and Resources Committee

2. Financial Implications

To support the work being undertaken a transformation reserve fund of £500,000 has been created to cover additional investment required to deliver savings.

3. Issues, risks and innovation

The Council has agreed 7 corporate priorities to deliver these principles, under the **Norfolk Futures strategy**. The priorities ensure that we have intense focus and tangible delivery in specific areas that can only be delivered through whole Council cross department working. The priorities are;

- Safer Children and Resilient Families
- Promoting Independence for Vulnerable Adults
- Smarter Information and Advice
- Towards a Housing Strategy
- Digital Norfolk
- Local Service Strategy
- Commercialisation

Work on this transformation programme is well underway.

Appendices:

- The Vision 'Caring for our County' can be found in Appendix 1
- The Strategy ' Norfolk Futures' can be found in Appendix 2

4. Background

Caring for Your County
Report by Managing Director Policy and Resources, 3rd July 2017

Strategic and Financial Planning 2018/19-2021/22
Report by Executive Director of Finance and Commercial Services to Policy and Resources 25th September 2017

Strategic and Financial Planning 2018/19 - 2021/22
Report by Executive Director of Finance and Commercial Services and Strategy Director to Policy and Resources 30th October 2017

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

If you have any questions about matters contained in this paper please get in touch with:

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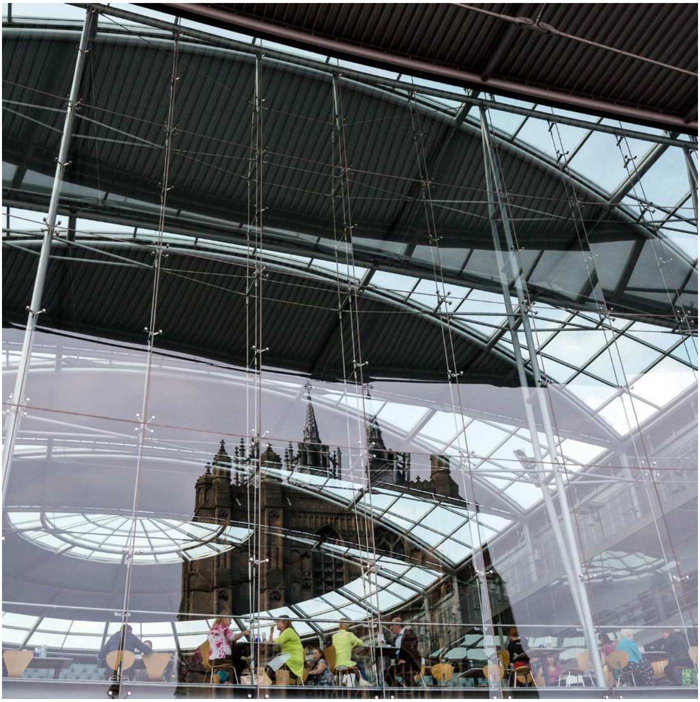
Tel No: 07770 335272
Email address: Fiona.mcdiarmid@norfolk.gov.uk

IN TRAN communication for all

If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 18001 0344 800 8020 (textphone) and we will do our best to help.

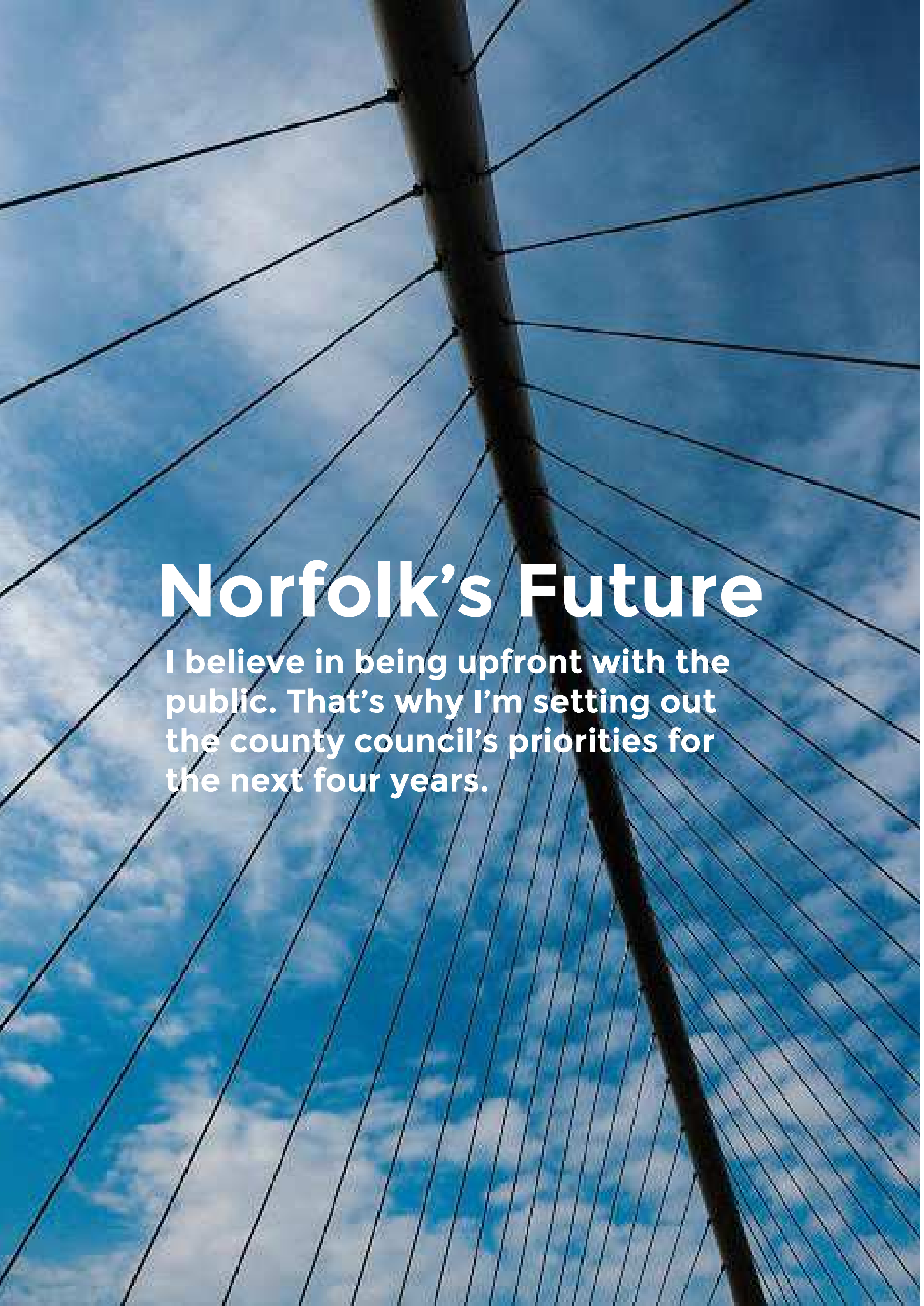


Caring for our County:

A vision for Norfolk in 2021

www.norfolk.gov.uk

Norfolk County Council



Norfolk's Future

I believe in being upfront with the public. That's why I'm setting out the county council's priorities for the next four years.

My team was elected to care about Norfolk and its people, be ambitious for them, and help make Norfolk to be the best it can be. I believe people should live productive, independent lives, safely and in good health, for as long as they can.

We can all see that the world around us is changing. There will be more of us and we will live longer. Faster broadband links will help us to live and work around the county. Technology such as robots will change the job market.

The council faces its own challenges. Our funding is changing – central government grant is ending in the next few years and we will have to be self-sufficient.

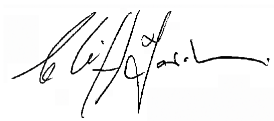
> ***I believe people should live productive, independent lives, safely and in good health, for as long as they can***

Financial changes, plus growing demand for costly care services, mean that we can't keep doing things the way we've done before. We need to use our resources as effectively as possible - to help our communities to help themselves and to target our greatest support on those with the greatest needs.

Norfolk's population will reach one million in the next two decades. If we can prepare for that now, that should bring great potential. That's why I want the council to play a leading role in:

- Building communities we can be proud of
- Installing infrastructure first
- Building new homes to help young people get on the housing ladder
- Developing the skills of our people through training and apprenticeships
- Nurturing our growing digital economy
- Making the most of our heritage, culture and environment

We cannot do this alone and we need to work together. We need to develop a new relationship with you to find answers and make different ways of working. Norfolk's future belongs to us all.



Cliff Jordan
Leader, Norfolk County Council

A growing population is good for Norfolk as it drives economic growth, creating more demand for goods and services

Good Growth: Building communities we can be proud of

In twenty years' time:

- Norfolk's population could be significantly greater than 1 million people
- The economy will have 55,000 new jobs, and
- 80,000 new homes will be needed

A growing population is good for Norfolk as it drives economic growth, creating more demand for goods and services, but it will put increased pressure on infrastructure: requiring new schools, community facilities and doctor's surgeries, as well as improved road and communications networks and utilities.

We need to start planning for this growth now to ensure development happens in the right places, protecting our beautiful landscapes and countryside, and to ensure that we build new communities, and not just houses.

Where we are planning growth we will aim to put in the necessary infrastructure first to ensure that we build new communities, and not just new houses. Getting this right is especially

We are working with our key growth sectors – digital, biosciences and renewables – to bring new, high value, jobs to the county

important as half of Norfolk's people live in rural areas.

We will stand up for Norfolk to ensure that our people can benefit from the investment they are due in roads, digital connectivity and rail.

Our planned investment in our road network and improvements to broadband and communications will give businesses better access to new markets, a wider workforce, and lead to an increase in productivity. We are working with our key growth sectors – digital, biosciences and renewables – to bring new, high value, jobs to the county. We will continue to support the skills development of our workforce to ensure that they can take part in our brighter future. The Apprenticeships Norfolk Network, led by Norfolk

County Council, drives the delivery of apprenticeships in Norfolk and these are now available at degree level.

And we will ensure Norfolk's economic growth can benefit everyone, promoting social mobility by helping people who are not in work get the skills required for 21st century employment.

Making the most of our beautiful County

Norfolk offers a fantastic quality of life for people. As well as its outstanding natural environment, it has a wide range of arts, cultural and sports activities to suit all ages and interests. There are over 900 artists based here, countless musicians and a huge array of museums, festivals, exhibitions, theatres, shows and events.

Protecting this unique mix of culture, heritage and environment in future will secure the high quality of life in Norfolk, and could be a powerful driver of inward investment as technology reduces the distance to rural and remote areas.

Protecting this unique mix of culture, heritage and environment in future will secure the high quality of life in Norfolk, and could be a powerful driver of inward investment

Starting a new relationship with Norfolk families

- Norfolk's biggest population growth is in those over 65 years, and in this category it is the very old that is growing fastest
- Norfolk currently spends £1 million every day on caring for vulnerable adults
- Considerable resources are spent supporting children in care and we want to use this money in a different way, supporting them to remain at home when it is safe and appropriate to do so

Norfolk's future starts with you and your family. We want to help you live the lives you want to lead: independent, productive lives where you are healthy, happy and with good access to opportunities. This means we need to ensure that we give you all the right tools, skills and infrastructure to succeed.

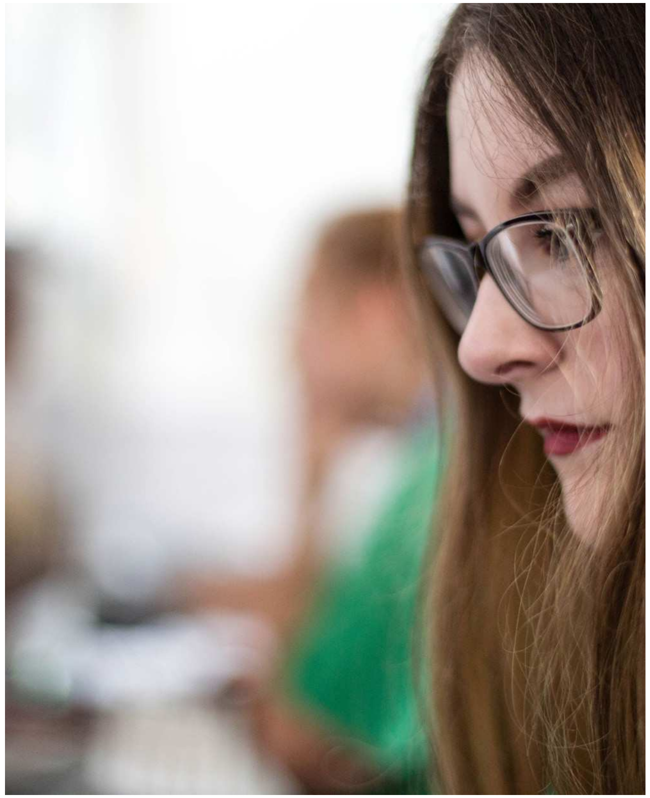
Norfolk's future starts with you and your family. We want to help you live the lives you want to lead

Every child deserves to be loved in a family environment

Investing in children and families

We will focus on ensuring that our services enable children and their families to be independent and self-reliant. We will challenge the education system to make sure it provides high quality education and that our children and young people go on to further or higher education, apprenticeships and training that's right for them. This will lead to jobs that mean that our young people lead fulfilled and financially resilient lives.

We will make sure that children live in loving family environments, where they feel safe. We will make sure that help is provided early and focuses on keeping children with their families wherever possible. When we need to, we will care for children and young people and ensure that we find the right, permanent families for them as soon as we can.



We want to help you live the lives you want to lead

Helping our population remain independent, resilient and well

Our services will focus on helping vulnerable adults live independently. We will use technology to help keep people at home and focus on what people can do, rather than what they can't. We want to deliver more of our services through community hubs and will invest in smarter information and advice, to help people connect with their communities and combat loneliness and isolation. We want to work with NHS Services to make sure we improve health and work in an integrated way.

Our services will focus on helping vulnerable adults live independently

Money matters

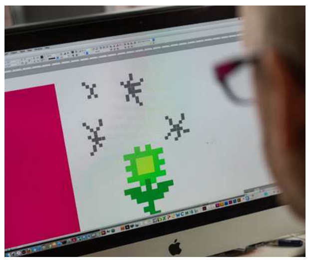
We are moving toward financial sustainability despite a growing demand for our services and rising costs to provide them. Our financial strategy is have a new relationship with you, and to help you live independently.

Getting our own house in order

We have already made substantial efficiency savings but will make more by being more commercial. We want to generate more income from our wholly owned companies such as Norse and Educator Solutions which can then be reinvested in front line services, as well as developing a more business-like approach to the way resources are matched to the complex range of needs that exist now and in the future.

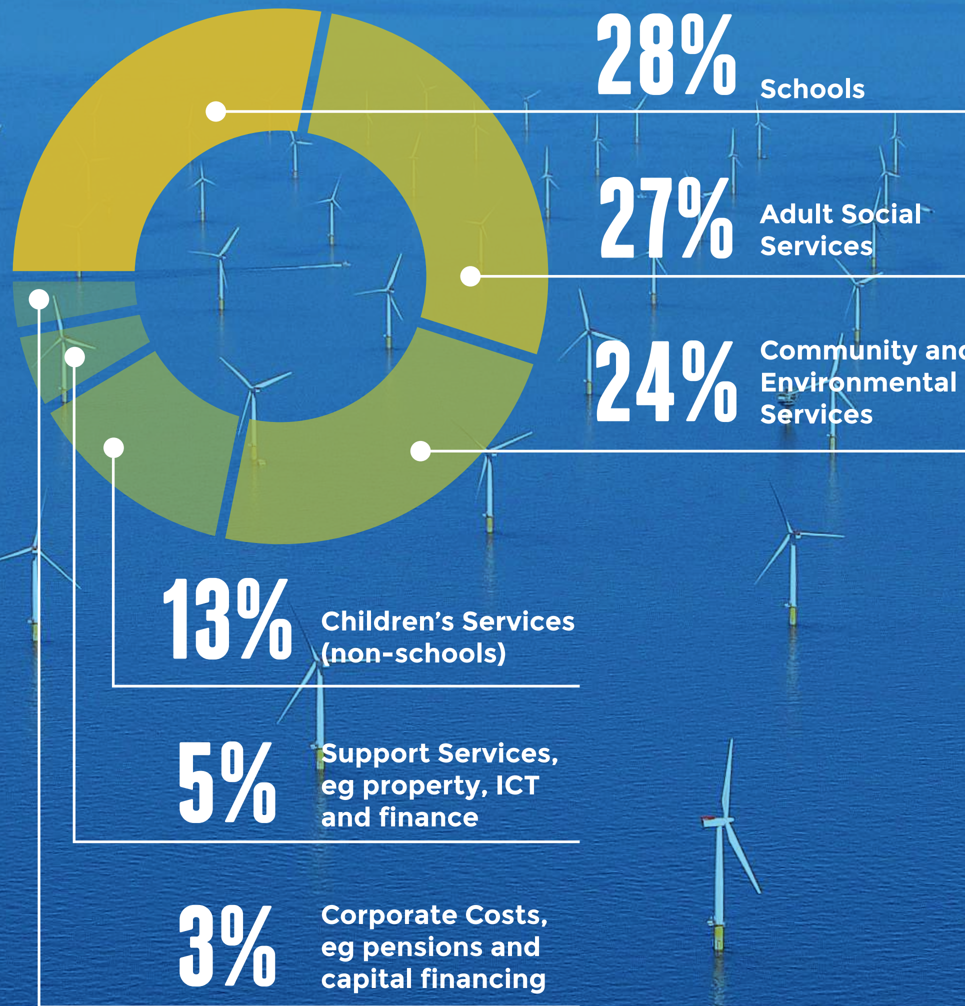
We want to make better use of technology both in our own operations and in front line services. By making more services available online, not only will we make it more convenient for those who prefer to access services via the internet, but we will also be able to save the council money. We also want to ensure that technology is used to the best effect to deliver frontline services. For instance, we want to increase our use of telecare technology to help people, especially the elderly, to look after themselves safely at home.

> ***We want to make better use of technology both in our own operations and in front line services***



Services

The proportion of the council's budget spent on specific services:



Norfolk County Council

Norfolk Futures:

The Council's Strategy for 2018-2021

Norfolk County Council

Norfolk's Strategy

The 2017 Council was elected on a platform of Caring for our County. The Vision submitted for approval by members outlines the Council's commitment to playing a leading role in:

- Building communities we can be proud of
- Installing infrastructure first
- Building new homes to help young people get on the housing ladder
- Developing the skills of our people through training and apprenticeships
- Nurturing our growing digital economy
- Making the most of our heritage, culture and environment

The Council's Strategy 'Norfolk Futures' will provide the mechanism to promote these ambitions for the county across all its activities.

> *"We are confident in our ability and commitment to make a positive impact, even though it continues to be a challenging time for public services and in particular for local government"*

We are confident in our ability and commitment to make a positive impact, even though it continues to be a challenging time for public services and in particular for local government.

With plans for building over 4,000 homes a year over the next 20 years, the County's population is forecast to grow to be more than a million in twenty years' time. As Norfolk's city, towns and villages are growing, better roads, new infrastructure and amenities are required. Over time, the growing population should produce a larger tax base but in the short term there are costs.

More school places will be needed, with a 9% increase in school age children[1]. We are seeing a rise in the number of children with special needs who require learning support, and increasing numbers of pupils excluded from schools. Nationally, the LGA recently reported that a referral to children's services is being made every 49 seconds, and similar trends are reflected in pressures facing Norfolk's families and our children's services. [2]

Each year, the County Council provides services to all 860,000 residents in Norfolk, looking after 6,000 miles of roads and repairing more than 7,000 potholes per year. The Council operates 47 libraries county-wide, runs 10 museums and assists in the running of over 200 schools. The Fire and Rescue Service attended 8,000 incidents last year. Adult social services dealt with 104,000 initial contacts last year, provided 66,000 people with early help services, 12,500 people with assessments and 3,500

[1] ONS, Subnational Population Projections for Local Authorities in England:2014-based projections

[2] http://www.publicfinance.co.uk/news/2018/01/child-protection-referrals-more-double-decade-lga-warns

new care packages for people with learning disabilities, mental health problems and older vulnerable people. Currently the Council is looking after over 1,100 children, but is investing in early help to enable more children to remain living with families and reduce the numbers of children 'looked after'.

We are not standing still. Over the past year we have:

- Opened the first sections of the Northern Distributor Road easing pressure on other routes and supporting businesses. The remaining section to Postwick should be completed by March 2018;
- Secured £98 million to develop the Third River Crossing in Great Yarmouth. The Council aims to start construction in 2020;
- Set up a new wholly owned development company, Repton Property Developments Ltd, to make the best use of our Council landholdings. This will help us develop much needed housing directly and profits from the company will help fund future frontline services;
- Secured a £9.2 million grant from the Heritage Lottery Fund to fund the restoration of the Norwich Castle Keep. Over 90% of the £13.5 million for this project has now been raised;
- Improved Children's Services which are no longer rated 'inadequate' by Ofsted and will come out of Intervention.
- Successfully launched Liquidlogic in Adult Social Services, Finance, Procurement and IMT. This new system for managing social services across the Council brings our IT systems up to date. It will be rolled out in Children's Services by Spring 2018
- invested in 12 primary schools over 2017 providing extra school places; replacing kitchen and dining equipment and converting mobile units with permanent structures

These are just some of the examples of our achievements, on which we will build in the coming years.

The Challenge

Our Strategy 'Norfolk Futures' is to deliver these commitments in a context where our costs are driven both by demographic and social trends, and by increasingly complex and more expensive forms of provision.

> *"Our strategy is to deliver in a context where our costs are driven both by demographic and social trends, and by increasingly complex and more expensive forms of provision"*

Although older people make their own arrangements for support, with increasing age comes greater frailty and greater likeliness to look to professional help. So while 2% of people aged 65 to 74 receive council-funded support, this increases to 17% for people over 85. The majority of adults are able to look after themselves and their families, there are around 2,700 people with learning disabilities who receive support from the Council. As people live longer, the care they require becomes more extensive and costly.

Similarly, most children are cared for by their families but the need to safeguard children is growing and our services are engaging far more children and looking after a greater proportion.

The LGA has forecast this trend nationally where a growing proportion of local authority spending will be on personal social services, with less resources available to provide universal services. [3] Whilst we recognise this trend, our Strategy is to pursue our local priorities and find ways of moderating this national trend.

Investing in Caring for our County

Norfolk is consistently investing in caring for the county and the people of Norfolk.

> *"Norfolk is consistently investing in people. Each year the Council allocates additional resources to meet the growing needs and cost of priority services"*

Each year the Council allocates additional resources to meet the growing needs and cost of priority services. Over the past few years, the Council continues to spend at roughly the same level, despite the continuing decline in Revenue Support Grant and limit on council tax rises.

Increased costs facing the Council

The County Council continues to spend around £1.4 billion (gross) delivering vital services to Norfolk residents. As in previous years, around £400 million of the total budget is passed directly to schools. At a high level, the proposed revenue budget for 2018-19 is broadly the same year-on-year, and full details of changes in Committee budgets are set out in the January 2018 Policy and Resources Revenue Budget report.

The Council faces very significant cost pressures over the next four years as detailed within the Medium Term Financial Strategy. These are the result of:

- Inflation (which arises both on staff salaries and on the prices we pay for contracts and services);
- Legislative changes and policy decisions, including the National Living Wage;
- Increasing demand for services (including demographic changes)

The impact of the cost pressures experienced between 2011-12 and 2018-19 total £308 million.

[3] Future funding outlook for councils 2019/20: Interim 2015 update; Local Government Association

Within this overall spending level, in the coming year the Council is investing in the budgets of adult social care by £34 million and in Children's services by £13 million. Within Adult's budget it is investing £8.7 million to support the increase in the national living wage for people employed by independent providers, and a further £6.1 million to manage demographic change in Norfolk.

Changes to Council revenue

Between 2011-12 and 2017-18, government funding has reduced by £189 million. Further reductions of £31 million are forecast for the period 2018-19 to 2019-20.

The Council agreed to freeze Council Tax (0% increases) for the years 2010-11 to 2015-16. Since 2016-17, annual increases have been agreed. Since 2014-15 Revenue Support Grant has declined significantly (by 67%), while funding from Business Rates has only increased by 8%. In total, between 2014-15 and 2018-19, funding from these three sources has been relatively static, reducing by £27m (4%). However this represents a real terms reduction in funding when inflation is taken into account.

The Council is spending more in these key areas. Some of the resources are raised by generating revenue and Council tax rises, but there remains a gap.

Transformation: Norfolk Futures

Our answer is to transform the way we work and do whatever we can to defy the LGA forecast of retrenchment to statutory services.

Under the banner of Norfolk Futures, we will deliver sustainable and affordable services for the people who need them most.

The whole Council needs to change to keep up with changing demands and ever better ways of working. Norfolk Futures is guided by core principles that will frame the transformation we will lead across all our work:

"The whole Council needs to change to keep up with changing demands and ever better ways of working"

- Offering our help early to prevent and reduce demand for specialist services
- Joining up our work so that similar activities and services are easily accessible, done well and done once
- Being business like and making best use of digital technology to ensure value for money
- Using evidence and data to target our work where it can make the most difference.

These principles frame the transformation that we must lead across all our services and activities. Whole council transformation will be achieved through the County Strategy and service planning process outlined in the recommendations set out in this Strategy.

Corporate Priorities to lead transformation

In July 2017 Policy and Resources agreed the framework for the next County Strategy, and adopted a small number of corporate initiatives as a core element of Norfolk Futures.

Governance of Norfolk Futures

Corporate groups have been set up for each area, with CLT sponsors and chief officer Business leads supported by staff from different departments and central services. This corporate work is core to chief officers' accountabilities.

The Council is a large and dispersed organisation – the levers that are available centrally need to be fully engaged to achieve the scale of change at the pace required.

> *"The levers that are available centrally need to be fully engaged to achieve the scale of change at the pace required"*

Training of staff is one lever, and training in 'delivery' methods and new ways of working has been provided to all staff involved in Norfolk Futures and ongoing support has been made available.

The Futures work will be also reflected in arrangements for setting performance expectations and management.

As funding is another powerful lever, when business cases are approved, funding will be made available on an 'invest to save basis'.

CLT meets as a steering group to direct and support the work, with sponsors and business leads presenting their priority in turn and political governance is provided by appropriate committees, with corporate reporting to Policy and Resources.

Safer children and resilient families

Sponsor: Sara Tough, Executive Director, Children's Services

Political Lead: Cllr Penny Carpenter

We want to keep families together when life gets tough, and reduce the number of children entering the care system. To achieve this we will focus on early intervention to keep children safely at home. When we have to help and offer care we will use foster care and adoption where appropriate, which we know deliver better outcomes for our children. We will reduce our use of residential care and invest in specialist support alternatives.

Care leavers will be better supported through high quality post 16 provision.

The children's programme is focused on creating a high quality and financially sustainable delivery model that makes the department fit to meet its future challenges. This will require different ways of working within the LA children service as well as the system as a whole. This will include a shift in cultural mind-set and workforce reforms.

The 5 key focus areas will be:

1. **Quality information advice and guidance** with access to the right people at the right time and effective working of the Multi Agency Safeguarding hub, including ensuring clarity of purpose and consistent application of thresholds by all partners
2. Strengthen our partnership arrangements to deliver a local and communities based **early help** offer, alongside targeted evidence based interventions.
3. **Supporting more children to stay at home,** new work with Barnardo's "New Directions" started in 2017, and funding for a social impact bond to assist "edge of care" children remain at home will be announced in 2018
4. **Placement choice** needs to be enhanced to ensure greater in-house carers are used, and there is a better offer for semi-independence for care leavers
5. To continue the **implementation of signs of safety** as a working model underpinned by the development of relationship based and restorative practices.

Policy Framework

Oct 2017 Policy and Resources Committee agreed the allocation of a one-off investment of £12-15 million into Children's Services to implement its Demand Management and Prevention Strategy, which sets out the focus on early help. Details of this approval are set out in the Outline Business Case

Promoting independence for vulnerable adults

Sponsor: James Bullion, Executive Director, Adult Social Services

Political Lead: Cllr Bill Borrett

We want to give people the skills and confidence to live independently and safely, in their own homes, for as long as possible. To do this we will focus on those most likely to need our formal services at some point to help them to stay independent for longer. If anticipated levels of demographic and inflationary growth become reality, and the Council does not transform its approach to adult social care practice and commissioning, the Adult Social Care budget will be overspent by an estimated £53m by 2021.

The Promoting Independence priority will focus on reducing dependence on long term formal care by providing earlier, better interventions that prevent, reduce and delay the need for formal care. This will result in a more financially sustainable service and better outcomes for our service users. Improvements to 'front door' arrangements, early help and intervention, reablement and social work practice will deliver volume reductions in formal care of between 10% and 21% (depending on setting and specialism) leading to meet our savings by 2021.

The 4 key focus areas will be:

1. **Building capacity and living well, t**he living well - 3 conversations approach and the recruitment and project activity that will provide the capacity to delivery this model and remove the backlogs
2. **Learning disabilities** the range of projects focused on promoting independence and delivering savings for individuals with learning disabilities
3. **Integrated short-term support,** the establishment of schemes to deliver against the BCF and High Impact Change Model alongside other projects that are targeting reductions in Delayed Transfers of Care and improvements to the interface between Health and Social Care
4. **Technology enabled services,** the development of the Technology Enabled Care Strategy including the future role of assistive technology will ensure that decisions to commit future savings targets to these areas are based on robust evidence

Policy Framework

The Living well – three conversations approach: a strengths based approach to social work was agreed by the Adult Social Care committee in September 2017.

A strategy to help people with learning disabilities do more to support themselves is currently being written and is to be agreed by Members in 2018.

The Adult Social Care Committee agreed in September 2017 to renew our arrangements for the integrated management of community services with several healthcare providers as well as agreeing new models with hospital services to promote a community based in-reach model, with a greater focus on admission avoidance and discharge support.

Smarter information and advice

Sponsor: James Bullion, Executive Director, Adult Social Services

Political Lead: Cllr Margaret Dewsbury

We want to make it easier for people to find trusted, reliable information to make decisions that improve their independence and well-being. We will direct and connect people to services in their local community, enabling them to take control of their lives and their futures, reducing reliance on health and local authority services.

The 4 key focus areas will be:

1. The provision of **better online information and advice** will enable NCC to reach a wider audience at a lower cost, shifting demand from costly professional resource to a digital offer.
2. A **single, branded information and advice strategy** and offer, making it easier for people to seek help at an early stage and prevent or delay the need for high end services
3. **Changing the behaviours and skills of professionals, staff and citizens** to access information, advice and community based assets will reduce cost and increase independence for target groups
4. **Providing a targeted information and advice offer** and interventions to high risk/high cost groups will prevent demand and improve wellbeing.

Policy Framework

The Customer Service Strategy 2015-2020 was approved by the Communities Committee in March 2015, Updates on the digitisation aspects of the Strategy were taken to the Digital Innovation and Efficiency Committee in October 2017.

Going forward, policy proposals will be considered by members to step up our delivery of a modern interactive advice and information service.

Towards a Housing Strategy

Sponsor: Simon George, Executive Director of Finance and Commercial Services

Political Lead: Cllr Keith Kiddie

We will use the Housing Strategy to drive change in three areas of common good to the County; social housing, income generation and increasing the number of homes available to our residents.

The 3 key focus areas will be:

1. **Social policy** – by specifying an optimal mix of specialist accommodation provision for older people and working age adults with particular needs, we will develop a business case for NCC and other private/public sector investors to develop new accommodation which will expand current provision and reduce service costs for NCC and many of its service users.

2. **Commercialisation** – by undertaking direct housing development on council-owned land, a council-owned development company will provide a new income stream (via the developer's profit) to NCC.

3. **'Enabling'** – by utilising NCC resources (i.e. financial, human, partnership building, strategic planning, influence, leadership) we can positively influence the quantity and quality of new homes being built in Norfolk.

Policy Framework

In July 2017 Policy & Resources Committee authorised the setting up of Repton Property Developments Ltd, a company wholly owned by the Council. In November 2017, the Business and Property Committee agreed to adopt the outline business case and investment strategy for the company.

Going forward, policy proposals will be considered by Members to regarding the Council's enabling work to bring forward more and better quality homes in Norfolk.

Digital Norfolk

Sponsor: Fiona McDiarmid, Strategy Director

Political Lead: Cllr Tom Garrod

We want to drive the creation of a sustainable technology infrastructure for better broadband and mobile services so that Norfolk will have more local government services available online and used safely and effectively by people to live, work, learn and play. We will use technological solutions, to provide smarter ways of working and reduce costs within the Council and in frontline services.

The 3 key focus areas will be

1. **Enhancing service delivery to our citizens** –through improved broadband and mobile coverage, our residents will be able to access appropriate services online at a time and place that suits them, and fits with the demands of modern life. Accelerating the use of assistive technologies to give people the skills and confidence to live independently and safely in their own home for as long as possible.

2. **Enable employees** – The Digital Employee: Staff will have access to the right technology and data and have the skills to use them. Taking a systematic approach to transactions and redesigning internal systems to be digital by design. This will improve productivity and take out cost across the organisation

3. **More effective use of data** – Business insight: Data should be exploited effectively for operational and strategic purposes. Data driven decision making will enhance our ability to target services more effectively across the county.

Policy framework

The Customer Service Strategy 2015-2020 was approved by the Communities Committee in March 2015. The digitisation aspects of the strategy were updated and taken to the Digital Innovation and Efficiency Committee in October 2017.

Going forward, policy proposals will be considered by members to step up our delivery of a modern digital approach to accessing services.

Local Service Strategy

Sponsor: Tom McCabe, Executive Director of Community and Environmental Services

Political Lead: Cllr Alison Thomas and Cllr Martin Wilby

We want to proactively target our services in the places where they are most needed in our market towns, Norwich, Great Yarmouth and King's Lynn. This will allow us to deliver sustainable, effective and evidence-based services which meet the needs of the local population, within the resources available. We will bring forward principles to design a more integrated local service offer.

The 4 key focus areas will be:

1. **Service continuum** redesigning services along a continuum from prevention through to specialist help and protection, to develop targeted offers in key localities
2. **Targeting services.** Developing and utilising local intelligence to inform decision making, mapping existing and targeting future services
3. **Buildings review** understanding our current footprint and opportunities for consolidating and repurposing
4. **multi-function hubs** Develop a multi-service offer to realise opportunities offered by more integrated services and the One Public Estate programme

Policy Framework

Going forward, policy proposals will be considered by members to step up our delivery of a more integrated local service offer.

Commercialisation

Sponsor: Simon George, Executive Director of Finance and Commercial Services

Political Lead: Cllr Cliff Jordan

The Council is committed to operating more commercially. We want to make sure that it does so in a way which meets the desired financial outcome, including making money or fully covering overheads. This means identifying and meeting clear targets for trading entities' profit, return on assets, and return on investment, as well as making sure internal activities such as contract and establishment management are run effectively to eliminate financial waste.

The 3 key focus areas will be:

1. Improving the return on **existing assets** and the return on investments;
2. Making the Council's **trading functions more profitable** and charging fully (including overheads) where the charging framework is set out in statute;
3. Implementing a **more business-like approach** to managing our services.

The rationale for the 7 corporate priorities is to ensure that we have intense focus and tangible delivery in specific areas that can only be delivered through whole council cross department working.

Policy framework

Financial Regulation 7.7, s6.3.4 (approved at Full Council December 2017) discusses the need for charging fully and the parameters for trading companies.

Changing the way we work

People make the Council, the people working within it, the people we help and the people elected to represent the needs of the County. We know that the culture of the Council needs to shift. We need to work more effectively together to motivate, inspire and enable our people to give us the best they can.

We need to build our confidence to challenge the way we work, both internally and with our customers and we need to take full responsibility for delivering on our promises, at pace. We will place greater focus on harnessing our capabilities and this means we need to get better at measuring, monitoring and managing our performance.

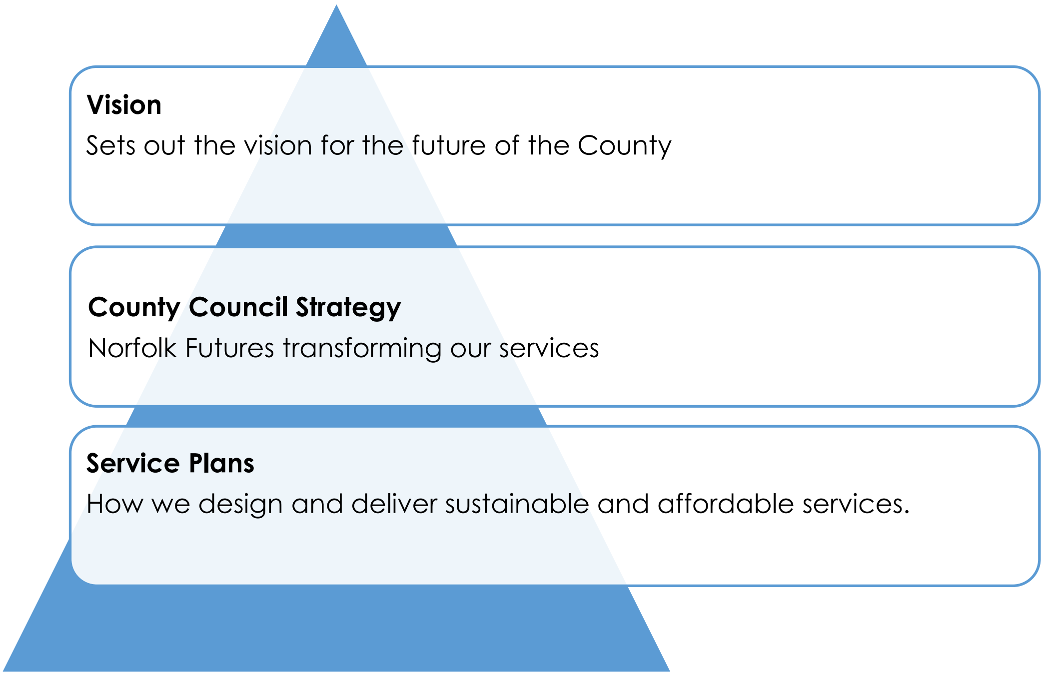
> *"The Council should be a place where we listen to, communicate and work effectively with our customers and each other to make great things happen."*

The Council should be a place where we listen to, communicate and work effectively with our customers and each other to make great things happen. As an employee of the Council we should demonstrate the following behaviours:

- We care about our people
- We act with compassion
- We take responsibility
- We work effectively together
- We get things done
- We challenge the way we do things

In order to deliver a service to Norfolk of which we can continue to be proud and meet the priority needs of our residents, we need to get the absolute best from our people. They are the core of what the council offers to its public and the key to a successful future.

Service planning and delivery



How the Vision, Strategy and Service plans align

Looking forward, our services need to establish a path to a different and more sustainable future. Each Committee is expected to produce a 3 year forward plan, setting out how their areas of responsibility will be shaped by the ambition and principles in 'Future Norfolk' and promote the council's vision. Committee plans need to set out what will be delivered over the next 3 years within the resources available. These service plans will be submitted to Service Committees in the March cycle of meetings. Progress against service transformation will be monitored by Policy and Resources Committee

Committee service plans will be communicated throughout the Council by short "plans on a page" that will set out the aims and measureable objectives of each service area, how it will be delivered and the impact to be assessed. The number and scope of plans will be determined by departmental management teams, and may comprise a number of plans relating to cohesive services, such as museums, for example.

Conclusion

Norfolk's population is growing, with more homes, jobs and people requiring our services. At the same time we are attracting investment and increasing our overall tax base. Challenges to key services in Adults and Childrens are stark; if we don't change the way we work. So we will. With static funding and increasing demand for our services, we need a strategy to secure a sustainable future for Norfolk.

With our Norfolk Futures transformation programme we will introduce new ways of working, working with our partners, sometimes taking risks, and importantly investing to save. This is all underpinned by evidence and political support, to change how the Council works and how we work with the people of Norfolk.

By 2021 this Strategy and the underpinning Service Plans will have moved the Council towards a more sustainable future with affordable, effective services. This means that we will have radically changed the ways we do some things. We will know our citizens and manage their needs effectively using the best evidence to enable the most appropriate outcomes. We will be working jointly across the Council on our biggest challenges by default, and changing the way we work to reflect new technology and ways of working. This will enable us to work smarter, better and plan long term to become the Council the County needs.

Policy and Resources Committee

Item No 10

Report title:	**Strategic and Financial Planning 2018-19 to 2021-22 and Revenue Budget 2018-19**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services – Simon George**

Strategic impact

This report sets out the overall direction of travel for strategic and financial planning for 2018-19 to 2021-22 and provides the detailed financial information to support the Policy and Resources Committee's Revenue Budget and council tax recommendations to the County Council. It explains the background to planning for the 2018-19 Revenue Budget, includes initial growth and savings proposals for budget planning for 2019-20 to 2021-22, and proposes the level of council tax in 2018-19.

Executive summary

Norfolk County Council is due to agree its budget for 2018-19, and Medium Term Financial Strategy to 2021-22, on 12 February 2018. The Policy and Resources Committee works with Service Committees to coordinate the budget setting process and to develop a robust and deliverable whole-council budget. Service Committees review and advise on budget plans for their service areas, taking into account the overall planning context as advised by Policy and Resources.

This report forms a key part of the strategic and financial planning framework for the council. It builds on reports received by this Committee in July, September, October and November to set out the detailed revenue budget proposals for 2018-19.

As part of the preparation of the 2018-19 Budget, the council has:

- reviewed the performance in the delivery of savings during 2017-18;
- considered the overspend pressures within the current year, 2017-18;
- considered the resources available to support the delivery of services in 2018-19;
- developed new savings proposals for 2018-19 and beyond;
- considered the need for further investment to support service delivery; and
- re-assessed the deliverability and timing of planned savings for 2018-19 onwards.

As a result, the council's budget proposals for 2018-19 focus its total resources of £1.4billion on meeting the needs of residents. Following the allocation of additional resources in 2017-18, the council is making a further significant investment to protect social care services including:

- In Adult Social Care:
  - The use of the Improved Better Care Fund agreed in July 2017; and
  - The use of the Adult Social Care precept to fund care market costs that are above inflation, and demographic growth pressures.

- In Children's Services £18.550m to support the budget:
  - £9.000m on an on-going basis to address existing budget overspend pressures (continuing the funding provided as a one-off in 2017-18);
  - £6.000m to address 2017-18 budget pressures which have emerged including increased numbers of Looked After Children;
  - £2.000m held within Finance General budgets to fund the agreed one-off £12.000m Children's Services investment over the next few years; and
  - £1.550m for the costs of COMPASS (which supports young people who are looked after (LAC) or are at risk of being taken into care) and PIMHS (Peri-natal Infant Mental Health Services).

This report sets out the latest information on the Provisional Local Government Finance Settlement and the financial and planning context for the County Council for 2018-19. It summarises the saving proposals for 2018-19, the proposed cash limited revenue budget based on all current proposals and identified pressures, and the proposed capital programme.

It also details the feedback received to consultation on specific savings proposals and summarises the findings and mitigating actions of rural and equality assessments.

The information in this report is intended to enable the Policy and Resources Committee to consider how these proposals contribute to delivering an overall balanced budget for the whole council, and take a considered view of all relevant factors in order to agree budget proposals for 2018-19 and the financial strategy to 2021-22, in order to recommend these to County Council when it meets on 12 February 2018 to agree the final budget and Medium Term Financial Strategy for 2018-22. The committee is also responsible for approving proposals in relation to the budgets for which it is directly responsible.

Taking into account the council's overall budgetary position, consultation responses, feedback from Service Committees, and the recommendation of the Executive Director of Finance and Commercial Services, this report has been prepared on the basis of **an increase in council tax of 2.99%, plus a 3.00% increase in council tax in respect of the Adult Social Care precept, an overall increase in council tax of 5.99%.** This reflects the additional 1% on general council tax which can be raised before a local referendum is required, which was announced in the provisional settlement. This means general council tax can be raised by 3%, which brings the increase in line with inflation. It also makes use of the discretion offered by the Government to bring forward (into 2017-18 and 2018-19) the increases in the Adult Social Care precept initially planned for 2019-20. As a result there will be no scope to increase the Adult Social Care precept in 2019-20.

Policy and Resources Committee is recommended to:

1) **Note the specific recommendations for budgets and savings proposals relating to Policy and Resources Committee's own budgets as set out in Appendix C and detailed in Appendix F.**

2) **Note the statements regarding the robustness of budget estimates, assumptions and risks relating to the 2018-19 budget, set out in section 6, section 9, and the separate report on the Robustness of Estimates elsewhere on the agenda.**

3) **Note the feedback from Service Committees, and the further changes required to deliver a balanced budget as set out in this report (paragraph 9.11 and Table 7).**

4) Consider and comment on the findings of equality and rural assessments, linked at Appendix H(ii) to this report, and in doing so, note the Council's duty under the Equality Act 2010 to have due regard to the need to:

- **Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;**
- **Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and**
- **Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.**

5) Agree to recommend to County Council:

a) An overall County Council Net Revenue Budget of £388.799m for 2018-19, including budget increases of £137.242m and budget decreases of £107.255m as set out in Table 8 of this report, and the actions required to deliver the proposed savings.

b) The budget proposals set out for 2019-20 to 2021-22, including authorising Chief Officers to take the action required to deliver budget savings for 2019-20 to 2021-22 as appropriate.

c) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2019-20 to 2021-22 are developed and brought back to Members during 2018-19.

d) To note the advice of the Section 151 Officer, at paragraph 6.1, on the financial impact of an increase in council tax, as set out in section 8, and confirm, or otherwise, the assumptions that:

i) the Council's 2018-19 budget will include a general council tax increase of 2.99% and a precept of 3.00% for Adult Social Care, an overall increase of 5.99% (shown at Appendix D) as recommended by the Executive Director of Finance and Commercial Services.
ii) the Council's budget planning in future years will include council tax increases reflecting forecast levels of CPI, as set out in the Medium Term Financial Strategy (MTFS Table 5). These council tax assumptions have regard to the level of referendum threshold expected to be set for the year, and take into account the Government's assumptions in the Local Government Finance Settlement that Local Authorities will raise the maximum council tax available to them. The final level of council tax for future years is subject to Member decisions annually.
iii) there will be no increase in the Adult Social Care precept in 2019-20, based on the current discretions offered by Government.

e) That the Executive Director of Finance and Commercial Services be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2018-19 Budget, to make payments, to raise and repay loans, and to invest funds.

f) To agree the Medium Term Financial Strategy 2018-22 as set out in Appendix I, including the two policy objectives to be achieved:

i) **Revenue: To identify further funding or savings for 2019-20 and 2021-22 to produce a balanced budget in all years 2018-22 in accordance with the timetable set out in the Revenue Budget report (Appendix E).**
ii) **Capital: To provide a framework for identifying and prioritising capital requirements and proposals to ensure that all capital investment is targeted at meeting the Council's priorities, and to consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets.**

g) **The mitigating actions proposed in the equality and rural impact assessments (Appendix H(i)).**

1. Background

1.1. The County Council has a well-established approach to medium term service and financial planning. This year, the budget-setting process has been closely aligned with development of the new Council vision "Caring for our County", which is submitted to the committee elsewhere on the agenda, together with the Council's strategy for translating that vision into delivery.

1.2. The budget process is based on development of a rolling Medium Term Financial Strategy with an annual budget agreed each year. The planning cycle for 2018-19 to 2021-22 began in July 2017 when Policy and Resources Committee considered a report "*Strategic and Financial Planning 2018-19 to 2021-22*" on 3 July 2017, which set out a forecast gap of £100.000m for the period to 2021-22. This paper now sets out the latest information on the Local Government Finance Settlement and the financial and planning context for the County Council for 2018-19 to 2021-22. It summarises the Committee's pressures, changes and savings proposals for 2018-19, the proposed cash limit revenue budget based on all current proposals and identified pressures, and the proposed capital programme.

1.3. This report brings together the outcome of committee discussions and public consultation, and provides the latest information on the provisional Local Government Finance Settlement. It is intended to enable the Policy and Resources Committee to consider how these proposals contribute to delivering an overall balanced budget for the whole council, and take a considered view of all relevant factors in order to agree budget proposals for 2018-19 and the financial strategy to 2021-22, in order to recommend these to Full Council when it meets on 12 February 2018 to agree the final budget and strategy for 2018-22.

2. County Council Strategy and Norfolk Futures

2.1. The County Council Strategy sets out new ways of working and plans for a transformation programme, Norfolk Futures, which will change how Council services are delivered in future. Carried out successfully, the transformation programme will allow us to deliver better outcomes for people while remaining financially stable.

2.2. The Council has started piloting seven flagship priorities to deliver these principles. This comprises a number of initiatives focused on demand management, prevention and early help, and a locality focus to service provision, as referenced in the "*Strategic and Financial Planning 2018-19 to 2021-22*" report presented at Policy and Resources 30 October 2017.

2.3. Norfolk Futures will focus on delivering the administration's manifesto priorities over the Medium Term Financial Strategy period and includes:

- Local Service Strategy
- Safer children and resilient families
- Promoting independence for vulnerable adults
- Smarter information and advice
- Towards a Housing Strategy
- Digital Norfolk
- Commercialisation

2.4. Further details of the Strategy are set out in the "*County Council Vision and Strategy*" report elsewhere on the agenda.

3. Strategic financial context

3.1. The financial context in which the council operates continues to be extremely challenging, with substantial ongoing reductions in core government grant having taken place since 2010. Local authorities face a growing gap between funding and service pressures, driven in part by demographic changes, unfunded new burdens such as the National Living Wage, and the needs of vulnerable social care users becoming increasingly complex. The underfunding of statutory services also places increasing pressures on discretionary and preventative services. The Local Government Association (LGA) has identified a funding gap of £5.8bn by 2019-20 for the local government sector as a whole, as well as £1.3bn which is needed now to stabilise the ASC provider market.[1] The LGA estimates that Children's services will be facing a £2bn funding gap by 2020.[2]

3.2. County councils in particular face some unique challenges within the local government family and analysis of Core Spending Power (CSP) information published alongside the provisional local government finance settlement 2018-19 demonstrates that Core Spending Power and settlement funding assessment per dwelling is lower in shire county areas than for any other authority type, while the assumed level of council tax is higher. In other words, **shire areas receive lower funding per dwelling overall, but are expected to fund a larger amount locally** as shown in the table below.

[1] Adult Social Care Funding, State of the Nation 2017, LGA, October 2017, https://www.local.gov.uk/adult-social-care-funding-state-nation-october-2017.
[2] Bright Futures – getting the best for children, young people and families, LGA, October 2017, https://www.local.gov.uk/bright-futures-getting-best-children-young-people-and-families.

Table 1: Core Spending Power by local authority type 2018-19

	Core Spending Power (CSP) 2018-19	Assumed council tax 2018-19	Settlement Funding Assessment (SFA) 2018-19	Dwellings (Sept 2017)	CSP Per dwelling	Assumed council tax per dwelling	SFA per dwelling
	£m	**£m**	**£m**	**Number**	**£**	**£**	**£**
Shire County Areas	16,218.236	11,478.891	3,745.366	9,777,474	1,658.73	1,174.01	383.06
Unitary Authorities	9,344.012	5,621.036	3,114.920	5,555,949	1,681.80	1,011.71	560.65
Metropolitan Districts	9,173.609	4,452.220	4,082.380	5,160,401	1,777.69	862.77	791.10
London Boroughs	6,750.302	3,359.996	2,901.229	3,582,360	1,884.32	937.93	809.87

3.3. Against this background, the Government has previously announced plans to move towards a system of increased self-sufficiency for local government, including greater local retention of business rates funding. Alongside the Provisional Local Government Finance Settlement 2018-19, the Secretary of State for Housing, Communities and Local Government confirmed that the Government is now working towards implementing 75% Business Rates Retention and launched a further consultation, the Fair Funding Review: a review of relative needs and resources, which is intended to ensure that funding allocations reflect spending needs and take into account the ability to raise income locally. Both 75% Business Rates Retention and the Fair Funding Review are intended to be implemented in 2020-21. It will be critical that inequalities such as those identified above are addressed through the Fair Funding Review.

3.4. The system of 75% Business Rates Retention will involve the rolling in of Revenue Support Grant and Public Health Grant. It is likely that council services will therefore be funded from 2020-21 through a system of locally retained business rates, council tax, miscellaneous locally generated revenue streams, and a residual element of central government funding. The precise details of these proposals are still emerging but there will be increased incentives for councils to place a priority on their role in generating economic growth. This will include developing the right conditions for businesses to grow, people to work, and places to thrive whilst running services on the most efficient basis so as to keep costs to a minimum.

3.5. The Council's responses to these budget pressures are set out in this paper, with the key focus being how plans can contribute to the preparation of a robust budget for the whole Council for 2018-19.

3.6. Over the period from 2010-11 to 2017-18, Norfolk County Council's share of cuts has seen the authority lose **£188.605m** in Government funding while the actual cost pressures on many of the Council's services have continued to go up. For example, last year alone, extra demands on children's services and adult's social care services arising from circumstances outside of the Council's control – such as inflation, and changes in Norfolk's population profile – cost another £22.180m. Absorbing ongoing spending reductions of this scale requires the Council to keep its business and operations under constant review, and to continually seek to deliver services in the most effective way possible, for the lowest cost.

4. The Council's planning process for the 2018-19 Budget

4.1. The Council's budget planning for 2018-19 has been undertaken on the following timetable.

Table 2: Budget and Service Planning Timetable 2018-19

Activity/Milestone	Time frame
County Council agree recommendations for 2017-20 including that further plans to meet the shortfall for 2018-19 to 2019-20 are brought back to Members during 2017-18	20 February 2017
Spring Budget 2017 announced	8 March 2017
Consider implications of service and financial guidance and context, and review / develop service planning options for 2018-20	March – June 2017
Executive Director of Finance and Commercial Services to commission review of 2016-17 outturn and 2017-18 Period 2 monitoring to identify funding from earmarked reserves to support Children's Services budget.	June 2017
Member review of the latest financial position on the financial planning for 2018-20 (Policy and Resources Committee)	July 2017
Member review of budget planning position including early savings proposals	September – October 2017
Consultation on new planning proposals and council tax 2018-21	October to December 2017 / January 2018
Service reporting to Members of service and budget planning – review of progress against three year plan and planning options	November 2017
Chancellor's Autumn Budget 2017	22 November 2017
Provisional Local Government Finance Settlement	19 December 2017
Service reporting to Members of service and financial planning and consultation feedback	January 2018
Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee	Late January 2018
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	29 January 2018
Confirmation from Districts of council tax base and Business Rate forecasts	31 January 2018
Final Local Government Finance Settlement	TBC February 2018
County Council agree Medium Term Financial Strategy 2018-19 to 2020-21, revenue budget, capital programme and level of council tax for 2018-19	12 February 2018

4.2. In February 2017, the Council agreed the budget for 2017-18, and a three year Medium Term Financial Strategy (MTFS) taking account of the four year settlement figures provided by the Government. This included agreement of net planned savings of **£72.737m** for 2017-18 to 2019-20, which resulted in a forecast gap for the years 2018-19 and 2019-20 of **£35.015m** (£16.125m in 2018-19, and £18.890m in 2019-20).

4.3. In July 2017 Policy and Resources Committee received a report setting out details of the latest forecast budget gap for the four year period to 2021-22, which was identified as **£100.000m** as a result of further budget pressures and changes identified. This was followed in September with reports to Service Committees to set out the allocation of savings targets required to aid in closing this projected gap.

4.4. In October, Service Committees then reported to Policy and Resources on the savings proposals identified to assist in closing the forecast gap for 2018-19. The total **gross** savings proposed were £41.594m. Policy and Resources Committee also considered a number of further changes to the Council's budget planning including the reversal and delay of a number of savings agreed as part of the 2017-18 Budget that had been identified as no longer deliverable in 2018-19. **After new savings had been included, against the target, a budget gap of £7.806m remained for 2018-19 and £63.351m for the MTFS planning period 2018-22.** Policy and Resources Committee launched consultation on £3.580m of savings for 2018-19, and the level of council tax for the year, in order for Service Committees to consider the outcomes of consultation in January to inform their budget setting decisions.

4.5. In November, Service Committees were updated on the position reported to Policy and Resources Committee but were not asked to identify further savings. In view of the remaining gap position for 2018-19, Committees were advised that any change to planned savings or removal of proposals would require alternative savings to be identified.

4.6. The budget position and the associated assumptions are kept under continuous review. The latest financial planning position, and details of all Service Committee savings proposals, are set out later in this report.

5. The Autumn Budget 2017 and the Provisional Local Government Settlement 2018-19

5.1. The **Autumn Budget**, announced by the Chancellor of the Exchequer, Philip Hammond, on Wednesday 22 November 2017 contained relatively few announcements with implications for the County Council. The Chancellor characterised it as a "balanced approach" being adopted in the Budget, including preparing for the exit from the EU, maintaining fiscal responsibility, investing in skills and infrastructure, supporting housebuilding and home ownership and helping families with the rising cost of living.

5.2. The **provisional Local Government Finance Settlement for 2018-19** was announced on 19 December 2017. The 2018-19 Settlement represents the third year of the four year certainty offer which began in 2016-17, and was described by the Government as providing a path to a new system which will build on the current 50% retention scheme and will see councils retain an increased proportion of locally collected business rates. The Ministry for Housing, Communities and Local Government (MHCLG, formerly the Department for Communities and Local Government (DCLG)) plans to implement the latest phase of the Business Rates

Retention Scheme (BRRS) in 2020-21, which will see 75% of business rates retained by local government. This is to be achieved by rolling in existing grants including Public Health Grant and Revenue Support Grant. Local Government will also retain a 75% share of growth from the 2020-21 reset onwards. 100% Business Rates pilots are continuing with a number of new pilots announced for 2018-19. Norfolk was not one of the 2018-19 pilots, although there may be a further opportunity to apply to participate in 2019-20.

5.3. In recognition of the pressures facing local government, the settlement includes plans for the core council tax referendum limit of 2% to be increased by 1% to **allow a maximum increase of 3%** before a local referendum is required (in line with inflation) in both 2018-19 and 2019-20. The implications of this are discussed in the section on the latest 2018-19 budget position below.

5.4. The settlement acknowledged concerns about planned reductions to Rural Services Delivery Grant (RSDG) and as a result this is to be increased by £15m in 2018-19 – so that RSDG will remain at £65m throughout the settlement period (i.e. to 2019-20). There has been no change to the distribution methodology, which means an additional (one-off) £0.737m for the County Council in 2018-19.

5.5. The Government set out plans to look at options for dealing with the negative Revenue Support Grant (RSG) allocations within the settlement which appear in 2019-20, and intends to consult in the spring to inform planning for the 2019-20 settlement. It should be noted that Norfolk is not in a negative RSG position during the four year settlement. The Government has also published a formal consultation on the review of relative needs and resources, intended to deliver an updated and more responsive distribution methodology for funding to be implemented from 2020-21.

5.6. No new funding has been announced for social care. However the Government has recognised that a long term solution to adequately funding social care services is required, and confirmed that a green paper on future challenges within adult social care is due to be published in summer 2018. There was no mention in the settlement of any funding for the recently announced local government pay offer for 2018-19 and 2019-20 of 2% in each year, with higher increases for those earning less that £19,430. There was also no extension of the Transitional Grant provided in 2016-17 and 2017-18, which has ceased in 2018-19.

5.7. The Council received confirmation from the Ministry for Housing, Communities and Local Government (MHCLG, formerly the Department for Communities and Local Government (DCLG)) on 16 November 2016 that its Efficiency Plan[3] submission had been accepted. This means that the Council is formally on the multi-year settlement and can expect to receive the allocations published and confirmed as part of the 2018-19 settlement for the period to 2019-20 (subject to future events such as transfers of functions and barring exceptional circumstances). The multi-year settlement does not include all of the funding in the local government settlement. The relevant elements that are included are:

[3] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en

Table 3: Certainty funding allocations for Norfolk County Council

	2018-19	2019-20
	£m	£m
Revenue Support Grant (RSG)	58.035	38.810
Transitional Grant	-	-
Rural Services Delivery Grant	3.195	3.195
Total	**61.230**	**42.005**

5.8. As set out above, the 2018-19 provisional settlement has confirmed that nationally Rural Services Delivery Grant (RSDG) allocations within the certainty funding offer are to be increased by £15m in 2018-19 – so RSDG will remain at £65m throughout the settlement period (i.e. to 2019-20). Based on no change to the distribution methodology, this means an additional £0.737m for the County Council in 2018-19.

5.9. The Provisional Local Government Settlement 2018-19 provides provisional funding details for 2018-19, and is expected to be confirmed in early February 2018. The Settlement Funding Assessment (made up of Revenue Support Grant and Business Rates funding) is £0.308m lower than expected in 2018-19 due to changes in the baseline funding level.

5.10. The Settlement Funding Assessment for 2017-18 is £222.693m, for 2018-19 the Settlement Funding Assessment reduced by £15.542m to **£207.151m**. This was already included in the Council's budget planning.

5.11. The publication of the settlement represented the start of the consultation period for the 2018-19 Draft Local Government Finance Report. The deadline for the submission of responses to the consultation was 16 January 2018.

5.12. In spite of the welcome additional clarity from the four year settlement, significant uncertainty remains about the implications of the Government's latest plans for business rates localisation, intended to be in place for 2020-21. Announcements of funding for social care have not represented new or permanent allocations of funding but rather temporary monies. As such the underlying funding crisis for social care remains unaddressed and as a result the County Council continues to face major financial challenges and considerable planning uncertainty. Nonetheless, taken together, the Autumn Budget and Provisional Settlement represent a key input for the Council's budget and service planning over the next four years, and will be one of the many elements that the Council will need to take into account in determining its savings proposals and budget for 2018-19, and its financial plans up to 2021-22.

6. The Council's budget planning assumptions 2018-19

6.1. The Council's budget planning assumes:

- **A CPI (2.99%) increase in council tax** above the 3.00% Adult Social Care precept, based on the updated assumptions used by the Government in the provisional 2018-19 local government finance settlement. Any reduction in this increase will require additional savings to be found. It should be noted that currently CPI is running at 3.0%[4]. The assumed council tax increases are subject to Full Council's decisions on the levels of council tax, which will be made before the start of each financial year. In addition to an annual increase in the level of council tax (but with no increase in council tax in 2021-22), the budget assumes modest annual tax base increases of 0.5%;

- **That Revenue Support Grant will entirely disappear in 2020-21. This equates to a pressure of around £39m, but significant uncertainty is attached to this and clearly the level of savings required in year three could be materially lower should this loss of funding not take place;**
- 2017-18 Budget and savings will be delivered in line with current plans (no overspend);
- Use of additional Adult Social Care funding during 2017-18 and future years as agreed by Adult Social Care Committee 10 July 2017, with no changes to the overall funding allocations in 2018-19;
- 2017-18 growth in Children's Services is included as an ongoing pressure and additional investment is included within Children's Services budgets to reflect 2017-18 pressures;
- Ongoing annual pressures will exist in waste budgets from 2019-20;
- Pressures in Minimum Revenue Provision (MRP) budgets will be felt from 2020-21; and
- That undeliverable savings have been removed as set out elsewhere in this report, and that all the remaining savings proposed and included for 2018-19 can be successfully achieved.

6.2. **The Executive Director of Finance and Commercial Services' judgement on the robustness of the 2018-19 Budget is substantially based upon these assumptions**.

7. Investing in Norfolk's priorities

7.1. At a time of significant and sustained financial pressure, the Council has continued to invest in infrastructure through significant capital projects; it has invested to support and sustain a strong care market through funding for pressures such as the living wage, and has protected children's services as it continues on its improvement journey.

7.2. Protection for social care services in the 2018-19 Budget includes:

Within Adult Social Care budgets:

- **Improved Better Care Fund**: The improved better care fund includes both recurrent funding and use of the one-off additional social care grant announced within the Spring Budget 2017. The three year plan covering the period 2017-2020 setting out the use of this funding was agreed by the County Council and health partners in July 2017. The budget proposals for 2018-19 incorporate the agreed use of this funding and where plans will not be implemented in full in 2017-18, it includes the use of one-off funding carried forward from 2017-18. Not including any carried forward of funding, the planned use of the improved better care fund in 2018-19 will total **£27.726m**. This includes **£11.885m for protection of social care**, which has minimised the need for the service to identify further savings as part of the corporate budget planning process; **£10.8m to help sustain the care system**, through increasing prices,

[4] UK consumer price inflation: December 2017, published by the Office for National Statistics: https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2017

implementing the home support framework, managing additional costs from national living wage legislation and purchase of care; and continued investment in social work capacity and interventions to reduce delayed transfers of care from hospital.

- **Adult Social Care Precept**: The County Council Medium Term Financial Strategy (MTFS) includes increasing the adult social care precept by 3%. It is estimated based on current projections that this will provide funding of **£10.8m**, this figure will be revised prior to County Council to reflect final district council figures. This funding will support adult social care services. Predominately, the funding helps support the additional pressures faced by adult social services including additional inflation to reflect **care market costs that are above inflation, totalling £5.709m and demographic growth pressures totalling £6.134m**.
- **Pressures**: The budget plans set out in the Adults Service Committee report, include cost pressures facing the service in 2018-19. Demographic pressures total £6.134m and reflect rising demand for services as people live longer and transition of service users from children's services to adult social care. The implementation of the national living wage is supported by the council. As well as meeting legislation for the Council's staff and council owned companies, the increase in pay costs is reflected in the assessment of fee uplifts to providers and within the rate of direct payments for service users. The budget plans support new cost pressures for the service, totalling £42.015m. Including reversal of some pressures relating to 2017/18 and planned usage of iBCF funding from reserves, the net pressures for 2018/19 total £30.934m. These include:
    - Staff pay – 2% (£0.847m)
    - Price inflation – 2.2% (£5.854m)
    - Additional inflation to support market pressures (£5.921m)
    - Demographic growth including transitions from children to adult services (£6.134m)
    - Legislative impact of national living wage on sleep in care provision (£2.8m)
    - Purchase of care including cost of care and care framework (£10.473m)
    - Deprivation of Liberty Safeguarding service (£0.225m)
    - Pressures to manage capacity and improve delayed transfers of care – predominately invest to save across the health and social care system (£9.323m)

Within Children's Services budgets:

- £18.550m to support the Children's Services budget:
    - £9.000m on an on-going basis to address existing budget overspend pressures (continuing the funding provided as a one-off in 2017-18). This was based on the additional pressures identified on the 2016-17 base budget (mainly Looked After Children (LAC) and Leaving Care costs) and reflected in the 2016-17 outturn figures for Children's Services;
    - £6.000m to address 2017-18 budget pressures which have emerged including increased numbers of LAC. This is again to fund the additional number and additional cost of LAC and Leaving Care costs;
    - £2.000m held within Finance General budgets to fund the already agreed one-off £12.000m Children's Services investment over the next few years in line with the proposals set out in the "*Demand Management*

& Prevention Strategy: Children's Services" report to Children's Services Committee in October 2017[5]; and

- £1.550m for the costs of COMPASS and PIMHS.

  PIMHS (Peri-natal Infant Mental Health Services) aims to work with families of 0-2 year olds to intervene with edge of care cases where there are significant safeguarding concerns alongside attachment problems in the parent-infant relationship and an identified parental mental health problem. Families are able to access the service if there was a Child Protection Plan in place or a Children In Need referral, where there is significant risk of further deterioration. Interventions are individually tailored and aimed to facilitate the development of secure primary attachment relationship between parent and infant to treat parental mental health. Often these cases are where previous children have been removed.

  The aim of the **COMPASS** outreach programme is to build upon the success of the current therapeutic Education service, (i.e. COMPASS School), through a bespoke multi-disciplinary package of care that supports young people who are looked after (LAC) or are at risk of being taken into care to ensure that they remain with the family wherever possible and be reunified at the earliest opportunity. This allows the family to receive individualised care designed around their needs. The primary outcome for the COMPASS service is reducing costs associated with the varying levels of intervention and LAC placement breakdown.

7.3. Budget planning for 2018-19 has also included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2018-19 Budget sees a **significant investment in Service Committee budgets** through both the removal of previously planned savings and recognition of budget overspend pressures. The changes to previously agreed savings proposed in this report reflect a considerable effort to ensure that the 2018-19 Budget will be both robust and deliverable. It represents the removal or delay of £7.174m of savings planned for 2018-19 in previous budget rounds, as set out in the "*Delivering Financial Savings 2017-18*" report elsewhere on the agenda.

8. Council Tax

8.1. In determining the level of the council tax / precept, consideration needs to be given to restrictions or requirements imposed by Government. The Localism Act includes the requirement that any council tax increase in excess of a limit determined by the Secretary of State for Housing, Communities and Local Government and approved by the House of Commons, will be decided by local voters, who, through a local referendum, will be able to approve or veto the proposed increase. The **threshold for 2018-19 and 2019-20 has been provisionally announced as 3%**. This is usually finalised alongside the publication of the Final Local Government Finance Settlement. The increased threshold level is in part intended to reflect the current higher rate of inflation.

8.2. The Government will examine council tax / precept increases and budget increases when final decisions have been made throughout the country. County Councils are required by Government Regulation to declare their level of council tax / precept by the end of February.

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[5] Item 8: http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/616/Committee/8/SelectedTab/Documents/Default.aspx

8.3. The Council is required to state its council tax / precept as an amount for an average Band D property, together with information on the other valuation bands i.e. Bands A to H. Band D properties had a value in April 1991 of over £68,000 and up to £88,000.

8.4. To calculate the level of the County Council's council tax / precept, District Councils supply information on the number of properties in each of their areas. This information also includes estimated losses in council tax / precept collection and any deficits or surpluses on District Council collection funds.

8.5. As has been previously reported to Members, the Government introduced a flexibility in 2016-17 for those authorities with Adult Social Care responsibilities to increase their council tax by up to 2% more than the core referendum principle, provided that the additional precept raised is allocated to Adult Social Care. In December 2016, the Secretary of State for Housing, Communities and Local Government confirmed that this **flexibility would be increased to 3% in both 2017-18 and 2018-19**, but at the expense of losing the discretion to increase the precept in the final year of the settlement 2019-20. This means the precept increase, however it is applied within these criteria, is limited to a maximum of 6% over the three year period 2017-18 to 2019-20 (8% in total for 2016-17 to 2019-20). The County Council's budget is based on a proposed increase of 3% in 2018-19 for the Adult Social Care Precept.

8.6. Under the Local Government Finance Act 1992, the Section 151 Officer is required to provide information demonstrating that an amount equivalent to the additional council tax raised through this flexibility has been allocated to Adult Social Care. This must be done within seven days of the Council setting its budget and council tax for 2018-19.

8.7. Following these latest changes, it is anticipated that the **referendum principle for County Councils will therefore be set at 6% in 2018-19**, consisting of a 3% core referendum principle, plus 3% additional flexibility for Adult Social Care.

8.8. In 2016-17, the Government changed the methodology for distributing reductions in funding to local authorities, and that has been maintained for 2018-19. The method of apportionment assumes that councils will increase council tax at the referendum limit (in line with CPI inflation), make use of the flexibility to raise a social care precept where available, and will benefit from ongoing levels of council tax base growth. **Failure to raise council tax in line with the Government's assumptions will result in progressively greater levels of underfunding through the Spending Review period and would lead to the Council experiencing a greater reduction in spending power than the Government forecasts.** In particular an increase in core council tax of less than 3% (i.e. below CPI) would result in a real-terms reduction in the core element of council tax.

8.9. The Council originally based its budget planning assumptions on an increase in general council tax of 1.9%, and 3% for the Adult Social Care precept in 2018-19. However, following the announcement of the increased referendum threshold, **taking into account the Government's wider assumptions about council tax, and the Council's overall financial position, Service Committees in January were presented with budget plans based on an increase in general council tax of 2.99%, and the maximum Adult Social Care precept increase of 3%.**

8.10. Service Committees' views on the proposed levels of council tax increase will be reported to Policy and Resources Committee alongside the draft unconfirmed minutes of all Service Committee meetings to inform decisions about budget recommendations to County Council (see Appendix G).

Summary of the public consultation process on council tax and service proposals

8.11. The public consultation on council tax and service proposals ran from 6 November 2017 to 2 January 2018.

8.12. Consultations were published and consulted on via the Council's consultation hub Citizen Space at https://norfolk.citizenspace.com/consultation/budget2018/

8.13. We promoted the consultation through Your Norfolk residents' magazine, online publications, social media and our website.

8.14. People were able to respond online and in writing. We also received responses by email to HaveYourSay@norfolk.gov.uk and accepted responses in other formats, for example, petitions.

8.15. Consultation documents were available in hard copy, large print and easy read as standard and other formats on request.

8.16. Every response has been read in detail and analysed to identify the range of people's opinions, any repeated or consistently expressed views, and the anticipated impact of proposals on people's lives.

Consultation findings on council tax

8.17. Initially we sought views on proposals to increase council tax in 2018-19 by 4.9% (including 3% Adult Social Care Precept). Following the late announcement of the Local Government Finance Settlement 2018-19 on the 19 December 2017, which extended powers to increase council tax by a further 1%, we also sought views on whether or not the council should increase council tax by 5.99%.

8.18. There were 314 responses received for this proposal. Of these, 221 were received before the Government's announcement and 93 afterwards. The majority (70%) replied as individuals. Four respondents told us they were responding on behalf of a statutory organisation. We did not receive any petitions. Norfolk County Council Labour Group undertook a separate consultation and submitted the responses they received which contained 75 comments relating to council tax.

8.19. There was no consensus on the proposed increase. Where people stated they were supportive, they generally felt that increasing council tax would help to protect and maintain key services and support the most vulnerable. Others felt that they would like to see a higher level proposed to improve services. Some stated their support despite their concerns about the financial impact of the proposal.

8.20. Those that were against an increase expressed a great deal of concern about the affordability of the proposed increase. Where people expressed concern for themselves and others this generally related to the impact on living standards and concern about people's ability to pay, especially those on low or fixed incomes.

8.21. Several were concerned about an increase set above the level of inflation. Some stated that affording the proposed increase at a time of stagnant salaries and rising prices made the increase more problematic. Others were concerned about partner organisations, such as Norfolk Constabulary, also increasing their precept, which they felt could push the overall level of council tax increase beyond 4.9%.

8.22. People took the opportunity to suggest ideas to reduce costs and generate income. These ideas included increasing council tax for second homes and holiday homes, improving the council's efficiency, reducing staff costs and layers of management and controlling costs on large infrastructure projects. Others outlined specific changes and spending priorities they would need to see put in place before agreeing to an increase.

8.23. Many felt that the council should be advocating more strongly on behalf of Norfolk residents. In particular, people stated that decisions made by central government have had an impact on local services and therefore additional funding should come from central government rather than council tax payers.

8.24. Comments relating to increasing council tax by 5.99% showed no significant differences to the comments we received relating to increasing council tax by 4.9%.

8.25. A full summary of the consultation feedback on the proposals above can be seen at Appendix J.

Implications of council tax proposals

8.26. Policy and Resources Committee is therefore asked to consider and confirm, or otherwise, the assumption that the Council's **2018-19 budget will include a council tax increase of 5.99% made up of a 3.00% precept for Adult Social Care and a general council tax increase of 2.99% as recommended by the Executive Director of Finance and Commercial Services (Section 151 Officer)**. This will need to be considered at the County Council meeting on 12 February 2018.

8.27. Set out in Appendix D is the calculation of **total payments of £388.799m** due to be collected from District Councils in 2018-19 based on a council tax increase of 5.99%, together with the instalment dates and the council tax level for each valuation band A to H.

8.28. The Council is also required to authorise the Executive Director of Finance and Commercial Services to transfer from the County Fund to the Salaries and General Accounts, all sums necessary in respect of revenue and capital expenditure provided in the 2018-19 budget in order that he can make payments, raise and repay loans, and invest funds.

Second homes Council Tax

8.29. The Local Government Act 2003 required that additional monies from reducing the council tax discount on second homes should be shared by the District Councils with the precepting Councils i.e. the County Council and the Office of the Police & Crime Commissioner for Norfolk.

8.30. At the time of setting the 2017-18 Budget, the County Council confirmed that 25% of the County's share of second homes monies would be distributed to Districts in 2017-18, and proposed that this would reduce to 12.5% in 2018-19. The Budget report further set out that the County would consult with Districts about these proposals in 2017-18 and would keep the payment under annual review after 2018-19.

8.31. In October 2017 the Council therefore wrote to District Chief Financial Officers to consult with them on a proposal that the County's share of second homes council tax income:

- be split in 2017-18 in line with agreed payment schedules (75:25 County:District split);
- be split in 2018-19 in line with the 2017-18 budget report (87.5:12.5 County:District); and
- **be retained in full by the County from 2019-20 (100:0 County:District).**

8.32. Based on our current forecasts this arrangement will see approximately £0.892m returned to District Councils in 2018-19. No concerns or alternative proposals have been raised by District Councils and so the 2018-19 Budget papers have been prepared on the basis of the above allocations. The proposal for 2018-19 onwards is subject to approval by the County Council as part of its overall budget setting in February 2018.

9. Revenue Budget

9.1. The table below sets out a summary of the savings proposals for 2018-19 to 2021-22. The Council has identified £19.891m of **new** savings proposals in this budget round to help enable the Council to set a balanced budget for 2018-19.

Table 4: Summary of recurring net budget savings by Committee

Committee	2018-19 Saving £m	2019-20 Saving £m	2020-21 Saving £m	2021-22 Saving £m	Total Saving £m
Adult Social Care	-27.290	-9.351	-13.700	-3.900	-54.241
Children's Services	-2.641	-4.342	-2.000	-2.000	-10.983
Environment, Development and Transport	-1.504	-0.310	-0.350	-1.850	-4.014
Communities	-1.739	-0.435	-2.786	-1.500	-6.460
Business and Property	-1.051	-2.075	-2.050	-1.150	-6.326
Digital Innovation and Efficiency	-0.726	-1.000	-0.700	0.000	-2.426
Policy and Resources	4.952	1.356	-0.387	0.000	5.921
Grand Total	**-29.999**	**-16.157**	**-21.973**	**-10.400**	**-78.529**

9.2. The net savings position for Policy and Resources Committee reflects the reversal of a number of significant one-off savings from 2017-18, such as the use of the Insurance Fund and the use of Capital Receipts totalling £11.299m. The gross savings to be delivered by Policy and Resources Committee budgets in 2018-19 are £6.347m.

9.3. Details of the key elements of the Council's proposed revenue budget are set out here.

Income

9.4. The Council has four main funding streams:

- Business Rates Retention Scheme
- Council Tax
- Specific Grants
- Fees and Charges

9.5. The main issues to consider are:

a) **Business Rates Retention Scheme** – the provisional Local Government Funding Settlement included information on the Settlement Funding Assessment, which includes the authority's Revenue Support Grant (RSG) and business rates baseline funding level uprated annually in line with CPI (this is a change from RPI which was used in 2017-18). In order to ensure that local government spending is within the national departmental expenditure limits, after taking into account the business rates baseline funding, the Revenue Support Grant is a balancing figure and subsequently is reducing year on year in line with the Government's deficit reduction plan.

In 2016-17 the Government changed the methodology for distributing reductions in funding to reflect an authority's "core spending power" which in 2018-19 includes Settlement Funding Assessment (RSG and Baseline Funding), Section 31 compensation grant for changes in the uprating of the business rate multiplier from RPI to CPI, council tax (the product of the maximum council tax precept that the local authority can raise with the maximum Adult Social Care precept of 3%), Improved Better Care Fund, New Homes Bonus (including returned funding), and Rural Services Delivery Grant. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant to ensure that within each tier of Local Government (upper-tier, lower-tier, fire and rescue, and GLA other services), authorities of the same type receive the same percentage change in settlement core funding. The inclusion of council tax in this calculation represented a significant change in Government policy. In 2016-17 the Government set out indicative four year allocations of funding, as detailed elsewhere in this report, which the Council accepted via the submission of an Efficiency Plan in October 2016.

The tables below show the breakdown of the provisional 2018-19 Settlement Funding Assessment compared to the 2017-18 allocations, the component elements of the Settlement Funding Assessment, and how the Council will receive this funding. In overall terms this shows a reduction of £15.542m or -7% to core government funding compared to the 2017-18 actual amounts.

Table 5: Settlement Funding Assessment changes

	2017-18 Actual	2018-19 Indicative	2018-19 Provisional	% Change (2017-18 actual to 2018-19 provisional)
	£m	**£m**	**£m**	**%**
Upper-tier funding within Baseline Funding Level	137.404	141.825	141.532	3%
Fire and Rescue within Baseline Funding Level	7.363	7.600	7.584	3%
Total Baseline Funding Level	**144.767**	**149.424**	**149.116**	**3%**
Upper-tier funding within RSG	72.627	53.536	53.536	-26%
Fire and Rescue within RSG	5.299	4.499	4.499	-15%
Total Revenue Support Grant	**77.926**	**58.035**	**58.035**	**-26%**
Total Settlement Funding Assessment	**222.693**	**207.459**	**207.151**	**-7%**

Table 6: Breakdown of Settlement Funding Assessment

	2017-18 Actual	2018-19 Indicative	2018-19 Provisional	Change (2017-18 actual to 2018-19 provisional)	Change (2018-19 Indicative to 2018-19 Provisional)
	£m	**£m**	**£m**	**£m**	**£m**
Settlement Funding Assessment	**222.693**	**207.459**	**207.151**	**-15.542**	**-0.308**
Received through:					
Revenue Support Grant	77.926	58.035	58.035	-19.891	0.000
Business Rates Baseline	144.767	149.424	149.116	4.349	-0.308
Via: Top-up	*119.351*	*123.191*	*123.109*	*3.758*	*-0.082*
Retained Rates	*25.416*	*26.233*	*26.007*	*0.591*	*-0.227*

b) **Council Tax** –
The level of council tax remains a matter for local councils and the four options open to the Council are to:

- Decrease council tax;
- Freeze council tax;
- Increase council tax below the council tax referenda limits; or

- Increase council tax above the council tax referenda limits and undertake a council tax referendum within Norfolk.

Irrespective of which of the options above is pursued with regard to general council tax, the Council must then also decide whether to exercise its discretion to:

- Increase council tax by up to **3%** in respect of the social care precept.

These **budget papers have been prepared on the basis of a 3.00% increase in council tax for Adult Social Care and a 2.99% increase in general (basic) council tax.** As a result of the Government's assumptions about local authorities' abilities to raise council tax, any decision to raise council tax by less than the government's inflation assumptions, or a decision not to exercise the full discretion to raise a social care precept, will lead to a progressively greater underfunding of the Council through the Spending Review period.

c) **Other Income** – a table on total government grant funding is included in this report at Appendix A. Agreement with health partners has been reached on the use of **Improved Better Care Fund** monies for 2017-18 to 2019-20. Further details are provided in the Medium Term Financial Strategy (Appendix I).

Expenditure – underlying trends

9.6. The aim of the budget planning process is to deliver a robust budget that supports the Council's priority areas but is affordable within the available levels of funding. The major areas of cost affecting Norfolk County Council that have been incorporated into the 2018-22 budget plans are:

a) **Price inflation** – significant elements of the Council's services continue to be delivered externally to the County Council – through partners, private sector contracts, and via the Council's own company (Norse) – meaning that contractual arrangements are a key driver of the Council's cost pressures. A significant proportion of the Council's spend is via third party contracts and the effective management of these contracts to ensure both value for money and proper standards of service, is critical.

b) **Demographics** – demand for services continues to rise, both through the age profile of the county and through changes to need. Preventative strategies are in place, but are not always sufficient to stem the growth in levels of demand. In areas such as supporting looked after children, although new strategies have taken effect, numbers are continuing to increase.

c) **Pay award and the National Living Wage** – the costs of implementing the National Living Wage increase in 2018-19, for both the Council's directly employed staff and contracted services, along with the impact of the proposed 2% pay award for 2018-19 and 2019-20, with additional increases for those of lower pay points.

d) **Increased costs of borrowing** are anticipated from 2018-19 in line with expectations around interest rate growth, inflation and the potential need to borrow for cash flow purposes.

9.7. In addition, the Capital Programme will be funded from external capital grants, prudential borrowing, revenue budgets and/or reserves. The majority of new schemes are funded from capital grants received from central government departments. The largest capital grants are from the Department for Transport and the Department for Education, and this is reflected in the balance of the programme. Capital receipts can only be used to fund capital expenditure (which in turn reduces the future revenue impact of borrowing), to repay debt, or (as a result of additional flexibilities from the 2015 Spending Review) to support the revenue costs of reform projects (invest to save and transformation). As set out in the Capital Programme report elsewhere on the agenda, the Council may consider using capital receipts to support transformation activity where there are sufficient unallocated capital receipts available to make use of the new freedoms provided by the 2015 Spending Review. Subject to the timing of borrowing and the application of the MRP policy, the future annual revenue cost of prudential borrowing can be significant (as much as 10% of the amount borrowed). The amount and timing of these costs will be reflected in the revenue budgets where appropriate. A separate report to Policy and Resources Committee, elsewhere on this agenda, sets out the detail of the Capital Strategy including the 2018-22 programme and funding plans.

9.8. Financial planning assumptions for future years take account of the latest monitoring position for 2017-18, as reported to Policy and Resources Committee elsewhere on this agenda. Further details of the financial planning context are set out in the Medium Term Financial Strategy 2018-22.

9.9. The report on the Robustness of Estimates 2018-22 sets out the Executive Director of Finance and Commercial Services' (Section 151 Officer) report on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget. The factors and budget assumptions used in developing the 2018-22 budget estimates are set out in that report. The level of reserves has been analysed in terms of risk and is reported separately to Policy and Resources Committee elsewhere on this agenda. The recommended level of general balances is £19.301m for 2018-19 and the Medium Term Financial Strategy 2018-22 assumes that general balances will remain at or above this level.

Expenditure and savings – proposals

9.10. The tables in Appendix C set out in detail the proposed cash limited budget for all Committees for 2018-19, and the medium term financial plans for 2019-20 to 2021-22. These are based on the identified pressures and proposed budget savings reported to this Committee in October, which have been updated in this report to reflect changes to budget plans as shown in the table below. Cost neutral adjustments are also reflected within the Appendices and, as usual, these have been added following the Service Committee meetings.

Budget changes since January 2018 Service Committee Meetings

9.11. Since budget proposals were presented to Service Committees, the following changes have taken place and are reflected in the tables and appendices to this report:

- **EDT Committee** has considered the savings proposals for 2018-19 and the findings from public consultation. Following discussion, the Committee has recommended to Policy and Resources that two savings be removed from 2018-19 budget plans as follows:

- EDT052 Review the operation of bus services supported by the County Council (£0.500m saving)
- EDT053 Reduce the number of roads gritted in winter (£0.200m saving)

The removal of these savings can be funded within the overall budget model.

In addition, EDT Committee noted that the proposed saving EDT055 Change the construction and demolition waste concession at all recycling centres was now forecast to deliver a greater level of saving than originally anticipated. It was therefore proposed that this saving be increased by £0.100m, to £0.280m, and the additional capacity released in the budget be used to reduce the saving EDT054 Reducing spend on non-safety critical highway maintenance to £0.200m.

- **Communities Committee** published budget proposals included savings from Public Health grant to support the delivery of public health activity in other areas of the Council budget in 2019-20. Following the announcement of Public Health grant reductions for 2019-20, this saving is not considered to be deliverable in that year and has been removed. The savings from Public Health grant are therefore proposed as £4.000m across the MTFS period (£1.000m in 2018-19 and £1.500m in both 2020-21 and 2021-22). Reductions in expenditure to meet reductions in the available grant have also been reflected. There remains some uncertainty about Public Health grant after 2019-20 when it is expected to be rolled into the 75% Business Rate Retention System but will remain subject to ongoing assurance processes regarding use of the funds. As such the proposed savings for 2020-21 and 2021-22 will need to be kept under review.

9.12. Significant uncertainty remains around the following areas:

- District council tax and Business Rate forecasts are not finalised, these remain subject to change until final forecasts are received at the end of January.
- The Final Local Government Finance Settlement has not yet been published and is expected in February 2018.
- On 18 January 2018, Government announced that the Valuation Office Agency (VOA) has revised the data on the change in rateable value between rating lists. As a consequence of the revised data published by the VOA, Government will be amending the tariffs and top-ups published in the provisional Local Government Finance Settlement. The amended tariffs and top-ups will be included as part of the Final Settlement. The calculator issued alongside this announcement indicates that for 2017-18 this adjustment would mean additional funding of around £0.088m. The implications for 2018-19 will not be known until the publication of the Final Settlement, but are likely to be a similar amount. Due to the uncertainty about the impact, this has not been reflected in these papers for Policy and Resources Committee and any changes will be incorporated in final budget papers for Full Council following the announcement of the Final Settlement.

9.13. Any changes arising as a result of these uncertainties will be reported to Full Council for decisions as appropriate.

Table 7: Budget planning position 2018-19 to 2021-22

	2018-19	2019-20	2020-21	2021-22	2018-22 Total
	£m	£m	£m	£m	£m
Medium Term Financial Strategy budget gap / (surplus) as at 20 February 2017	**16.125**	**18.890**	**0.000**	**0.000**	**35.015**
Reported to 3 July 2017 and 30 October 2017 P&R:					
Total pressures	13.867	-4.806	20.784	21.377	**51.222**
Total funding changes	-11.612	5.998	42.343	0.000	**36.729**
Total changes to agreed savings	5.263	0.100	0.000	-1.850	**3.513**
Add ASC savings deferred in 2017-20 Budget	0.000	0.000	-10.000	0.000	**-10.000**
Council tax increase (1.99% 2020-21, 0% 2021-22)	0.000	0.000	-7.657	0.000	**-7.657**
Council tax base increase (0.5%)	0.000	0.000	-1.914	-1.962	**-3.877**
Spread 4 years over 3 so no savings required in year 4	3.881	11.642	3.881	-19.404	**0.000**
New savings proposals	-19.718	-4.718	-10.288	-6.870	**-41.594**
Total changes	-8.319	8.216	37.148	-8.709	**28.336**
Revised Gap reported to 30 October 2017 P&R	**7.806**	**27.106**	**37.148**	**-8.709**	**63.351**
Revised cost pressures					
Staff pay inflation (Reflecting latest offer by employers for 2018-19 and 2019-20)	3.022	2.834	2.500	2.500	**10.856**
PIMHS Children's Services pressures	0.650	0.000	0.000	0.000	**0.650**
COMPASS Children's Services pressures	0.900	0.000	0.000	0.000	**0.900**
Children's Services overspend pressures	6.000	0.000	0.000	0.000	**6.000**
Reinstate MRP budget	0.000	0.000	7.500	13.000	**20.500**
Other changes (Highways, NLW, council tax initiatives)	0.423	0.927	-0.645	-0.844	**-0.139**
Reduction in Waste pressure	-1.538	0.000	0.000	0.000	**-1.538**
Norfolk Futures transformation budget	0.500	0.500	-1.000	0.000	**0.000**
Children's £12m investment (2018-19 element)	2.000	-2.000	0.000	0.000	**0.000**
Pension pressure revision (downwards)	-1.250	0.000	0.000	0.000	**-1.250**
Savings changes					
Reprofile planned property savings	1.300	0.000	-0.650	-0.650	**0.000**
Delay of planned Public Health saving	1.000	1.000	-0.500	-0.500	**1.000**
Adults capitalisation of equipment spend - remove reversals (budget pressure absorbed within Treasury budgets)	0.000	-0.535	-0.535	-0.530	**-1.600**
Increased NORSE dividend	-0.250	-0.750	0.000	0.000	**-1.000**
Second Homes - NIF contribution	-0.438	0.000	0.000	0.000	**-0.438**
EDT053 Remove gritting saving (following EDT Committee)	0.200	0.000	0.000	0.000	**0.200**

	2018-19	2019-20	2020-21	2021-22	2018-22 Total
	£m	£m	£m	£m	£m
EDT052 Remove bus subsidy saving (following EDT Committee)	0.500	0.000	0.000	0.000	**0.500**
EDT054 Reducing spend on non-safety critical highway maintenance – reduce saving following EDT Committee	0.100	0.000	0.000	0.000	**0.100**
EDT055 Change the construction and demolition waste concession at all recycling centres – increase saving following EDT Committee	-0.100	0.000	0.000	0.000	**-0.100**
Remove ASC024 Home care commissioning	0.549	0.000	0.000	0.000	**0.549**
ASC digital solutions (to part replace ASC024 Home care commissioning)	-0.049	0.049	0.000	0.000	**0.000**
Increase capitalisation saving (ASC039) to part replace ASC024 Home care commissioning	-0.500	0.000	0.000	0.000	**-0.500**
Funding					
Increase in council tax base	-5.655	-0.141	-0.145	-0.030	**-5.970**
Additional 1.09% increase in council tax 2018-19, 1% 2019-20	-3.951	-3.949	-0.198	-0.040	**-8.139**
Collection Fund	-5.658	5.658	0.000	0.000	**0.000**
Revenue Support Grant	0.000	0.000	2.370	0.000	**2.370**
Top-Up Provisional Settlement Figures	-0.225	1.335	0.000	0.000	**1.110**
New Homes Bonus Provisional Settlement Figures	0.026	0.164	2.742	0.000	**2.932**
Rural Services Grant Provisional Settlement Figures	-0.737	0.737	3.195	0.000	**3.195**
Section 31 Grant Business Rates (tbc)	-0.772	0.000	0.000	0.000	**-0.772**
Extended Rights to Free Travel Grant	0.028	0.000	0.000	0.000	**0.028**
Revised Gap	**3.881**	**32.935**	**51.783**	**4.197**	**92.795**
Adjust year four savings requirement brought forward	-3.881	0.159	7.920	-4.197	**0.000**
Projected gap / (surplus) as at Policy and Resources 29 January 2018	**0.000**	**33.093**	**59.702**	**0.000**	**92.795**

There may be small differences in the table above due to the rounding of figures.

9.14. The Revenue Budget proposals set out in Appendix C form a suite of proposals which will enable the County Council to set a balanced Budget for 2018-19. As such, recommendations to add growth items, amend or remove proposed savings, or otherwise change the budget proposals will require the Committee to identify offsetting saving proposals or equivalent reductions in planned expenditure.

9.15. The Executive Director of Finance and Commercial Services is required to comment on the robustness of budget proposals, and the estimates upon which the budget is based, as part of the annual budget-setting process. This assessment is set out in the Robustness of Estimates report elsewhere on the agenda.

9.16. The overall net budget proposed for 2018-19 is £388.799m. This takes into account the Provisional Local Government Finance Settlement for 2018-19. Table 8 below summarises the overall proposed final budget for 2018-19. The table below also shows the cash limited budgets by service, and a detailed table of the proposed changes for each service is shown at Appendix C. The structure of the budget is based on the current organisational framework.

9.17. The net budget reflects the council tax requirement only, that is, the amount to be funded by council taxpayers. All income from the Business Rates Retention Scheme is accounted for as council income. The net budget also includes current information received from the District Councils on their respective council tax base, Collection Funds and expected Business Rates.

9.18. The 2021-22 savings requirement has been brought forward into 2019-20 and 2020-21 in this year's budget planning. Changes in budget planning between October and January mean that the amount of savings required in these two years has been adjusted. The total impact is to remove £23.601m of savings requirement from 2021-22, which has been spread equally across years two and three of the MTFS, increasing the gap to be closed in each of those years by £11.800m.

9.19. At the time of preparing this report in January 2018, estimates of business rates collection, and the impact of Districts' council tax decisions are not fully known and therefore may change prior to reporting to County Council. At the time of drafting this report, the final Local Government Finance Settlement is also not known and the proposed 2018-19 net budget may need to be altered to reflect any changes to government funding amounts for 2018-19 following the final Settlement publication, due to be announced in early February 2018. Likewise final changes to the District Councils' collection funds and the final Business Rates position will not be confirmed until the end of January and may alter the proposed 2018-19 net budget.

9.20. In relation to council tax, if the County Council agrees to increase council tax by 5.99%, this would generate £21.664m additional funding in 2018-19, of which £10.842m would relate to the Social Care precept. This brings the total council tax raised from the Adult Social Care precept to £27.822m in 2018-19. Further details about council tax are included within Appendix D.

9.21. Service and budget planning for 2019-20 will be based on an expected reduction in core government funding of £15.918m (Settlement Funding Assessment incorporating Business Rates and Revenue Support Grant).

9.22. The Policy and Resources Committee report setting out the policy and position of reserves and balances recommends that the minimum level of General Balances be maintained at £19.301m, reflecting budget risks and uncertainty around future government funding. The forecast position for General Balances at 31 March 2018 is £19.301m. There is currently a forecast overspend on the 2017-18 budget of £2.790m (Period 8 as reported at January 2018), although it is anticipated that a balanced outturn position will be achieved at year-end. The non-delivery of savings in 2017-18 has been addressed as part of the 2018-19 budget process via the reversal of a significant number of savings as set out in this report.

9.23. The Policy and Resources Committee is asked to recommend to County Council the 2018-19 budget proposals, as reported to Service Committees in January 2018, taking into account the comments and changes from Service Committees.

The proposed overall budget is shown in the table below and detailed in Appendices B and C.

9.24. The unconfirmed draft minutes of the discussion of budget proposals for all Service Committees will be published to follow this report as Appendix G. At the time of preparing this paper, Adult Social Care, Children's Services, Communities, Business and Property, and Environment, Development and Transport Committees had met. All committees agreed budget proposals (with the changes set out in paragraph 9.11) and supported the recommended council tax increase of 5.99% for 2018-19. Digital Innovation and Efficiency Committee have not yet met, and the outcomes of their discussions will be reported to the Policy and Resources meeting.

Table 8: Net 2017-18 Revenue Budget

	2017-18 Base Budget	Budget increase incl. cost and funding decreases	Budget decrease incl. savings and funding increases	2018-19 Recommended Budget
	£m	£m	£m	£m
Children's Services	261.453	44.706	-53.693	252.466
Adult Social Care	177.351	15.315	-6.718	185.948
Environment, Development and Transport	134.236	6.146	-37.308	103.073
Community Services	48.811	2.395	-3.979	47.227
Business and Property	9.039	0.541	-1.409	8.172
Digital Innovation and Efficiency	16.048	0.454	-3.014	13.488
Policy and Resources	-288.125	67.684	-1.133	-221.574
TOTAL	**358.812**	**137.242**	**-107.255**	**388.799**

There may be small differences in the table above due to the rounding of figures.

Note:

- The total budget decreases of £107.255m include £29.999m savings, £26.401m funding increases (see Table 9 below) and £50.855m of cost neutral changes (see Appendices B and C).
- Of the budget savings, £5.840m relate to one-off savings in 2018-19, which will result in a pressure in 2019-20. These are detailed in Table 10 below.
- The change in the net revenue budget between 2017-18 and 2018-19 is £29.987m. The breakdown of this is set out in Table 11 below.

Table 9: Funding increases included in budget decreases

	£m
Improved Better Care Fund (iBCF)	-13.943
War veterans	-0.287
Additional ASC funding announced in March 2017 Budget	-11.901
New funding for School Improvement (monitoring and brokering)	-0.265
Lead Local Flood Authority Grant	-0.005
Total increase in funding	**-26.401**

Table 10: One-off savings

		2018-19
Committee	**Saving**	**£m**
Adult Social Care	One-off underspends in 2017-18 to be used to part fund 2018-19 growth pressures on a one-off basis	-3.000
Policy and Resources	Use of general capital receipts in 18-19 to fund MRP	-2.000
Policy and Resources	Use of airport deferred capital receipts in 18-19 to fund MRP	-0.840
	Total	**-5.840**

Note:

- These figures exclude funding increases (base adjustments), such as from the improved Better Care Fund, and cost neutral changes.
- A summary is provided within Appendix B and details provided within Appendix C.

Table 11: Change in Net Revenue Budget 2017-18 to 2018-19

	£m
Budgeted council tax 2017-18	358.812
Increase due to:	
Tax base change (increase 5,739 Band D equivalent)	7.162
General council tax increase (2.99%)	10.822
Adult Social Care Precept increase (3.00%)	10.842
Forecast increase in Collection Fund	1.161
Budgeted council tax 2018-19	**388.799**

Schools funding

9.25. Schools funding is provided through the Dedicated Schools Grant (DSG) and Pupil Premium, which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. The Department of Education announced on the 14 September 2017 that it would be going ahead with the Schools and High Needs National Funding Formula. Local Authorities will receive their Dedicated Schools Grant allocations for 2018-19 and 2019-20 based on the new national funding formula. Pupil premium will continue as a separate ring-fenced grant.

9.26. The total DSG allocation received for 2018-19 was confirmed in December 2017 and totals £599.457m before academy recoupment. This compares to a DSG allocation of £581.240m in 2017-18. The DSG is split into four funding blocks: The Schools block, the High Needs block, the Early Years block and the new Central Services School Block. Movement from the schools block to the other blocks has to be agreed upon by Norfolk Schools Forum.

9.27. The table below shows the movement in DSG between 2017-18 and 2018-19.

Table 12: Breakdown of Schools Funding

Funding element	2017-18 (£m)	2018-19 (£m)	Change (£m)	Explanation for change
Early Years Block				
Early Years 3 & 4 year old funding	29.594	28.960	(0.634)	Lower participation rate than 2017/18
Early Years 3 & 4 year olds – increase to 30 hours	4.756	8.459	3.703	2017/18 allocation was for 7 months only
Early Years 2 year old funding	5.959	6.156	0.197	Slightly higher participation than 2017/18
Early Years Pupil Premium	0.451	0.501	0.050	Higher number of eligible pupils
Nursery Schools Grant	0.420	0.319	(0.101)	The hourly rate has increased for nursery schools by 30p per hour and lower participation.
Early Years Disability Access Fund	0.172	0.170	(0.002)	
Schools Block	461.473	473.043	11.570	Increase in 1,071 pupil numbers (£4.538m) and the new national funding formula. £7.032m from the National Funding Formula. Movement of central funds to create the new Central Services Block
Central Services School Block	3.167	3.272	0.105	New block. Central items were previously within the schools block
High Needs block	75.248	78.577	3.329	Re-baselining of £1.8m expenditure from 2016/17 schools block. Additional £1.529m of funding as a result of the new national funding formula.
Total	**581.240**	**599.457**	**18.217**	

Pupil Premium

9.28. In 2018-19, primary Free School Meals (FSM) 'Ever 6' pupils will attract £1,320, which is aimed to help primary schools raise attainment and ensure that every child is ready for the move to secondary school. £935 will be allocated for secondary FSM 'Ever 6' pupils. FSM 'Ever 6' allocations are unchanged from 2017-18. FSM 'Ever 6' pupils are those who have been registered for free school meals at any point in the last six years.

9.29. The pupil premium plus (for looked after children) will increase to £2,300 per pupil in 2018-19 (from £1,900 per pupil in 2017-18). The eligibility was expanded in 2014-15 to include those who have been looked after for one day or more, and from 2015-16 was widened further to include children who have been adopted from care or have left care under a special guardianship, residence or child arrangement order. Schools will receive £2,300 for each eligible pupil adopted from care who has been registered on the school census and the additional funding will enable schools to offer pastoral care as well as raising pupil attainment.

9.30. Children with parents in the armed forces will continue to be supported through the service child premium. In 2018-19, the service child premium will be set at £300 per pupil, unchanged since 2015-16.

9.31. Additional demand for SEND places will put additional pressure on the High Needs block spend, which would also have an effect on the DSG budget recovery plan as described in the "*Dedicated Schools Grant (DSG)*" report to Children's Services Committee in January. A review will be made in-year of any impact, with a possibility at looking to request from the Secretary of State for Education a transfer of additional funds, (above the 0.5% limit), from the schools block to the high needs block of the Dedicated Schools Grant in 2019-20.

10. Medium Term Financial Strategy – Budget Implications for 2018-19 to 2021-22

10.1. The Local Government Act 2003 requires the Council to take into consideration the implications for revenue spending in future years arising from decisions taken in respect of the 2018-19 budget. A four-year revenue projection has been prepared and this has been considered as part of forward service and financial planning. Accordingly, Service Committees have considered their budgets for the next four years, within the Council's normal budget planning framework. This is informed by the Council's Medium Term Financial Strategy, which is set out at Appendix I.

10.2. Reports to Service Committees in January 2018 included projected additional costs and savings proposals for 2018-19 to 2021-22 in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2018-22 budget are sustainable and deliverable in the medium term from both a service and financial perspective and that they are considered to be affordable to the taxpayer. In addition, many of the savings needed for future years require actions to be taken in previous financial years and therefore County Council approval is sought on future year's savings to enable Chief Officers to put in place the necessary programmes of work required to deliver these.

10.3. The report to Policy and Resources Committee in October 2017 projected potential shortfalls of £7.806m in 2018-19, £27.106m in 2019-20 and £37.148m in 2020-21, with a surplus of £8.709m in 2021-22, (a total shortfall of £63.351m) based on the savings proposals and pressures identified at that time. The forecast for the period 2019-20 to 2021-22 has now been developed and revised following Government funding announcements, and further review and challenge of cost pressures. Together with identified savings and taking into consideration the proposed 2018-19 Revenue Budget, it is now estimated that **the County Council has a remaining budget gap of £92.795m for the years 2019-20 to 2021-22**.

10.4. The projected additional costs, including inflation, and forecast reduction in Government grant funding for the following three years, 2019-20 to 2021-22, are set out in the table below.

Table 13: Provisional medium term financial forecast

	2019-20	2020-21	2021-22
	£m	£m	£m
Additional cost pressures and forecast reduction in Government grant funding	57.769	79.789	36.033
Forecast increase in council tax base	-7.770	-9.914	-2.032
Identified saving proposals and funding increases	-28.706	-21.973	-10.400
Bring forward 2021-22 savings requirement	11.800	11.800	-23.601
Budget shortfall / (surplus)	**33.093**	**59.702**	**0.000**

10.5. It is the view of the Section 151 officer, that whilst the Council can balance the 2018-19 budget, the shortfall for future years continues to represent a significant risk. There is in particular considerable uncertainty about funding beyond 2019-20 as the implications of the Government's plans for 75% Business Rates Localisation, and implementing the Fair Funding Review, remain unclear. The delivery of planned savings and the identification of further savings to close the remaining budget gaps are therefore essential to ensure that robust budgets can be delivered over the life of the Medium Term Financial Strategy.

10.6. Reports setting out the changing planning context for both service delivery and the Council's finances will be presented to future committee meetings, along with additional savings plans, and will form part of the detailed planning approach for reviewing and recommending final budgets for 2019-20 to 2022-23, and the level of council tax.

10.7. As part of ongoing financial planning, services will keep under review all aspects of future cost pressures and inflation. The Executive Director of Finance and Commercial Services also keeps under ongoing review all aspects of financial planning, and the financial standing of the Council, including levels of reserves and provisions, and reports regularly to Policy and Resources Committee on financial management performance. A proposed budget and service planning timetable for 2019-20 is set out in Appendix E.

11. Capital Budget

11.1. A summary of the Capital Programme and schemes relevant to this committee are set out in the separate Capital Programme report elsewhere on the agenda.

12. Consultation findings for Policy and Resources proposals

12.1. We sought the views of two organisations affected by our proposal to reduce the budget for the Equality and Diversity Team that is spent on supporting community events by £25,000 in 2018/19. We also sought views from Norfolk Constabulary who are our strategic partner on related projects.

12.2. Bridge Plus+ commented that the equality budget has enabled them to work collaboratively with the County Council to address unfair discrimination and promote racial equality in Norfolk. The funding has helped identify the key racial inequalities in Norfolk, enabled the implementation of the BAME Action Plan, a community group mapping exercise and production of the B-Me Voices magazine.

12.3. Bridge Plus+ stated their strong belief that without funding such as the county equality budget to support equality work in Norfolk, the County will be worse placed in identifying and communicating with its resident BAME communities, and could risk failing in meeting its public sector duty under the Equality Act 2010, in particular to eliminate discrimination, harassment, and victimisation which are particularly relevant to BAME communities.

12.4. The Chair of Norfolk's Black History Month fed back that the County Council's support through the bursary scheme was critical, having a significant impact on positive community cohesion in the county, the provision of positive Black role models for young BAME people, and racial equality. He welcomed the aspiration for the Equality Team to become more commercial and offered support for this work. If the proposal goes ahead the Chair would monitor the impact and report any emerging issues to the County Council.

12.5. Norfolk Constabulary is supportive of the proposal's aim to take a more commercial approach to trading to specifically create an operational budget.

13. Consultation findings for service proposals

Information about the consultation proposals and equality and rural impact assessments

13.1. Savings proposals to bridge the shortfall for 2018-19 were put forward by committees, the majority of which did not require consultation because they could be achieved without affecting service users.

13.2. We consulted on six service proposals:

- Change the way we work out how much people pay towards the cost of their non-residential care services by taking into account people's actual disability related expenses;
- Remodel the children's centre service offer to provide a more targeted response to families through working more closely with our other services and partners, for example by sharing buildings, and by focusing their work on the families that need them most;
- Reducing spend on non-safety critical highway maintenance;
- Reduce the number of roads gritted in winter;
- Change the construction and demolition waste concession at recycling centres; and
- Review the operation of bus services supported by the County Council.

13.3. These consultations were conducted within a legal context. Under Section 3(2) of the Local Government Act 1999, authorities are under a duty to consult representatives of a wide range of local people when making decisions relating to local services. This includes council tax payers, those who use, or are likely to use, services provided by the authority, and other stakeholders or interested parties. There is also a common law duty of fairness which requires that consultation should take place at a formative stage; should be based on sufficient information to allow those consulted to give intelligent consideration of options; should give adequate time for consideration and response and that consultation responses should be conscientiously taken into account in the final decision.

13.4. For information about the consultation process, see paragraph 8.11 above.

Consultation findings, and the outcome of equality and rural assessments for service proposals

13.5. This section summarises the key elements of feedback on service proposals.

Change the way we work out how much people pay towards the cost of their non-residential care services by taking into account people's actual disability related expenses

13.6. In addition to the steps the council has taken to promote the consultation listed above we have also written to all 3,868 people who are potentially affected by this proposal and included a consultation feedback form with pre-paid postage. We provided a consultation hotline that people could call if they had any questions.

13.7. In total we received 906 responses, including 754 feedback forms. This means that at least 19.5% of those directly affected responded. Eight respondents told us that they were responding on behalf of organisations. We did not receive any petitions. Norfolk County Council Labour Group undertook a separate consultation and submitted the responses they received which contained 71 comments relating to this proposal.

13.8. Key issues and concerns were:

a) A large number of respondents commented on the additional costs faced by disabled people and expressed their concern that disabled people are already struggling with these costs and could not afford to pay more. Some respondents referred to potential negative effects on people's wellbeing if their access to existing or future care was limited by the proposed change.
b) There were concerns about the forms and information / evidence that we would ask people to provide in order for us to work out their disability related expenditure. People felt that the process should be clear and easy to follow with support provided.
c) Where people generally agreed with the proposal they offered a range of reasons including that the proposal was reasonable and 'fair', people should only be reimbursed for what they used, no-one needing the allowance would lose out and that they felt some people could afford to pay more.
d) Some respondents expressed their concern that the proposal was an additional cut on top of previous cuts. People stated that they faced rising costs with no additional way of increasing income.
e) There were also concerns that some people may be more affected by this proposal than others, including self-funders, people in shared accommodation and those least able to pay more, including people who have additional carer costs.
f) Reasons respondents gave for generally disagreeing with the proposal included a feeling that disabled or older people should not have to pay for their care, that disabled people should not be asked to justify their spend and that money for these services should not be cut but invested in.
g) Respondents were worried about the effect of the proposals on carers, including the impact on household finances and the extra burden on carers to provide evidence of the disability related expenditure of the person they care for.

13.9. In addition, some respondents challenged the thinking behind the proposal, stating that it would not save money and that the finances had not been thought through. Others reported that the consultation document was too long, hard to understand and not user friendly.

Remodel the children's centre service offer to provide a more targeted response to families through working more closely with our other services and partners, for example by sharing buildings, and by focusing their work on the families that need them most

13.10. In addition to the steps the council has taken to promote the consultation, we have also had meetings with all the organisations who run our children's centres to discuss our proposals with them and we asked the organisations to promote the consultation on our behalf. We have also promoted the consultation on the Family Information Service social media.

13.11. We received 335 responses to this consultation. Of these, just over half (172 people or 51%) replied as individuals. Twenty respondents told us they were responding on behalf of a group, organisation or business but not all gave the names of their organisations; some were employees whose response did not necessarily represent the organisational view. Of the respondents who described their relationship to the service, most were people who use the library service (197) and/or parents/carers of a child (or children) aged 0-5 (139).

13.12. We received a petition with 5,792 signatures. Norfolk County Council Labour Group undertook a separate consultation and submitted the responses they received which contained 81 comments relating to this proposal.

13.13. Key issues and concerns were:

a) Children's centre services are valued, and some respondents said they regard them as essential or a priority.
b) Several people said they think that children's centre services should be reviewed, for example because it is good practice to review any service periodically and because children's centre services need to adapt to changes in the way people live their lives.
c) Several respondents said that they think our proposals would have a negative effect on the health and wellbeing of families, and they are worried that families would become more isolated.
d) A majority of people said that there need to be some children's centre services which all families can use, although some of these respondents said that there could be fewer universal services than there currently are.
e) Several respondents said that having fewer universal services would make it harder for families to get help early on and before problems escalate, so families would end-up needing more intensive and costly support because they would end-up in crisis.
f) Several respondents said it is difficult to identify which families need support – it is not just families on low incomes – the needs of families change over time and it is easier to provide support if families have built up a trusting relationship with children's centre staff from having attended universal groups.
g) Some people said that children's centre services should be focused on the families that need them most, because the County Council has less money and so it is right or sensible that we should target our resources.
h) Some people said they are worried that families living in rural areas would be negatively affected by the proposed changes to children's centre services, in particular some respondents said they are worried about having to travel further to get to services.
i) Several people expressed support for children's centres and libraries sharing buildings, for example because it would help to get children reading or because it

would help to make both services viable – although some people added caveats or said that each area would need to be looked at on a case-by-case basis because co-location would not be suitable in every area.

j) Many respondents said it would be difficult for our existing buildings to accommodate children's centre and library services because there would not be enough space for both services, the buildings would not have the right facilities and there would not be enough parking for everyone.
k) Many people said it would not be appropriate for children's centres and libraries to share buildings because they offer very different services, in particular people raised concerns about offering sensitive and confidential support to families in libraries which are public buildings.

Reducing spend on non-safety critical highway maintenance

13.14. There were 102 responses received for this proposal. Of these, a majority (76 people or 74%) replied as individuals. Norfolk County Council Labour Group undertook a separate consultation and submitted the responses they received which contained 62 comments relating to this proposal.

13.15. Key issues and concerns were:

a) There was concern that our proposal would make roads more hazardous and therefore not safe to drive on, particularly if signs were not visible to drivers and if overgrown verges obstructed visibility.
b) Some felt that our roads were already in a poor state and this proposal could make road conditions worse or we could be storing up more road maintenance problems and emergency repairs. Others stated this was a short term cost saving, or a false economy and costs would have to be met in the future.
c) People took this opportunity to suggest that parish councils could become involved in some of the cosmetic work or be responsible for reporting maintenance problems. One parish council wanted Norfolk County Council to acknowledge the maintenance work they provided and requested further support in this matter.
d) Where people supported the proposal some also stated they wanted to make sure there would be no impact on public safety.
e) Some felt that rural locations would be more affected by this proposal, particularly because they felt that the only way to get around rural Norfolk was by car.

Reduce the number of roads gritted in winter

13.16. There were 638 responses received for this proposal. Of these, a majority (444 people or 70%) replied as individuals. Norfolk County Council Labour Group undertook a separate consultation and submitted the responses they received which contained 56 comments relating to this proposal.

13.17. Key issues and concerns were:

a) There was a great deal of concern that if roads were not gritted during winter they would not be safe to drive on. People also thought there could be more accidents and lives lost. Many comments related to safety were raised during the cold snap experienced between 11 and 13 December.
b) Some respondents expressed their view that road gritting should be a priority for funding over increasing members' expenses.
c) It was felt that those living in villages and rural locations would be most affected and this proposal could force some people to become more isolated; some expressed concern at the prospect of not being able to reach their local shops,

school or work. They also felt that by not gritting minor roads people would not be able to get to their nearest main road and this would be make life in rural communities more difficult during the winter months.

d) There were concerns that roads were already in poor condition so a reduction in gritting would make roads even more hazardous. People also took the opportunity to feedback their views on how and when we grit suggesting that we could make the service more effective.
e) People wanted to know more about how the review of the gritting route would be conducted and which roads may be affected.
f) A few people suggested that drivers should take it upon themselves to drive more carefully during icy weather conditions.
g) There was some concern about costs being passed onto other public services such as the NHS as a result of more road accidents and potential hospital admissions.
h) Some people suggested ideas as to how this proposal could be supported such as advertising which roads were not gritted and others suggested this service could be paid for from the council tax raised from new homes.

Change the construction and demolition waste concession at recycling centres

13.18. In addition to the steps the council has taken to promote the consultation listed above we have also promoted the consultation by a poster at all recycling centres.

13.19. There were 231 responses received for this proposal. Of these, 204 people (89%) replied as individuals. Eight respondents told us they were responding on behalf of a group, organisation or business but not all gave the names of their organisations.

13.20. Key issues and concerns were:

a) There was a great deal of concern that our proposal would increase the illegal dumping of waste, especially in rural areas, even amongst those who felt that charging for the disposal of construction and demolition waste was reasonable.
b) Many felt that the proposal would lead to additional costs in respect of cleaning up any illegally dumped waste and disposing of any additional waste coming through the household waste stream. Some were concerned that this cost may be passed onto other organisations such as district councils and / or that costs relating to clearing up illegally dumped waste might outweigh any savings made.
c) Other environmental impacts mentioned included concerns that people would burn, bury or store waste in their own gardens, the proposal would lead to more journeys or that people would put construction waste into their black bins.
d) Where people stated that they would be affected by the proposals this generally related to the additional costs they would have to pay. Others stated they felt they had already paid for this service as part of their council tax so would effectively be being charged twice. Some respondents were also concerned that the proposal would particularly affect those on a low income who were more likely in their opinion to undertake DIY work themselves, rather than employ a builder.
e) People took this opportunity to suggest alternatives to charging, such as providing council skips or a range of permit schemes, including a residents' loyalty card scheme. Other alternatives to charging included increasing council tax, reducing opening hours and cracking down on trade waste abuses and those illegally dumping waste.

Review the operation of bus services supported by the County Council

13.21. In addition to the steps the council has taken to promote the consultation listed above, we informed all the providers of subsidised bus services and the community transport schemes we fund. We also asked the bus companies to put a poster promoting the consultation on all the bus services that we subsidise. The consultation was also raised at the Norfolk Bus Forum.

13.22. There were 1,184 responses received to this consultation. Of these, two thirds (799 people or 67%) replied as individuals. Forty-nine respondents told us they were responding on behalf of a group, organisation or business. Out of all respondents, 945 said that they use bus services we subsidise and 242 said that they use the community transport schemes we grant fund.

13.23. We received six petitions with a combined total of 926 signatures. Surlingham Parish drafted a letter and asked residents to sign it and return it to us. We received 67 copies of the letter. Norfolk County Council Labour Group undertook a separate consultation and submitted the responses they received which contained 76 comments relating to this proposal.

13.24. Key issues and concerns were:

a) Bus services are viewed as vital, essential or a lifeline by quite a lot of the people who responded – particularly for older people, disabled people, people with disabilities and people living in rural communities.
b) Some respondents agreed that the County Council should review which bus services we support, because it is good practice to review all services every now and then to see if they can be improved or if we can get better value for money.
c) Our proposal includes prioritising support for bus services which help people get to and from work and essential services, such as healthcare appointments and food shopping. However, many people said they are worried that our proposal would make it more difficult to get to healthcare appointments. Several people are worried it would make commuting, going food shopping and getting to cultural or leisure activities more difficult.
d) Several people said that our proposal would increase loneliness and social isolation – particularly for vulnerable, older and disabled people, people with learning disabilities, and people who live in rural areas.
e) Many respondents said that our proposal is not fair on people who live in rural communities and that it would affect the quality of life of people who live in rural communities.
f) Some people said that our proposal would result in more people driving, increased congestion and additional pressure on car parking, which would be bad for the environment.
g) Some respondents said they are worried about the financial implications of the proposals on them personally and that our proposal would make them financially worse off.
h) Several people agreed with our proposal to prioritise supporting bus services which help people get to and from work and essential services, and that help people who live in areas where there are no other transport options available.
i) Some people said they agreed with our proposal to prioritise particular bus services, but then added a proviso, for example that we should also support bus services which help people get to leisure activities or education.
j) Some people said they have concerns about the bus services we are proposing to support in future, in particular they were concerned that our proposal would

make it harder for people to see their family or friends, or to go to cultural or leisure activities. They were worried that this would increase loneliness and social isolation, and be bad for people's health and wellbeing. Some people said that we should also prioritise bus services which children and young people use to get to school and college.

13.25. In addition to our public consultation on the above proposals we carried out more local consultation on some proposals by engaging directly with relevant organisations/groups. In particular we consulted with Healthwatch on our proposal to reduce the grant we give them by £189,000.

13.26. Healthwatch raised their concern that our proposal would adversely affect their ability to make sure that the views and experiences of local people inform how health and social care services are delivered, particular affecting their ability to capture the views of people from underrepresented groups.

13.27. They also stated that the proposed reduction in funding would not guarantee their ability to be represented on a range of different bodies/attendance at meetings which enabled both health and social care commissioners and providers, and would affect their ability to contribute to the Sustainability and Transformation Partnership.

13.28. Healthwatch asked that this committee considers an alternative approach for the reduction in funding to be implemented as follows, to enable them to look at securing some alternative funding: 25% in year one i.e. £30,000 cut, 50% in year two i.e. £60,000 cut, 75% in year three i.e. £90,000 cut.

13.29. Thirty one (31) residents contacted the council during the consultation period asking this committee to consider Healthwatch's alternative approach. Many also took the opportunity to express their support for Healthwatch and tell us how invaluable they found their work.

14. Equality and rural impact assessments

14.1. When making decisions the Council must give due regard to the need to promote equality of opportunity and eliminate unlawful discrimination.

14.2. Equality and rural impact assessments have been carried out on all 62[6] of the Council's budget proposals for 2018-19, to identify whether there may be any detrimental impact on people with protected characteristics or in rural areas. This includes the proposal to increase council tax.

14.3. Only six of the 62 budget proposals are deemed likely to have a potential detrimental impact on people with protected characteristics or in rural areas – this includes disabled and older people; Black, Asian and minority ethnic people; children and families and women:

(i) Review charging policy to align to actual disability related expenses (Adults)
(ii) Remodel children's centre services (Children's)
(iii) Reduction in Healthwatch funding (Communities)

[6] The 62 proposals reviewed included two EDT proposals recommended for removal by the Committee as detailed in paragraph 9.11. These proposals, relating to Bus Services supported by the Council and winter gritting are also identified as having a potential detrimental impact as set out in paragraph 14.3.

(iv) Norfolk Community Learning Services – remodelling the staff structure, including staffing reduction (Communities)
(v) Review the operation of bus services supported by the County Council (Environment, Development & Transport)
(vi) Reduce the number of roads gritted in winter (Environment, Development and Transport)

14.4. It is critical to note that there is no risk to the Council that agreeing the proposal to remodel children's centre services may lead to detrimental impacts on children, families, parents or women going undetected. This is because if any options emerge as a result of this proposal to change children's centre services, public consultation and an equality and rural assessment will be undertaken. Any detrimental impact will be reported to Children's Services Committee for consideration before a final decision is made.

14.5. The full assessment findings for each proposal are attached for consideration at Appendix H(ii). Clear reasons are provided for each proposal to show why, or why not, detrimental impact has been identified, and the nature of this impact.

14.6. 18 mitigating actions have been proposed to address detrimental impact or other issues and build accessibility for service users into service design. These are set out at Appendix H(i).

More information on consultation findings and the outcome of equality and rural assessments

14.7. The detailed findings of the consultation and equality and rural assessments of the budget proposals are available online at: https://norfolk.citizenspace.com/consultation/budget2018/.

14.8. The findings of Appendix H(ii) have been made available electronically due to the size of the document. They are available here: https://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/640/Committee/21/Default.aspx.

15. Representatives of non-domestic ratepayers

15.1. The Council has a statutory duty under Section 65 of the Local Government Finance Act 1992 to consult with representatives of non-domestic ratepayers. A meeting with representatives of the business sector is scheduled for 23 January 2018. Representatives were provided with a summary of the financial challenges facing the Council in 2018-22, and proposals for budgets.

16. Evidence

16.1. The proposals in this report are informed by the Council's constitution, local government legislation, best practice recommendations for financial and strategic planning, and feedback from residents and stakeholders via the targeted consultation on specific new savings proposals for 2018-19 as detailed within this report.

17. Financial Implications

17.1. Financial implications of the County Council's budget proposals are set out throughout this paper.

17.2. Service Committees in January have considered the full budget proposals for their individual service areas, prior to Policy and Resources Committee considering the consolidated budget position at this meeting to recommend to Full Council in February. Changes following Service Committees consideration of budget proposals are set out in paragraph 9.11, and the unconfirmed draft minutes of Service Committee discussions will be available to Policy and Resources Committee (see Appendix G).

18. Issues, risks and innovation

18.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2018. Legal requirements in relation to setting the budget and level of council tax have been set out within this report and are considered to be met.

18.2. **Risks** – Specific financial risks in this area are identified in the Corporate Risk Register, including the risk of failure to manage significant reductions in local and national income streams (RM002), and the risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018-19 to 2021 (RM006).

18.3. The risks associated with these budget proposals were reported to Service Committees in January 2018 and to this Committee in the separate report on the Robustness of Estimates. Reports on the Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

18.4. There are no further significant risks or implications beyond those set out in the financial implications section, and identified throughout the report.

19. Summary

19.1. The information included in both this report and other reports to Policy and Resources Committee needs to be considered when Policy and Resources Committee recommends a budget to County Council. Issues that need to be considered and where decisions are required are:

- Additional costs and savings options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2018-19 Revenue Budget and proposals for 2019-20 to 2021-22
- Overall level of the 2018-19 to 2021-22 Capital Programme
- Prudential Code Indicators for 2018-19

- Level of the council tax / precept for 2018-19 and for the period 2019-20 to 2021-22
- Implications of the Revenue Budget for 2019-20 to 2021-22
- Responses to savings proposals from the Budget Consultation
- Outcome of equality and rural impact assessment

20. Background Papers

Norfolk County Council Efficiency Plan:
https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en

Norfolk County Council Revenue and Capital Budget 2017-20, County Council, 20 February 2017, Item 4:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/444/Committee/2/SelectedTab/Documents/Default.aspx

Demand Management & Prevention Strategy: Children's Services, Children's Services Committee, 17 October 2017, Item 8:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/616/Committee/8/SelectedTab/Documents/Default.aspx

Strategic and Financial Planning 2018/19 - 2021/22, Policy and Resources Committee, 30 October 2017, Item 7:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/638/Committee/21/SelectedTab/Documents/Default.aspx

Chancellor's Autumn Budget and Fair Funding Review, Policy and Resources Committee, 27 November 2017, Item 7:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/639/Committee/21/SelectedTab/Documents/Default.aspx

Service Committee Strategic and Financial Planning Reports, January 2018:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings.aspx

Dedicated Schools Grant (DSG), Children's Services Committee, 16 January 2018, Item 10:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/618/Committee/8/SelectedTab/Documents/Default.aspx

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List of key grants and funding

Grant	2018-19 Provisional Settlement £m	2019-20 Estimated £m	2020-21 Estimated £m	2021-22 Estimated £m
Un-ring-fenced				
Revenue Support Grant	58.035	38.810	0.000	0.000
Top-Up Grant (Business Rates Retention Scheme)	123.109	125.753	125.753	125.753
Section 31 Grant (compensation for Government business rate initiatives)	3.107	4.666	4.666	4.666
New Homes Bonus	3.030	2.742	0.000	0.000
School Improvement Monitoring and Brokering Grant	0.635	0.635	0.635	0.635
Fire Revenue	1.200	1.200	1.200	1.200
Inshore Fisheries	0.152	0.152	0.152	0.152
Local reform and community voices	0.580	0.580	0.580	0.580
Extended rights to free travel (Local Services Support Grant)	0.668	0.668	0.668	0.668
PFI Revenue Grant (street lights; salt barns and schools)	8.046	8.046	8.046	8.046
Social Care in Prisons	0.372	0.372	0.372	0.372
Rural Services Delivery Grant	3.195	3.195	0.000	0.000
Independent Living Fund Grant	1.518	1.518	1.518	1.518
Lead Local Flood Authority Grant	0.082	0.087	0.087	0.087
Improved Better Care Fund	27.730	34.275	28.372	28.372
New: War Pensions Scheme Disregard	0.287	0.287	0.287	0.287
Ring-fenced				
Public Health	39.062	38.031	38.031	38.031
Dedicated Schools Grant* (DSG)	599.457	599.457	599.457	599.457
Pupil Premium Grant	31.842	31.842	31.842	31.842
Locally collected tax (forecasts)				
Council tax (assuming Adult Social Care precept 3.00% in 2018-19 and general increase 2.99% 2018-19, 2.99% 2019-20, 1.99% 2020-21 and 0.00% 2021-22)	388.799	396.569	406.483	408.516
Business Rates	26.240	27.118	27.118	27.118
Pooled funding				
NHS Funding (incl. Better Care Fund)	59.336	59.336	59.336	59.336

Shaded figures remain to be confirmed.
*DSG is before Academy recoupment.

Summary of proposed Revenue Budget 2018-19

	Adult Social Care £m	Children's Services £m	Environment Development and Transport £m	Communities £m	Business and Property £m	Digital Innovation and Efficiency £m	Policy and Resources £m	Total £m
Base Budget 2017-18	261.453	177.351	134.236	48.811	9.039	16.048	-288.125	**358.812**
Growth								
Economic / Inflationary	6.701	3.445	2.617	1.229	0.085	0.318	0.964	**15.360**
Legislative Requirements	9.186	2.036	0.050	-0.817	-0.039	0.000	1.574	**11.990**
Demand / Demographic	14.967	6.000	0.414	0.000	0.000	0.000	0.080	**21.461**
NCC Policy	3.080	1.550	0.005	0.000	0.000	0.000	9.321	**13.956**
Funding Reductions	4.197	0.576	0.000	1.031	0.000	0.000	17.815	**23.619**
Cost Neutral Transfers	6.575	1.708	3.059	0.952	0.495	0.136	37.931	**50.855**
Total budget increase	**44.706**	**15.315**	**6.146**	**2.395**	**0.541**	**0.454**	**67.684**	**137.242**
Savings								
Total savings	-27.290	-2.641	-1.504	-1.739	-1.051	-0.726	4.952	**-29.999**
Funding Increases	-26.131	-0.265	-0.005	0.000	0.000	0.000	0.000	**-26.401**
Cost Neutral Transfers	-0.272	-3.812	-35.799	-2.240	-0.358	-2.288	-6.086	**-50.855**
Total budget decrease	**-53.693**	**-6.718**	**-37.308**	**-3.979**	**-1.409**	**-3.014**	**-1.133**	**-107.255**
Base Budget 2018-19	**252.466**	**185.948**	**103.073**	**47.227**	**8.172**	**13.488**	**-221.574**	**388.799**

There may be small differences in the table above due to the rounding of figures.

Funded by: Council Tax	-383.141
Collection Fund Surplus	-5.658
	-388.799
2018-19 Budget Gap	0.000

Summary of proposed Revenue Budget 2019-20

	Adult Social Care £m	Children's Services £m	Environment Development and Transport £m	Communities £m	Business and Property £m	Digital Innovation and Efficiency £m	Policy and Resources £m	Total £m
Base Budget 2018-19	252.466	185.948	103.073	47.227	8.172	13.488	-221.574	388.799
Growth								
Economic / Inflationary	5.736	3.045	2.063	0.935	-0.004	0.304	1.813	13.892
Legislative Requirements	11.498	0.000	0.022	-1.031	0.000	0.000	3.157	13.646
Demand / Demographic	3.000	0.000	1.838	0.000	0.000	0.000	0.080	4.918
NCC Policy	-1.433	0.000	0.005	0.000	0.000	0.000	3.579	2.151
Funding Reductions	5.998	0.000	0.000	1.031	0.000	0.000	16.133	23.162
Cost Neutral Transfers	0.000	0.000	0.037	0.197	0.000	0.000	0.879	1.113
Total budget increase	**24.799**	**3.045**	**3.965**	**1.132**	**-0.004**	**0.304**	**25.641**	**58.882**
Savings								
Total savings	-9.351	-4.342	-0.310	-0.435	-2.075	-1.000	1.356	-16.157
Funding Increases	-12.544	0.000	-0.005	0.000	0.000	0.000	0.000	-12.549
Cost Neutral Transfers	-0.879	0.000	0.000	0.000	0.000	0.000	-0.234	-1.113
Total budget decrease	**-22.774**	**-4.342**	**-0.315**	**-0.435**	**-2.075**	**-1.000**	**1.122**	**-29.819**
Base Budget 2019-20	**254.491**	**184.651**	**106.723**	**47.924**	**6.093**	**12.791**	**-194.811**	**417.862**

There may be small differences in the table above due to the rounding of figures.

Funded by: Council Tax	-396.569
Collection Fund Surplus	0.000
	-396.569
2018-19 Budget Gap	0.000
2019-20 Budget Gap	21.293

Summary of proposed Revenue Budget 2020-21

	Adult Social Care £m	Children's Services £m	Environment Development and Transport £m	Communities £m	Business and Property £m	Digital Innovation and Efficiency £m	Policy and Resources £m	Total £m
Base Budget 2019-20	254.491	184.651	106.723	47.924	6.093	12.791	-194.811	**417.862**
Growth								
Economic / Inflationary	5.854	3.050	2.107	0.951	-0.007	0.310	0.828	**13.093**
Legislative Requirements	-0.642	0.000	0.000	0.000	0.000	0.000	2.332	**1.690**
Demand / Demographic	8.100	0.000	1.700	0.000	0.000	0.000	0.080	**9.880**
NCC Policy	-2.024	0.000	0.000	0.000	0.000	0.000	6.500	**4.476**
Funding Reductions	5.903	0.000	0.000	0.000	0.000	0.000	44.747	**50.650**
Cost Neutral Transfers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Total budget increase	**17.191**	**3.050**	**3.807**	**0.951**	**-0.007**	**0.310**	**54.487**	**79.789**
Savings								
Total savings	-13.700	-2.000	-0.350	-2.786	-2.050	-0.700	-0.387	**-21.973**
Funding Increases	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cost Neutral Transfers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Total budget decrease	**-13.700**	**-2.000**	**-0.350**	**-2.786**	**-2.050**	**-0.700**	**-0.387**	**-21.973**
Base Budget 2020-21	**257.982**	**185.700**	**110.181**	**46.090**	**4.036**	**12.401**	**-140.712**	**475.678**

There may be small differences in the table above due to the rounding of figures.

Funded by: Council Tax	-406.483
Collection Fund Surplus	0.000
	-406.483
2018-19 Budget Gap	0.000
2019-20 Budget Gap	21.293
2020-21 Budget Gap	47.902

Summary of proposed Revenue Budget 2021-22

	Adult Social Care £m	Children's Services £m	Environment Development and Transport £m	Communities £m	Business and Property £m	Digital Innovation and Efficiency £m	Policy and Resources £m	Total £m
Base Budget 2020-21	257.982	185.700	110.181	46.090	4.036	12.401	-140.712	**475.678**
Growth								
Economic / Inflationary	5.854	3.050	2.107	0.951	-0.007	0.310	0.827	**13.092**
Legislative Requirements	0.000	0.000	0.000	0.000	0.000	0.000	2.061	**2.061**
Demand / Demographic	4.764	0.000	1.700	0.000	0.000	0.000	0.080	**6.544**
NCC Policy	1.336	0.000	0.000	0.000	0.000	0.000	13.000	**14.336**
Funding Reductions	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cost Neutral Transfers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Total budget increase	**11.954**	**3.050**	**3.807**	**0.951**	**-0.007**	**0.310**	**15.968**	**36.033**
Savings								
Total savings	-3.900	-2.000	-1.850	-1.500	-1.150	0.000	0.000	**-10.400**
Funding Increases	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cost Neutral Transfers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Total budget decrease	**-3.900**	**-2.000**	**-1.850**	**-1.500**	**-1.150**	**0.000**	**0.000**	**-10.400**
Base Budget 2021-22	**266.036**	**186.750**	**112.138**	**45.541**	**2.879**	**12.711**	**-124.744**	**501.312**

There may be small differences in the table above due to the rounding of figures.

Funded by: Council Tax	-408.516
Collection Fund Surplus	0.000
	-408.516
2018-19 Budget Gap	0.000
2019-20 Budget Gap	21.293
2020-21 Budget Gap	47.902
2021-22 Budget Gap	23.601

Annex A details by Committee

Budget Changes Forecast for 2018-22 Adult Social Care Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**261.453**	**252.466**	**254.491**	**257.982**
Growth				
Economic / Inflationary	6.701	5.736	5.854	5.854
Legislative Requirements	9.186	11.498	-0.642	0.000
Demand / Demographic	14.967	3.000	8.100	4.764
NCC Policy	3.080	-1.433	-2.024	1.336
Total Growth	**33.934**	**18.801**	**11.288**	**11.954**
Savings				
Savings brought forward from previous budget round	-18.716	-10.000	-10.000	0.000
Changes to previous savings	-1.098	-0.200	0.000	0.000
New Savings 2018-19 Budget Round	-7.476	0.849	-3.700	-3.900
Total Savings	**-27.290**	**-9.351**	**-13.700**	**-3.900**
Base Adjustments	**-21.934**	**-6.546**	**5.903**	**0.000**
Cost Neutral Adjustments	**6.303**	**-0.879**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**252.466**	**254.491**	**257.982**	**266.036**

Reference	Budget change forecasts for 2018-22 Adult Social Care	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**261.453**	**252.466**	**254.491**	**257.982**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	0.847	0.892	0.848	0.848
	Basic Inflation - Prices	5.854	4.844	5.007	5.007
	Demand / Demographic				
	Demographic growth	6.134	6.000	6.100	6.100
	iBCF - Social Care Purchase of Care	7.833	-3.000	2.000	-1.336
	iBCF - Managing market pressures	2.000			
	Remove 2017-18 growth for ASC 2016-17 overspend lower than forecast	-1.000			
	Legislative Requirements				
	Pay and Price Market Pressures	5.921	5.741		
	iBCF - Impact of the National Living Wage - Sleep in care provision	2.800			
	iBCF - Deprivation of Liberty Safeguarding Service (DOLS)	0.225			
	iBCF - Mental health support to reduce Delayed Transfer of Care (DTOC)	0.240	0.657	-0.642	

Reference	Budget change forecasts for 2018-22 Adult Social Care	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	iBCF - Pressure from ending of Section 75 protection of social care funding agreement		5.100		
	NCC Policy				
	Adult Social Care 2016-17 Overspend	-4.197			
	Vulnerable Persons Resettlement Scheme	-0.101	-0.043		
	iBCF - Securing supply in home support	0.500			
	iBCF - Community models (micro commissioning)	0.100		-0.100	
	iBCF - Social Care staff capacity enhancement	3.912	-3.912		
	iBCF - Investment in social prescribing	0.750	-0.300	-0.450	
	iBCF - Trusted assessors model	0.165	0.146	-0.146	
	iBCF - Enhanced Home Support service	1.207	-0.212	-0.517	-0.478
	iBCF - Accommodation based Reablement Service	2.169	-1.715	-0.454	
	iBCF - Continuing Health Care discharge to assess social workers	0.245	-0.037	-0.208	
	iBCF - Commissioning capacity and flow post	0.035	-0.035		
	Planned carry forward of iBCF in reserves to fund future projects	3.479	-1.665	-1.814	
	Planned usage of iBCF funds from reserves	-9.819	6.340	1.665	1.814
	Capacity to deliver service strategy and social and health care integration	0.288			
	Increase Adult Social Care provision for bad debt write-offs	0.150			
	Pressure from removal of one-off Adult Social Care grant	4.197			
		33.934	**18.801**	**11.288**	**11.954**
	SAVINGS				
	Brought forward from 2017-20 budget round				
ASC003	Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council	-0.900	-0.800		
ASC006 /ASC011 /ASC015	Promoting Independence for Younger Adults - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting	-5.630	-5.307	-5.000	

APPENDIX C

Reference	Budget change forecasts for 2018-22 Adult Social Care	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
ASC006 /ASC011 /ASC015	Promoting Independence for Older Adults - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting	-1.632	-3.393	-5.000	
ASC007	Promoting Independence - Reablement - net reduction - expand Reablement Service to deal with 100% of demand and develop service for working age adults	-0.500			
ASC008	Promoting Independence - Housing with Care - develop non-residential community based care solutions	-0.500	-0.500		
ASC009	Promoting Independence - Integrated Community Equipment Service - expand service so through increased availability and access to equipment care costs will be reduced	-0.250			
ASC013	Radical review of daycare services	-2.500			
ASC016-019	Building resilient lives: reshaping our work with people of all ages requiring housing related support to keep them independent	-3.400			
ASC020	Remodel contracts for support to mental health recovery	-0.275			
ASC021	Recommissioning of information advice and advocacy services	-0.250			
ASC024	Home care commissioning - an improved framework for procuring home care services in Norfolk	-0.549			
ASC029	Align charging policy to more closely reflect actual disability related expenditure incurred by service users	-0.230			
COM040	Delay to 14-15, 15-16 and 16-17 saving: Reduce the number of service users we provide transport for	-2.100			
		-18.716	**-10.000**	**-10.000**	**0.000**
	Changes to 2017-20 budget round savings				
ASC021	Recommissioning of information advice and advocacy services	0.250			
COM040 /ASC003	Delay and reversal of transport savings	2.300	-0.200		
ASC024	Home care commissioning - an improved framework for procuring home care services in Norfolk	0.549			

Reference	Budget change forecasts for 2018-22 Adult Social Care	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
ASC006 /ASC011 /ASC015	Promoting Independence for Younger Adults - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting - savings required from reversal of one-off funding in 2017-18	-1.164			
ASC006 /ASC011 /ASC015	Promoting Independence for Older Adults - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting - savings required from reversal of one-off funding in 2017-18	-3.033			
		-1.098	**-0.200**	**0.000**	**0.000**
	New 2018-22 budget round savings				
ASC032	Review charging policy to align to actual disability related expenses	-0.400			
ASC033	Accommodation based reablement	-0.550			
ASC034	Prevent carer breakdown by better targeted respite	-0.686			
ASC035	Investment and development of Assistive Technology approaches		-0.300	-0.500	-0.700
ASC036	Maximising potential through digital solutions	-0.049	-0.951	-2.000	-3.000
ASC037	Strengthened contract management function	-0.300	-0.300	-0.200	-0.200
ASC038	Procurement of current capacity through NorseCare at market value		-0.600	-1.000	
ASC039	Capitalisation of equipment spend	-2.300			
ASC040	Reduction in funding for invest to save	-0.191			
ASC041	One-off underspends in 2017-18 to be used to part fund 2018-19 growth pressures on a one-off basis	-3.000	3.000		
		-7.476	**0.849**	**-3.700**	**-3.900**
	TOTAL SAVINGS	**-27.290**	**-9.351**	**-13.700**	**-3.900**
	BASE ADJUSTMENTS				
	Improved Better Care Fund (iBCF)	-13.943	-12.544		
	Adult Social Care Grant	4.197			
	War veterans	-0.287			
	Additional ASC funding announced in March 2017 Budget	-11.901	-5.903		

Reference	Budget change forecasts for 2018-22 Adult Social Care	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	Reversal of one-off Adult Social Care funding		11.901	5.903	
		-21.934	**-6.546**	**5.903**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	Social Care System	-0.035	-0.879		
	Adults Rehabilitation Public Health agreed cross cutting savings 2017-18	-0.140			
	Adult business support post to Customer Service Centre	-0.020			
	Blue Badge Scheme budget from Adults to Communities	-0.007			
	Depreciation transfer	0.075			
	Debt management transfer	0.000			
	REFCUS transfer	6.500			
	Information Advice & Guidance Directory to Public Health	-0.070			
		6.303	**-0.879**	**0.000**	**0.000**
	NET BUDGET	**252.466**	**254.491**	**257.982**	**266.036**

There may be small differences in the tables above due to the rounding of figures.

Budget Changes Forecast for 2018-22 Children's Services Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**177.351**	**185.948**	**184.651**	**185.700**
Growth				
Economic / Inflationary	3.445	3.045	3.050	3.050
Legislative Requirements	2.036	0.000	0.000	0.000
Demand / Demographic	6.000	0.000	0.000	0.000
NCC Policy	1.550	0.000	0.000	0.000
Total Growth	**13.031**	**3.045**	**3.050**	**3.050**
Savings				
Savings brought forward from previous budget round	-0.859	-0.535	0.000	0.000
Changes to previous savings	0.450	0.535	0.000	0.000
New Savings 2018-19 Budget Round	-2.232	-4.342	-2.000	-2.000
Total Savings	**-2.641**	**-4.342**	**-2.000**	**-2.000**
Base Adjustments	**0.311**	**0.000**	**0.000**	**0.000**
Cost Neutral Adjustments	**-2.104**	**0.000**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**185.948**	**184.651**	**185.700**	**186.750**

Reference	Budget change forecasts for 2018-22 Children's Services	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**177.351**	**185.948**	**184.651**	**185.700**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	1.390	1.249	1.273	1.273
	Basic Inflation - Prices	2.055	1.796	1.776	1.776
	Demand / Demographic				
	Additional Children's Services pressures	6.000			
	Legislative Requirements				
	Education Services Grant	1.401			
	New funding School Improvement (monitoring and brokering) may come with additional responsibilities	0.635			
	NCC Policy				
	PIMS	0.650			
	COMPASS	0.900			
		13.031	**3.045**	**3.050**	**3.050**
	SAVINGS				
CHL013	Update our budget for retirement costs for teachers to reflect how much we are now spending on this - we are not responsible for paying redundancy and retirements costs for teachers that work for the growing number of academy schools	-0.100			
CHL026	Keep all children's centres open and focus their work on supporting the families that need them most	-0.309			

Reference	Budget change forecasts for 2018-22 Children's Services	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
CHL041	Remodel the children's centre service offer	-2.000	-3.000		
CHL042	Reduction in legal expenses	-0.142	-0.142		
CHL043	Reduce the reliance on agency social workers through the improved permanent recruitment and retention		-0.200		
CHL044	Reduced Looked After Children's costs through implementation of the Demand Management and Prevention Strategy transformation programme		-1.000	-2.000	-2.000
CHL045	Increased income received for Early Years training	-0.090			
		-2.641	**-4.342**	**-2.000**	**-2.000**
	BASE ADJUSTMENTS				
	New funding for School Improvement (monitoring and brokering)	-0.265			
	Troubled Families Grant less than expected	0.576			
		0.311	**0.000**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	Educator Solutions transfer to HR	-0.120			
	Schools Appeals Panel from Democratic Services to Children's Services	0.101			
	Depreciation transfer	-3.477			
	Debt management transfer	-0.010			
	REFCUS transfer	1.607			
	Family Nurse Partnership to Public Health	-0.205			
		-2.104	**0.000**	**0.000**	**0.000**
	NET BUDGET	**185.948**	**184.651**	**185.700**	**186.750**

There may be small differences in the table above due to the rounding of figures.

Budget Changes Forecast for 2018-22 Environment Development and Transport Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**134.236**	**103.073**	**106.723**	**110.181**
Growth				
Economic / Inflationary	2.617	2.063	2.107	2.107
Legislative Requirements	0.050	0.022	0.000	0.000
Demand / Demographic	0.414	1.838	1.700	1.700
NCC Policy	0.005	0.005	0.000	0.000
Total Growth	**3.087**	**3.928**	**3.807**	**3.807**
Savings				
Savings brought forward from previous budget round	-0.605	0.000	0.000	0.000
Changes to previous savings	1.850	0.000	0.000	-1.850
New Savings 2018-19 Budget Round	-2.749	-0.310	-0.350	0.000
Total Savings	**-1.504**	**-0.310**	**-0.350**	**-1.850**
Base Adjustments	**-0.005**	**-0.005**	**0.000**	**0.000**
Cost Neutral Adjustments	**-32.740**	**0.037**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**103.073**	**106.723**	**110.181**	**112.138**

Reference	Budget change forecasts for 2018-22 Environment, Development and Transport	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**134.236**	**103.073**	**106.723**	**110.181**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	0.621	0.498	0.442	0.442
	Basic Inflation - Prices	1.997	1.565	1.666	1.666
	Demand / Demographic				
	Waste pressure	0.162	1.700	1.700	1.700
	Highways maintenance NDR	0.125	0.111		
	Rural grass cutting	0.050			
	Highways new developments	0.027	0.027		
	Additional street lights new developments	0.050			
	Legislative Requirements				
	Ash Die Back	0.050	0.022		
	NCC Policy				
	Additional flood funding	0.005	0.005		
		3.087	**3.928**	**3.807**	**3.807**
	SAVINGS				
EDT027	Environment service - redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns	-0.200			

Reference	Budget change forecasts for 2018-22 Environment, Development and Transport	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
EDT028	Intelligent transport systems - put new technology and models in place for delivery of the intelligent transport systems approaching the end of their economic life, including replacing rising bollard technologies at bus gates with camera enforcement and co-locating the control room with another public service provider	-0.085			
EDT032	Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week				-1.850
EDT040	Waste – efficiency savings through robust management of costs through open-book accounting	0.030			
EDT045	One off saving - further capitalisation of highways maintenance activities in 2016-17, to release a revenue saving to carry forward to 2017-18	1.500			
EDT049	Succession of milder winters justifies a reduction in the winter maintenance budget	-0.400			
EDT050	Improved management of on-street car parking		-0.150	-0.350	
EDT051	Re-profiling the public transport budget	-0.250			
EDT054	Reducing spend on non-safety critical highway maintenance	-0.200			
EDT055	Change the construction and demolition waste concession at all recycling centres	-0.280			
EDT056	Reduce waste reduction activity	-0.150			
EDT057	Further roll-out of street lighting LEDs	-0.160	-0.160		
EDT058	Vacancy management and streamlined management arrangements	-0.159			
EDT059	Changing back office processes and efficiency	-0.085			
EDT060	Capitalisation of activities to release a revenue saving	-1.065			
		-1.504	**-0.310**	**-0.350**	**-1.850**
	BASE ADJUSTMENTS				
	Lead Local Flood Authority Grant	-0.005	-0.005		
		-0.005	**-0.005**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	Leases		0.037		
	Transfer of CES admin budgets	0.028			
	Budget to Communities Committee	0.000			

Reference	Budget change forecasts for 2018-22 Environment, Development and Transport	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	Budget from Business and Property Committee	0.358			
	Depreciation for Highways network asset	-35.692			
	Transfer to landfill provision (Edgefield)	-0.094			
	Depreciation transfer	2.670			
	Debt management transfer	0.002			
	DoT - Local access funding - Norfolk trails transfer to Public Health	-0.013			
		-32.740	**0.037**	**0.000**	**0.000**
	NET BUDGET	**103.073**	**106.723**	**110.181**	**112.138**

There may be small differences in the table above due to the rounding of figures.

Budget Changes Forecast for 2018-22 Communities Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**48.811**	**47.227**	**47.924**	**46.090**
Growth				
Economic / Inflationary	1.229	0.935	0.951	0.951
Legislative Requirements	-0.817	-1.031	0.000	0.000
Demand / Demographic	0.000	0.000	0.000	0.000
NCC Policy	0.000	0.000	0.000	0.000
Total Growth	**0.412**	**-0.096**	**0.951**	**0.951**
Savings				
Savings brought forward from previous budget round	-0.102	0.000	0.000	0.000
Changes to previous savings	0.235	-0.235	0.000	0.000
New Savings 2018-19 Budget Round	-1.872	-0.200	-2.786	-1.500
Total Savings	**-1.739**	**-0.435**	**-2.786**	**-1.500**
Base Adjustments	**1.031**	**1.031**	**0.000**	**0.000**
Cost Neutral Adjustments	**-1.288**	**0.197**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**47.227**	**47.924**	**46.090**	**45.541**

Reference	Budget change forecasts for 2018-22 Communities	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**48.811**	**47.227**	**47.924**	**46.090**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	1.111	0.902	0.920	0.920
	Basic Inflation - Prices	0.118	0.033	0.032	0.032
	Legislative Requirements				
	Reduced Public Health expenditure	-1.031	-1.031		
	Business rates revaluation	0.214			
		0.412	**-0.096**	**0.951**	**0.951**
	SAVINGS				
CMM022	Libraries and Information Service - re-model of service and income generation	-0.387	-0.235		
CMM023	Fire and Rescue Service - sharing headquarters and control room at Police HQ and capitalisation of activities to release a revenue saving	-0.490			
CMM036	Registration service income generation - develop business opportunities within the service to generate additional income	-0.080			
CMM039	One-off saving through re-setting budgets for leased equipment	0.090			
CMM040	Capitalisation of library books 16-17 resulting in a one-off saving	1.000			

Reference	Budget change forecasts for 2018-22 Communities	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
CMM042	Providing a joined up Library and Children's Centre Services			-0.500	
CMM043	Income generation – Norfolk Museums Service	-0.070		-0.400	
CMM044	Income generation – Norfolk Records Office	-0.030			
CMM045	Income generation – Norfolk Community Learning Services			-0.125	
CMM046	Income generation – Library and Information Service		-0.020	-0.111	
CMM047	Registrars Service – external income	-0.120	-0.100	-0.150	
CMM048	Changing back office processes and efficiency	-0.043			
CMM049	Vacancy management and streamlined management arrangements – Museums and Historic Environment	-0.120			
CMM050	Vacancy management – Customer Services	-0.120	-0.030		
CMM051	Norfolk Community Learning Services – remodelling the staff structure, including staffing reduction	-0.150	-0.050		
CMM052	Capitalisation of activities to release a revenue saving	-0.030			
CMM053	Reduction in Healthwatch grant	-0.189			
CMM054	Using Public Health grant funding to support the delivery of Public Health activity throughout the Authority	-1.000		-1.500	-1.500
		-1.739	**-0.435**	**-2.786**	**-1.500**
	BASE ADJUSTMENTS				
	Reduced Public Health grant	1.031	1.031		
		1.031	**1.031**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	Leases	0.164	0.197		
	Transfer of CES admin budgets	-0.028			
	Adults Rehabilitation Public Health agreed cross cutting savings 2017-18	0.140			
	BIPS Public Health agreed cross cutting savings 2017-18	0.180			
	Budget from Digital Innovation and Efficiency Committee	0.065			
	Budget for Customer Services reception	0.010			
	Budget to EDT Committee	0.000			
	Additional CPP staff budget from Managing Director's Department	0.079			
	Print recharge	0.000			
	Transfer of Complaints Service to Democratic Services	-0.341			
	Budget for Equality and Diversity Team to P&R Committee	-0.222			

Budget change forecasts for 2018-22 Communities					
Reference		2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	Adult business support post to Customer Service Centre	0.020			
	Blue Badge Scheme budget from Adults to Communities	0.007			
	Depreciation transfer	-1.106			
	Debt management transfer	-0.003			
	REFCUS transfer	-0.539			
	Information Advice & Guidance Directory from Adults	0.070			
	Family Nurse Partnership from Children's Services	0.205			
	DoT - Local access funding - Norfolk trails transfer to Public Health	0.013			
		-1.288	**0.197**	**0.000**	**0.000**
	NET BUDGET	**47.227**	**47.924**	**46.090**	**45.541**

There may be small differences in the table above due to the rounding of figures.

Budget Changes Forecast for 2018-22 Business and Property Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**9.039**	**8.172**	**6.093**	**4.036**
Growth				
Economic / Inflationary	0.085	-0.004	-0.007	-0.007
Legislative Requirements	-0.039	0.000	0.000	0.000
Demand / Demographic	0.000	0.000	0.000	0.000
NCC Policy	0.000	0.000	0.000	0.000
Total Growth	**0.046**	**-0.004**	**-0.007**	**-0.007**
Savings				
Savings brought forward from previous budget round	-1.751	-1.000	0.000	0.000
Changes to previous savings	1.300	0.000	-0.650	-0.650
New Savings 2018-19 Budget Round	-0.600	-1.075	-1.400	-0.500
Total Savings	**-1.051**	**-2.075**	**-2.050**	**-1.150**
Base Adjustments	**0.000**	**0.000**	**0.000**	**0.000**
Cost Neutral Adjustments	**0.137**	**0.000**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**8.172**	**6.093**	**4.036**	**2.879**

Reference	Budget change forecasts for 2018-22 Business and Property	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**9.039**	**8.172**	**6.093**	**4.036**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	0.043	0.041	0.108	0.108
	Basic Inflation - Prices	0.042	-0.045	-0.115	-0.115
	Legislative Requirements				
	Carbon Reduction Commitment increased price per tonne	0.045			
	Business rates revaluation	-0.084			
		0.046	**-0.004**	**-0.007**	**-0.007**
	SAVINGS				
EDT020	Economic development match funding - cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities	-0.051			
P&R027 /P&R058 /P&R060	Property savings	-0.400	-1.000	-0.650	-0.650
B&P001	Return from property development company – Repton Property Developments Ltd		-0.500	-1.000	-0.500
B&P002	Property further centralisation of existing property budgets in services will allow maximisation of savings	-0.400	-0.400	-0.400	

Budget change forecasts for 2018-22 Business and Property					
Reference		2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	opportunities – savings estimated at 5% of current budget each year				
B&P003	Property seeking opportunities to reduce fees paid to NPS	-0.100	-0.100		
B&P004	Property reducing facilities management costs	-0.075	-0.075		
B&P005	Economic Development - closer/joint working with New Anglia Local Enterprise Partnership	-0.025			
		-1.051	**-2.075**	**-2.050**	**-1.150**
	COST NEUTRAL ADJUSTMENTS				
	Transfer to EDT Committee	-0.358			
	Print recharge	0.000			
	Depreciation transfer	0.295			
	Debt management transfer	0.000			
	REFCUS transfer	0.200			
		0.137	**0.000**	**0.000**	**0.000**
	NET BUDGET	**8.172**	**6.093**	**4.036**	**2.879**

There may be small differences in the table above due to the rounding of figures.

Budget Changes Forecast for 2018-22 Digital Innovation and Efficiency Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**16.048**	**13.488**	**12.791**	**12.401**
Growth				
Economic / Inflationary	0.318	0.304	0.310	0.310
Legislative Requirements	0.000	0.000	0.000	0.000
Demand / Demographic	0.000	0.000	0.000	0.000
NCC Policy	0.000	0.000	0.000	0.000
Total Growth	**0.318**	**0.304**	**0.310**	**0.310**
Savings				
Savings brought forward from previous budget round	-0.726	-0.059	0.000	0.000
Changes to previous savings	0.000	0.000	0.000	0.000
New Savings 2018-19 Budget Round	0.000	-0.941	-0.700	0.000
Total Savings	**-0.726**	**-1.000**	**-0.700**	**0.000**
Base Adjustments	**0.000**	**0.000**	**0.000**	**0.000**
Cost Neutral Adjustments	**-2.152**	**0.000**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**13.488**	**12.791**	**12.401**	**12.711**

Reference	Budget change forecasts for 2018-22 Digital Innovation and Efficiency	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**16.048**	**13.488**	**12.791**	**12.401**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	0.174	0.171	0.175	0.175
	Basic Inflation - Prices	0.144	0.133	0.135	0.135
		0.318	**0.304**	**0.310**	**0.310**
	SAVINGS				
EDT048	Use of Better Broadband reserves	0.500			
P&R050	Cutting costs through efficiencies by a zero based review of our services - working with services to establish the base requirement and shape of resources to support the future needs of the organisation	-0.339			
P&R062	Raising revenue through recharging the full costs of our services to external customers - ensuring that ICT services to schools, and other external clients, fully reflect both the direct and indirect costs incurred	-0.302			
P&R063	Cutting costs through efficiencies by menu based pricing - the services provided have evolved since the formation of Shared Services in 2010, services have had little visibility of costs or the ability to control them. A	-0.264			

Reference	Budget change forecasts for 2018-22 Digital Innovation and Efficiency	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	full review of the prices of services and equipment would offer visibility and choice to services - alternatives may include self service				
P&R064	Cutting costs through efficiencies by reducing unit costs - the menu based proposition above offers the opportunity to reduce costs by reduced demand, this proposition offers the opportunity to reduce unit costs, e.g. by benchmarking and taking any appropriate resulting actions	-0.321			
P&R082	Release ICT lease budget no longer required		-0.059		
DIE001	IMT – various savings within IMT including: · Exit from the HPE contract · Restructuring and headcount reduction (management and technical support costs) · Income generation, particularly services for schools		-0.941	-0.700	
		-0.726	**-1.000**	**-0.700**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	Budget moved to Customer Services	-0.065			
	Print recharge	-0.008			
	Depreciation transfer	0.136			
	Debt management transfer	0.000			
	REFCUS transfer	-2.215			
		-2.152	**0.000**	**0.000**	**0.000**
	NET BUDGET	**13.488**	**12.791**	**12.401**	**12.711**

There may be small differences in the table above due to the rounding of figures.

Budget Changes Forecast for 2018-22 Policy and Resources Committee	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Cash Limited Base Budget	**-288.125**	**-221.574**	**-194.811**	**-140.712**
Growth				
Economic / Inflationary	0.964	1.813	0.828	0.827
Legislative Requirements	1.574	3.157	2.332	2.061
Demand / Demographic	0.080	0.080	0.080	0.080
NCC Policy	9.321	3.579	6.500	13.000
Total Growth	**11.939**	**8.629**	**9.740**	**15.968**
Savings				
Savings brought forward from previous budget round	9.100	0.290	0.000	0.000
Changes to previous savings	0.814	0.000	0.000	0.000
New Savings 2018-19 Budget Round	-4.962	1.066	-0.387	0.000
Total Savings	**4.952**	**1.356**	**-0.387**	**0.000**
Base Adjustments	**17.815**	**16.133**	**44.747**	**0.000**
Cost Neutral Adjustments	**31.845**	**0.645**	**0.000**	**0.000**
CASH LIMITED BASE BUDGET	**-221.574**	**-194.811**	**-140.712**	**-124.744**

Reference	Budget change forecasts for 2018-22 Policy and Resources	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	OPENING BUDGET	**-288.125**	**-221.574**	**-194.811**	**-140.712**
	ADDITIONAL COSTS				
	Inflationary				
	Basic Inflation - Pay (2% for 18-22)	0.984	1.909	0.926	0.926
	Basic Inflation - Prices	-0.021	-0.096	-0.098	-0.099
	Demand / Demographic				
	Coroners - additional cost for storing bodies	0.080	0.080	0.080	0.080
	Legislative Requirements				
	Pension revaluation	1.000	2.250	2.000	2.000
	Election May 2017	-1.000			
	Use of reserves to fund election	1.275			
	National Living Wage - NCC staff		0.766	0.271	
	Environment Agency levy increase	0.050	0.050	0.050	0.050
	IR35 personal service companies additional Employers NI liability	0.138			
	Increased IFCA Precept	0.011	0.091	0.011	0.011
	Coroners pay review	0.050			
	Apprenticeship levy	0.050			
	NCC Policy				
	Treasury management costs	1.610	3.079		
	Remove transitional funding one-off from 2016-17 reserve	4.561			
	Cost of Members ICT refresh	-0.050			
	Educator Solutions cost pressure	0.380			

Reference	Budget change forecasts for 2018-22 Policy and Resources	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
	Increase contribution to elections reserve for actual 2017 costs	0.050			
	Investment in Children's Services demand management and prevention strategy	2.000			
	Maximising council tax initiatives	0.200			
	Minimum Revenue Provision (MRP)			7.500	13.000
	Norfolk Futures transformation budget	0.500	0.500	-1.000	
	Review and realignment of Finance General budgets for new pressures identified in 2018-19 budget round	0.070			
		11.939	**8.629**	**9.740**	**15.968**
	SAVINGS				
P&R050 /P&R062 /P&R063 /P&R064	2017-20 budget round savings relating to Procurement (Finance and Commercial Services)	-0.063			
P&R051	Raising revenue by an increased ESPO dividend - ESPO is a Joint Committee of which Norfolk is the largest member, buying on behalf of schools, councils and others. ESPO plans to reduce its costs and increase its market presence outside of its traditional operating area, resulting in an increased dividend	-0.100			
P&R052	Cutting costs through efficiencies: staffing - the proposal is to work across teams to deliver reductions in cost and headcount over two years via various work streams - delayering, critical review of all activities to ensure either we are helping to deliver council outcomes or we are working at a statutory minimum, reduce failure demand, and introduce automation wherever possible	-0.500			
P&R066	Second Homes council tax income	-0.722			
P&R076	Insurance fund contribution	1.350			
P&R077	Implementation of MRP policy	0.136	0.290		
P&R078	Remove use of capital receipts in 17-18 to fund MRP	4.000			
P&R081	Remove one-off use of reserves identified in June 2017 (to support 2017-18 investment in Children's Services)	5.813			
P&R083	NPLaw services - external income	-0.100	-0.100	-0.150	
P&R084	Internal Audit - income generation	-0.010			

Budget change forecasts for 2018-22 Policy and Resources					
Reference		2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
P&R085	Finance service - income generation	-0.050			
P&R086	Coroners relocation to County Hall		-0.042	-0.050	
P&R096	Increased ESPO dividend	-0.200			
P&R098	Increased NORSE dividend	-0.250	-0.750		
P&R087	Reduce the budget for the Equality and Diversity Team which is spent on supporting community events	-0.025			
P&R088	Coroners mortuary facilities	-0.025	-0.025		
P&R090	Finance Exchequer Services savings	-0.300	-0.060		
P&R091	Procurement - capitalisation	-0.050			
P&R092	Finance service - vacancy review	-0.100			
P&R093	Use of general capital receipts in 18-19 to fund MRP	-2.000	2.000		
P&R094	Use of airport deferred capital receipts in 18-19 to fund MRP	-0.840	0.840		
P&R095	Second Homes council tax income		-0.722		
P&R099	Realignment of budgets to reflect new departmental structures and revised plans for savings delivery including use of one-off reserves in 2018-19	-0.574	-0.075	-0.187	
P&R100	Second Homes contribution to Norfolk Infrastructure Fund	-0.438			
		4.952	**1.356**	**-0.387**	**0.000**
	BASE ADJUSTMENTS				
	Funding reductions	15.439	15.845	38.810	
	New Homes Bonus grant	1.321	0.288	2.742	
	Rural Services grant			3.195	
	Transition grant	1.657			
	Business rates forecast	0.141			
	Business rates Section 31 grant	-0.772			
	Extended Rights to Free Travel Grant	0.028			
		17.815	**16.133**	**44.747**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	Leases	-0.164	-0.234		
	Social Care system to Adults	0.035	0.879		
	BIPS Public Health agreed cross cutting savings 2017-18	-0.180			
	Budget for Customer Services reception	-0.010			
	Depreciation for Highways network asset	35.692			
	Print recharge	0.000			
	Transfer to landfill provision (Edgefield)	0.094			
	Additional CPP staff budget from Managing Director's Department	-0.079			
	Transfer of Complaints Service to Democratic Services	0.341			

Budget change forecasts for 2018-22 Policy and Resources					
Reference		**2018-19 £m**	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**
	Budget for Equality and Diversity Team from Communities Committee	0.222			
	Educator Solutions transfer to HR	0.120			
	Schools Appeals Panel from Democratic Services to Children's Services	-0.101			
	Print recharge	0.008			
	Depreciation transfer	1.408			
	Debt management transfer	0.010			
	REFCUS transfer	-5.552			
		31.845	**0.645**	**0.000**	**0.000**
	NET BUDGET	**-221.574**	**-194.811**	**-140.712**	**-124.744**

There may be small differences in the table above due to the rounding of figures.

Council Tax Precept 2018-19 (Council Tax Increase 5.99%)

The number of properties, in each council tax band and in each district is converted into 'Band D' equivalent properties and this gives us our council tax base. The number of properties in each district is shown below.

The council tax base is then multiplied by the 'Band D' amount to calculate our council tax income (the precept). The precept generated in each district is shown below.

	£m
2018-19 Council Tax Requirement	388.799
Less:	
Estimated Surplus on District Council Collection Funds etc.	5.658
Precept Charge on District Councils	**383.141**
Council Tax for an average Band "D" Property in 2018-19	1,322.73 (+5.99%)
Council Tax for an average Band "B" Property in 2018-19	1,028.79 (+5.99%)

Total payments to be collected from District Councils in 2018-19

District Council	Tax Base	Collection Fund Surplus / (Deficit)	Precept	Total Payments Due
	(a)	(b)	(c)	(d)
		£	£	£
Breckland	42,806	925,696	56,620,780	57,546,476
Broadland	45,735	-94,186	60,495,057	60,400,871
Great Yarmouth	28,064	750,000	37,121,095	37,871,095
King's Lynn and West Norfolk	49,466	1,176,230	65,430,030	66,606,260
North Norfolk	39,844	1,162,084	52,702,854	53,864,938
Norwich	35,485	1,580,699	46,937,074	48,517,773
South Norfolk	48,259	157,932	63,833,627	63,991,559
Total	**289,659**	**5,658,455**	**383,140,517**	**388,798,972**

Council Tax Precept 2018-19 (Council Tax Increase 5.99%)

Council Tax Collection

The precept (column (c) above) for 2018-19 will be collected in 12 instalments from the District Council Collection Funds, as follows:

Payment	Date	%
1	19 April 2018	8%
2	21 May 2018	9%
3	19 June 2018	9%
4	19 July 2018	9%
5	20 August 2018	9%
6	19 September 2018	9%
7	19 October 2018	9%
8	19 November 2018	9%
9	19 December 2018	9%
10	21 January 2019	9%
11	19 February 2019	3%
12	19 March 2019	8%
		100%

Where a surplus on collection of 2017-18 council tax (column (b) above) has been estimated, the District Council concerned will pay to the County Council its proportion of the sum by ten equal instalments, as an addition to the May 2018 to February 2019 precept payments.

Where a deficit on collection of 2017-18 council tax (column (b) above) has been estimated, the District Council concerned will receive from the County Council its proportion of the sum by ten equal instalments, as a reduction to the May 2018 to February 2019 precept payments.

2018-19 Council Tax Bands

In accordance with Section 40 of the Local Government Finance Act 1992, the County Council amount of the council tax for each valuation band be as follows:

Band	£
A	881.82
B	1,028.79
C	1,175.76
D	1,322.73
E	1,616.67
F	1,910.61
G	2,204.55
H	2,645.46

APPENDIX E

DRAFT Budget and Service Planning Timetable 2019-20

Activity/Milestone	Time frame
County Council agree recommendations for 2018-22 including that further plans to meet the shortfall for 2019-20 to 2021-22 are brought back to Members during 2018-19	12 February 2018
Spring Statement 2018 announced	13 March 2018
Consider implications of service and financial guidance and context, and review / develop service planning options for 2019-23	February – June 2018
Member review of the latest financial position on the financial planning for 2019-23	July 2018
Member review of budget planning position including early savings proposals	September – October 2018
Consultation on new planning proposals and council tax 2019-23	Late October to December 2018 / January 2019
Service reporting to Members of service and budget planning – review of progress against MTFS and planning options	November 2018
Chancellor's Autumn Budget 2018	November / December 2018
Provisional Local Government Finance Settlement	December 2018
Service reporting to Members of service and financial planning and consultation feedback	January 2019
Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee	Late January 2019
Confirmation of District council tax base and Business Rate forecasts	31 January 2019
Final Local Government Finance Settlement	February 2019
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	Late January / Early February 2019
County Council agree Medium Term Financial Strategy 2019-20 to 2022-23, revenue budget, capital programme and level of council tax for 2019-20	Mid-February 2019

Budget Proposals for Policy and Resources Committee Budgets 2018-19

1. Summary of saving proposals by Directorates reporting to Policy and Resources Committee

The table below sets out a summary of the savings proposals for services within the Directorates reporting to the Policy and Resources Committee.

Committee	2018-19 Saving £m	2019-20 Saving £m	2020-21 Saving £m	2021-22 Saving £m	Total Saving £m
Community and Environmental Services	-0.025	0.000	0.000	0.000	**-0.025**
Managing Director's Department	-0.699	-0.242	-0.387	0.000	**-1.328**
Finance and Commercial Services	-1.073	-0.060	0.000	0.000	**-1.133**
Finance General	6.749	1.658	0.000	0.000	**8.407**
Total Savings	**4.952**	**1.356**	**-0.387**	**0.000**	**5.921**

The analysis of savings between Community and Environmental Services, the Managing Director's Department, Finance and Commercial Services, and Finance General is for indicative purposes only. The split of these savings may be subject to minor adjustment as part of the preparation of the 2018-22 Budget Book. There are also savings to be delivered by these Directorates which relate to services reporting to other Committees, in particular Business and Property and Digital Innovation and Efficiency Committees.

The detail of individual savings proposed for Policy and Resources Committee are set out in Appendix C. Consultation findings in respect of the proposal to reduce the budget for the Equality and Diversity Team are set out in Section 12 of the Revenue Budget report.

The net savings position for Finance General (and as a result, Policy and Resources Committee as a whole) reflects the reversal of a number of one-off savings from 2017-18, such as the use of the Insurance Fund, one-off use of reserves to support the Children's Services budget, and the use of Capital Receipts totalling £11.299m. The gross savings to be delivered by Policy and Resources Committee budgets in 2018-19 are £6.347m.

2. Implications and risks for budget planning 2018-19

2.1 There are no specific implications of the provisional Local Government Finance Settlement that are relevant to the budgets reporting to the Policy and Resources Committee beyond those set out in the Revenue Budget report.

2.2 There are no specific planning assumptions relevant to the budgets reporting to the Policy and Resources Committee beyond those set out in the Revenue Budget report.

Unconfirmed Draft Service Committee Minutes

Due to the timing of Committee meetings, and the publication date for these papers, unconfirmed draft Service Committee minutes will be provided to follow at the following site:

http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/640/Committee/21/SelectedTab/Documents/Default.aspx

Equality Impact Assessment:
Mitigating Actions for budget proposals 2018-2019

Mitigating Actions for equality & rural impact assessments of budget proposals 2018-2019

Policy & Resources Committee:

	Action/s	Lead	Date
1.	Note the potential impact of the proposal to increase Council Tax.	Policy & Resources Committee	29 January 2018
2.	If the proposal to reduce the budget for the Equality and Diversity Team goes ahead, the team to work with the Chair of Norfolk's Black History Month Steering Group to monitor the impact and report back to Policy & Resources Committee if any detrimental impact is identified.	Equality & Diversity Manager	By 31 January 2019

Adult Social Care Committee:

	Action/s	Lead	Date
1.	If the proposal to review charging policy to align to actual disability related expenses goes ahead: (i) Continue to review whether different groups of service users (for example people with learning difficulties) face barriers to claiming and evidencing spending (noting that a range of approaches are already available to provide appropriate support). If so, develop actions for addressing any barriers. (ii) Contact all service users affected, to offer guidance and advice on any steps they need to take – taking into account the needs of different groups of service users, such as people with learning difficulties. This will include how to complete the forms and the evidence that is required. It will also include how to ask for help to complete the forms and who to talk to if they are worried about how they will manage the impact. (iii) Work with relevant stakeholders to ensure that the guidance provided is simple, clear and accessible, particularly for people with learning difficulties and people with mental health issues, and that it addresses the fact that some service users may be fearful of seeking information and advice as they may	Executive Director of Adult Social Care	From 1 April 2018

Equality Impact Assessment:
Mitigating Actions for budget proposals 2018-2019

	Action/s	Lead	Date
	worry that current entitlements may lessen or be withdrawn. (iv) If a service user expresses concern about financial austerity, offer appropriate budget planning or other relevant support to make sure people are spending as effectively as possible, and ensure transition plans are established.		

Children's Services Committee:

	Action	Lead	Date
1.	If the proposal to remodel children's centre services goes ahead, at an appropriate stage when the review has taken place, equality/rural impact assessments to be carried out on any options to cease, stop or change a service, to identify any potential impacts on service users or communities. These assessments to include a risk assessment of access planning of potential sites, and a cost impact assessment on users. If any detrimental impacts are identified, they should be reported to Children's Services Committee, along with any proposed mitigating actions that could be carried out, for consideration before a final decision is made.	Acting Assistant Director (Early Help and Prevention)	From 1 April 2018
2.	Where service remodelling impacts on Norfolk County Council staff working patterns, line managers to consult with staff about any proposed changes, prior to them being agreed. This will enable any access issues to be highlighted. Where issues are identified, appropriate solutions should be sought e.g. reasonable adjustments.	Lead HR and OD Business Partner supporting Children's Services to ensure line managers are aware of their responsibilities	From 1 April 2018
3.	HR Shared Service to continue to monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action.	Senior HR Consultant (Workforce Insight))	From 1 April 2018

Equality Impact Assessment:
Mitigating Actions for budget proposals 2018-2019

Communities Committee:

	Action	Lead	Date
1.	If the proposal to reduce Healthwatch grant goes ahead, offer assistance to Healthwatch to help prioritise activity in line with the areas of highest need for people with protected characteristics, and highlight alternative sources of funding or opportunities that may be available to Healthwatch.	Assistant Director, Community, Information and Learning	From 1 April 2018
2.	If the proposal to remodel the staff structure of Norfolk Community Learning Services goes ahead, support learners who currently use the childcare service to access alternative provision, including ensuring staff are trained to be able to inform them of their entitlement to alternatives.	Assistant Director, Community, Information and Learning	From 1 April 2018
3.	If the proposal to provide a joined up Library and Children's Centre service goes ahead, at an appropriate stage when the review has taken place, equality/rural impact assessments to be carried out, to identify any potential impacts on service users. This to include a risk assessment of access planning of potential sites, and a cost impact assessment on users. If any detrimental impacts are identified, they should be reported to the relevant committee, along with any proposed mitigating actions that could be carried out, for consideration before a final decision is made.	Acting Assistant Director (Early Help and Prevention)	From 1 April 2018
4.	HR Shared Service to continue to monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action.	Senior HR Consultant (Workforce Insight))	From 1 April 2018

Environment, Development & Transport Committee:

	Action	Lead	Date
1.	If the proposal to improve management of on-street car parking goes ahead, equality impact assessments to be undertaken on any local schemes being proposed as a result of the review. In the event that an assessment identifies any detrimental impact on disabled people or in rural areas, this to be reported to EDT Committee for consideration before a decision is made.	Assistant Director Planning and Economy	From 1 April 2018

APPENDIX H(i)

Equality Impact Assessment:
Mitigating Actions for budget proposals 2018-2019

	Action	Lead	Date
2.	If the proposal to review the operation of bus services supported by the County Council goes ahead, at an appropriate stage when the review has taken place, equality/rural impact assessments to be carried out on any options to cease, stop or change a service, to identify any potential impacts on service users. If any detrimental impacts are identified, they should be reported to EDT Committee, along with any proposed mitigating actions that could be carried out, for consideration before a final decision is made.	Assistant Director Planning and Economy	From 1 April 2018
3.	If the proposal to reduce the number of roads being gritted goes ahead, the assessment methodology to take into account data on rural communities and proximity of older or disabled people (e.g. sheltered housing). The Council to make sure all relevant community groups including parish and district councils are informed of any changes to the policy, so that they can continue to help vulnerable communities within the county during times of severe weather.	Assistant Director-Highways	From 1 April 2018
4.	If the proposal to reduce how much the Council spends on non-safety critical highway maintenance goes ahead, closely monitor the impact of this, and if at any stage it appears that there may be an impact on safety, a report to be brought to EDT Committee setting out the specific issues and seeking a decision on next steps.	Assistant Director-Highways	From 1 April 2018
5.	HR Shared Service to continue to monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action.	Senior HR Consultant (Workforce Insight)	From 1 April 2018

APPENDIX H(ii)

Equality Impact Assessment

The full assessment findings of all budget proposals are set out in Appendix H(ii) which is available electronically via this hyperlink. Clear reasons are provided for each proposal to show why, or why not, adverse impact has been identified, and the nature of this impact.

The findings have been made available electronically due to the size of the document.

Appendix H(i) and H(ii) produced by Equality & Diversity Team

Norfolk County Council: Medium Term Financial Strategy 2018-22

1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) 2018-22 replaces the Medium Term Financial Strategy 2017-20.

1.2. The four-year funding allocations announced following the Spending Review and Autumn Statement 2015 provided a clear outline of the challenging financial future for local government. In November 2016 the Government confirmed that Norfolk County Council's Efficiency Plan[1] had been accepted, providing the Council with access to the funding allocations published as part of the 2016-17 settlement for the period up to 2019-20.

1.3. These allocations meant greater certainty in budget planning, but nonetheless the County Council faces significant reductions in Government funding in the remaining two years of the offer to 2019-20. The funding allocations for the second half of the Medium Term Financial Strategy 2020-22 are unknown.

1.4. The MTFS sets out the latest information about national and local factors which impact upon budget planning decisions. It details funding reductions and shows how the Council intends to manage these reductions, to make transformative changes and plan new initiatives, while continuing to meet its statutory responsibilities.

1.5. As detailed more fully in the Revenue Budget report, the funding of social care remains a major issue for the County Council. Pressures in key areas such as Adult Social Care and Children's Services, alongside the ongoing impact from changes such as the National Living Wage, have given rise to significant additional costs for the organisation. These costs have contributed to a budget deficit forecast in the later years of this financial strategy, and as a result the Council will need to develop responses, including further savings plans, during future budget planning rounds. Details of the County Council's vision and strategy, including the transformation programme Norfolk Futures, are set out in separate reports to Policy and Resources Committee 29 January 2018.

2. National Factors

2.1. In the Autumn Budget 2017, the Chancellor of the Exchequer, Philip Hammond, outlined a "balanced approach" being adopted in the Budget, characterised as preparing for the exit from the EU, maintaining fiscal responsibility, investing in skills and infrastructure, supporting housebuilding and home ownership, and helping families with the rising cost of living.

[1] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en

2.2. In its Economic and Fiscal Outlook[2] published November 2017, the Office for Budget Responsibility (OBR) reported that GDP growth has been weaker than expected but that they were surprised "*by the strength of employment growth and the corresponding weakness of productivity growth. The persistence of weak productivity growth does not bode well for the UK's growth potential in the years ahead.*" In spite of this, public finances have performed better than the OBR expected. The combination of a better position now, but weaker forecasts, have led to revisions of the OBR's estimates over the next five years which have absorbed roughly half the "headroom" forecast to be available to the Government in 2020-21 when compared to the previous (March 2017) position. This means that unless there is an upturn in the economy, there is very little that the Chancellor can do to provide extra funding for local government, as there is less money available in the system.

2.3. The OBR forecast in the Economic and Fiscal Outlook for GDP growth for the UK is 1.5% in 2017, 1.4% in 2018, 1.3% in 2019 and 2020, 1.5% in 2021 and 1.6% in 2022. These economic forecasts have been produced in the context of significant economic uncertainty about the implications of the UK's decision to leave the European Union, however further cuts to public spending (as a share of GDP) are predicted in 2022-23[3].

European programmes that Norfolk County Council is involved in

2.4. The decision to leave the European Union taken in June 2016 will have a long term impact on the European funding available to the county. Norfolk County Council and "Norfolk plc" has historically benefited from European programmes and we have built up substantial expertise in designing, managing and delivering European projects and programmes. However, the referendum decision also provides an opportunity to influence alternative future funding schemes to benefit our local area.

2.5. European funding in Norfolk has been spent on a variety of activity such as:

- Economic growth and regeneration (for example supporting small businesses to start and grow);
- Skills, worklessness and employment support (for example, supporting unemployed people back into work);
- Environmental protection (for example, support for landowners to create wildlife habitats);
- Research and development (for example, support for universities to
- undertake research); and
- Agricultural support via the common agricultural policy (for example, subsidies for farmers, and grants for rural economic growth).

2.6. In the immediate period following the EU referendum, activity across the range of EU funded programmes available to Norfolk stalled, awaiting advice from central government on how to proceed. Some development time was lost as

[2] *Economic and Fiscal Outlook*, November 2017, Office for Budget Responsibility: http://budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-november-2017/
[3] http://budgetresponsibility.org.uk/download/november-2017-economic-fiscal-outlook-press-notice/

applicants waited for further news before taking the decision to apply for EU funds.

2.7. In October 2016, the Chancellor announced that all EU funded projects contracted before we leave the EU will be honoured in full. This guarantee includes honouring funding for projects which are due to complete in the years following the UK departure from the EU. The guarantee is subject to projects meeting two criteria: 1) value for money and 2) fit with national priorities; both of which are tested when projects are assessed.

2.8. This commitment from the Chancellor has provided welcome assurance that businesses and organisations can continue to benefit from European funded schemes available in our local area until funding contracts expire. The Economic Programmes team have been promoting the EU funding opportunities to potential applicants to maximise drawdown and benefit in Norfolk before we leave the EU ('use it or lose it').

Government policy and economy forecasts

2.9. The approach to negotiations about the UK's future relationship with Europe, alongside other policies and decisions by the Government have a significant impact on the Council's planning, for example through reductions to local government funding.

2.10. Alongside the provisional settlement, in December 2017, the Ministry for Housing, Communities and Local Government (MHCLG, formerly the Department for Communities and Local Government (DCLG)) published an update to its preferred measure of illustrative core spending power[4], which suggests that Norfolk's spending power will increase by 2.4% in cash terms in 2018-19, largely relating to the Government's forecast of increased revenues associated with the maximum 5.99% increase to local council tax. This represents a real terms reduction of around 0.7% when the OBR's latest inflation forecasts are taken into account.

2.11. The Bank of England's Monetary Policy Committee (MPC), increased Bank Base Rate from 0.25% to 0.50% on 2 November 2017[5]. The minutes from the MPC's meeting indicate that the central bank is in "*no hurry to raise interest rates again and that further increases will be limited*". Both investment earnings rates and new borrowing rates remain low by historical standards.

2.12. The Council's investment objectives remain safeguarding the timely repayment of principle and interest, whilst ensuring liquidity for cash flow and the generation of investment yield. The Council works closely with its external treasury advisors to determine the criteria for high quality institutions, including high quality banks and financial institutions, and local authorities. The Council applies a minimum acceptable credit rating criteria in order to generate a pool

[4] Core Spending Power 2018-19, December 2017, MHCLG
https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2018-to-2019
[5] Bank Base Rate increase, 2 November 2017, Monetary Policy Committee
http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp

of highly creditworthy UK and non-UK counterparties which provides diversification and avoids concentration risk. These are detailed further in the Annual Investment and Treasury Strategy 2018-19.

2.13. The level of commissioning undertaken by the Council sees a wide range of services being delivered by partners and through private sector contracts. Contractual obligations are often linked with the Consumer Price Index (CPI), meaning these rates will impact on the Council's budget setting activity and medium term planning. CPI[6] is currently running at 3% (December 2017 data, published 16 January 2018). It reached its highest in November (3.1%) and was at its lowest in January (1.8%). Details regarding how inflationary increases within identified cost pressures have been calculated are included within the Robustness of Estimates report.

2.14. The Government continues to prioritise the integration of the National Health Service and social care in order to improve services for patients and deliver efficiencies. Plans for integration are set out in local Sustainability and Transformation Programme (STP), which detail the challenges facing health and social care services over the next five years. By 2021 the Norfolk and Waveney STP[7] is intended to drive high quality care through integrated delivery, making significant progress towards financial sustainability. Further details about the STP are provided in the "Organisational Factors" section below.

2.15. After the County Council had agreed its Budget for 2017-18 in February, the Chancellor's Spring Budget in March 2017 announced £2bn of additional non-recurrent funding for social care, of which Norfolk will receive £18m in 2017-18, followed by £11m in 2018-19 and £6m in 2019-20. The funding will be paid as a direct grant to councils by the Ministry for Housing, Communities and Local Government (MHCLG). As a condition of the grant, councils will be required to pool the funding into their Better Care Fund (BCF). This fund is governed by the Health and Wellbeing Board and signed off by NHS England and MHCLG through national and local assurance.

2.16. The Government is providing funding to Local Government via an "Improved Better Care Fund" which includes both recurrent funding and the use of the one-off additional social care grant announced within the Spring Budget 2017 (see above). The three year plan covering the period 2017-2020 setting out the use of this funding was agreed by the County Council and health partners in July 2017. The budget proposals for 2018-19 incorporate the agreed use of this funding and where plans will not be implemented in full in 2017-18, it includes the use of one-off funding carried forward from 2017-18. Not including any carried forward of funding, the planned use of the improved better care fund in 2018-19 will total £27.726m. This includes £11.885m for protection of social care, which has minimised the need for the service to identify further savings as part of the corporate budget planning process; £10.800m to help sustain the care system, through increasing prices, implementing the home support framework, managing additional costs from national living wage legislation and

[6] Historic CPI indices, 16 January 2018, Office for National Statistics https://www.ons.gov.uk/economy/inflationandpriceindices
[7] Norfolk and Waveney STP http://www.healthwatchnorfolk.co.uk/ingoodhealth/

purchase of care; and continued investment in social work capacity and interventions to reduce delayed transfers of care from hospital.

3. The Government's deficit reduction programme

Deficit reduction 2010-11 to 2015-16

3.1. From October 2010, the Government implemented significant spending reductions with the aim of reducing the national deficit, which fell more heavily on local government than many other parts of the public sector. Norfolk County Council has absorbed a reduction of **£123.791m** in core funding from Government between 2010-11 and 2015-16.

Deficit reduction plans 2016-17 to 2019-20

3.2. In November 2015, the Government announced the outcomes of the Spending Review 2015. This set out plans for departmental budgets for the following four years, up to 2020.

3.3. The Autumn Budget 2017 confirmed that the government would continue to follow the spending plans set out in the 2015 Spending Review, and aims to achieve a budget surplus in the next parliament. The Government's continued commitment to achieving a balanced budget means that the current period of fiscal consolidation is likely to continue well into the 2020s, so there is little prospect of an end to the financial challenges facing local government in the medium term. The Government has however previously signalled that Departmental Expenditure Limits will increase in line with inflation from 2020-21.

3.4. The Provisional Local Government Finance Settlement 2016-17 set out an offer of a four-year funding settlement. As a pre-requisite to access these allocations, the council submitted an Efficiency Plan to Government, which has been accepted. This means that the council is now formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016-17 settlement for the period to 2019-20 (subject to future events such as transfers of functions and barring exceptional circumstances). From 2015-16 to 2017-18 these allocations saw the council lose **£64.814m** from the Settlement Funding Assessment (SFA). Over the period 2018-19 to 2019-20 they reflect further planned reductions in SFA totalling **£31.460m**.

3.5. This will mean that over the ten-year period 2010-11 to 2019-20, the council will have received reductions in core funding from Government of some **£220.065m**.

4. Local factors

4.1. In responding to these national pressures, Norfolk County Council is operating in the context of significant change in both the scope and scale of public services, and absorbing the government's associated sustained reductions in levels of funding. This pressure on resources has come at a time of increasing levels of demand, and complexity of needs, for many of the services the council provides.

4.2. The Council remains focussed on meeting the twin challenges of increasing demand and reducing central government funding, whilst minimising the impact on the front line delivery of services.

4.3. This Medium Term Financial Strategy has been developed to support work to ensure that the Council's gross budget of £1.4bn is spent to best effect for Norfolk people.

4.4. There are a number of local factors that impact upon services provided or commissioned by Norfolk County Council and therefore affect the budget, yet are (at least in part) outside of the Council's control. The most significant of these relate to demographics, the local economy, and ecological pressures.

Demographics

4.5. Norfolk's population is an estimated 892,900 in mid-2016 – an increase of around 7,900 on the previous year.

4.6. Over the decade from 2007, Norfolk's population has increased by 6.9%, compared with an increase of 8.4% in the East of England region and 7.6% in England.

4.7. Over the decade from 2007, in terms of broad age groups, numbers of children and young people in the county (aged 0-17) increased by around 5,600 (3.4%); numbers of working age adults (aged 18-64) increased by around 11,000 (2.2%); and numbers of older people (aged 65 and over) increased by around 41,400 (24.1%).

4.8. The estimates for mid-2016 confirm that Norfolk's population has a much older age profile than England as a whole, with 23.9% of Norfolk's population aged 65 and over, compared with 17.9% in England.

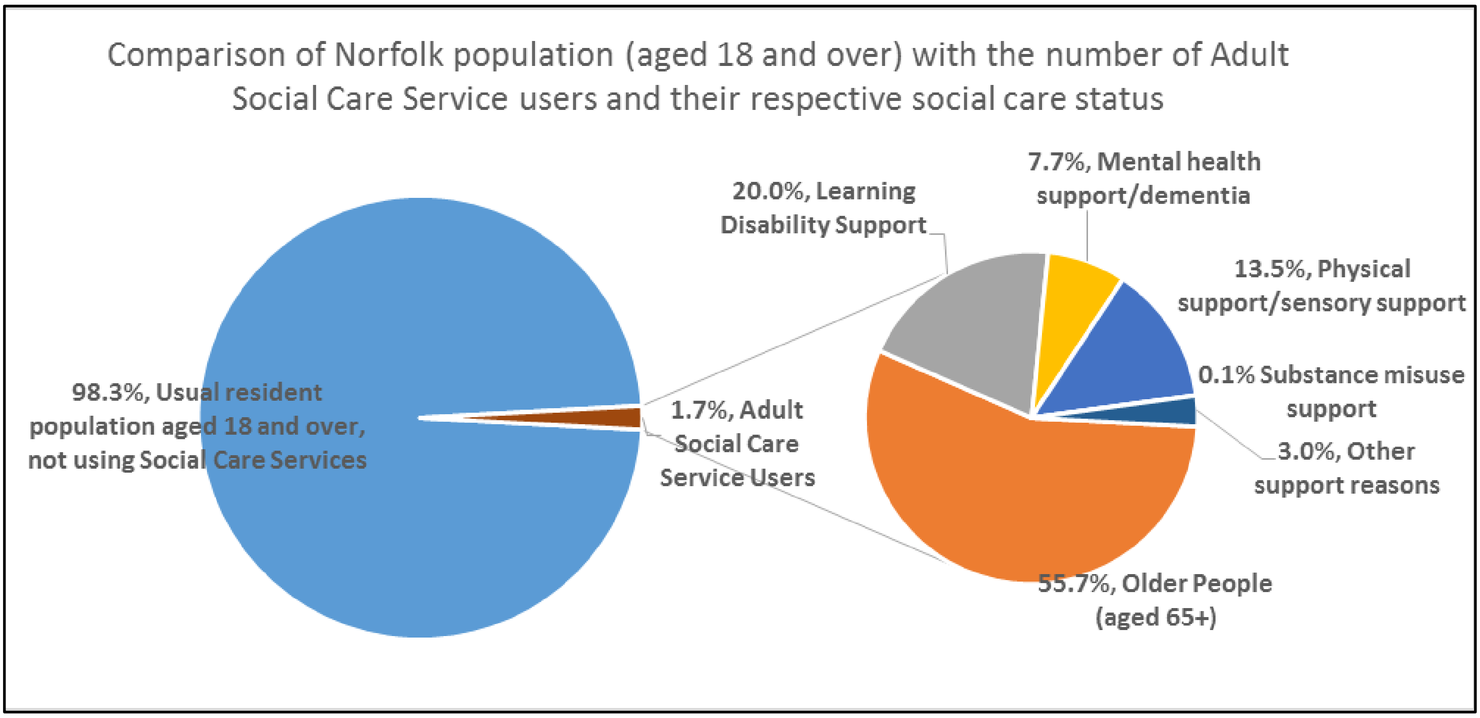
4.9. The ONS 2014-based population projections are trend-based, and on this basis over the next decade there is projected growth of around 60,600 people in Norfolk – this is an increase of 6.9% which is below both the national projected increase of 7.5% and the East of England projected increase of 8.9%. Norfolk's oldest age groups are projected to grow the quickest in the next decade – with the 75-84 year olds projected to increase by around 38% and the 85 and overs projected to increase by around 34%, which is above the England rate of 31%. This age group is the most likely to require social care, so increases in the size of this older group are likely to have a high impact on the demand for social care services. Numbers of children aged under 15 are also projected to increase, and there is variation across the other age groups. Of course, the age structure of the population varies across Norfolk's local authority areas, but in the main, Norfolk has an ageing population.

4.10. Looking further ahead to 2039, there is projected growth of around 137,800 people in Norfolk – this is an increase of 15.7% which is below both the national projected increase of 16.5% and the East of England projected increase of 20.3%.

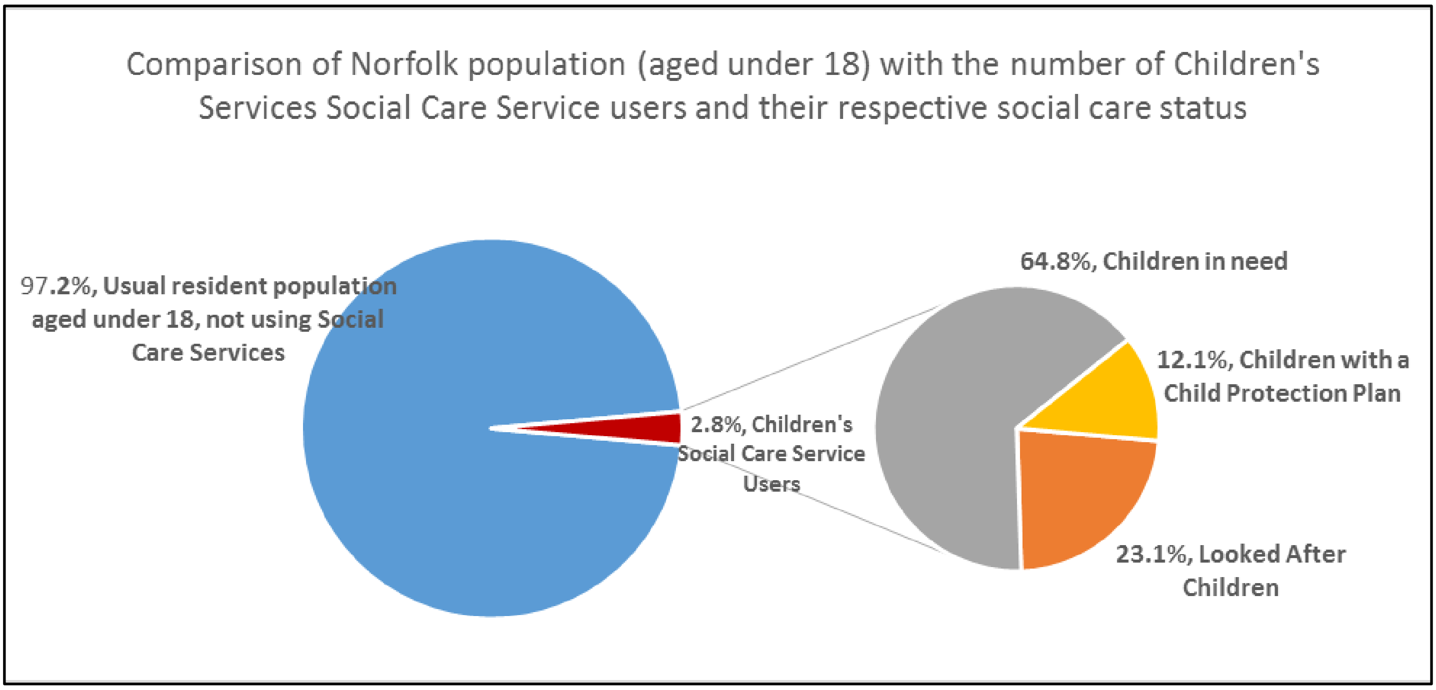
4.11. For both timescales, the largest increase in numbers is projected to be in South Norfolk, and the smallest increase in numbers is projected to be in Great Yarmouth. Norfolk's population is projected to exceed one million by 2036.

4.12. Further demographic information is provided below.

Adults Demographic Information



Children's Demographic Information



Population data from mid-2016 ONS estimates, service data all 31/03/17.

Local Economy

4.13. Promoting the development and expansion of the local economy will become ever more significant as the Government implements plans for localisation of business rates. Already, the Council's priorities place the people of Norfolk at the forefront of our plans and investments. Through the Economic Development and Strategy team, the Council aims to promote, secure and manage funding to support Norfolk's economic growth. The County Council supports the implementation of a wide range of initiatives intended to deliver growth, including working closely with the Local Enterprise Partnership (New Anglia LEP) on a number of projects such as the development of Enterprise Zone sites across the County. The Council is part of the Greater Norwich Growth Board which oversees the delivery of the Greater Norwich City Deal and supports infrastructure improvements which will drive growth.

4.14. In spite of these interventions it is however important to recognise the potential impact of decisions outside the Council's control. For example, the decision to leave the European Union is likely to have an impact on growth in the local economy. It is also important to note that since the introduction of the Business Rates Retention Scheme in 2013-14, Norfolk has not seen any significant growth or decline in the amount of business rates collected. This is a significant concern for Norfolk for future years, when considering the increasing levels of demand, the move towards Business Rates localisation and the reductions to Revenue Support Grant.

4.15. The development of the Norfolk and Suffolk Economic Strategy (NSES)[8] led by the **New Anglia Local Enterprise Partnership (LEP) for Norfolk and Suffolk** takes into account the national drivers such as the Industrial Strategy. Delivering the priorities for Norfolk set out in the new strategy will be the primary Economic Development priority for the council.

Ecology: Waste

4.16. The County Council is responsible for dealing with the left over rubbish (residual waste) collected by all local authorities in Norfolk. Increases in households and the effects of economic growth mean that the amount of left over rubbish and the cost of dealing with it will increase significantly unless measures are put in place to reduce the amount of waste, improve recycling, or reduce unit costs.

4.17. The amount of residual waste in 2017-18 is currently projected to be around 216,000 tonnes, which is similar to the previous year and in line with volumes observed outside Norfolk.

4.18. The long term trends for household numbers in Norfolk as well as effects of the general economy, consumer confidence and weather patterns remain

[8] New Anglia Strategic Economic Plan http://www.newanglia.co.uk/wp-content/uploads/2014/03/New-Anglia-Strategic-Economic-Plan-V2.pdf

uncertain. These variables, as well as things such as service changes by other authorities and changes in legislation, can all have a major effect on the cost of this service, meaning that the suitable approach to managing budgets for this service is to make justifiable and evidence based allowances in medium and longer term plans that are continually subject to review.

4.19. To help mitigate these effects, the aim of the waste service is to reduce the amount of waste that is left over and to reduce the cost of providing services to deal with left over rubbish. The objective is that by 2018-19:

- Residual waste will be reduced to less than 9.4kg per household per week. This can be achieved by a combination of improved recycling performance and waste reduction initiatives.

4.20. This objective requires additional measures to be put in place by all local authorities in Norfolk to reduce the amount of waste and improve recycling performance, and they are actively looking at this together as the Norfolk Waste Partnership.

Ecology: Flooding

4.21. Norfolk is identified as the area 10th most at risk of local flooding. The county has approximately 34,000 properties at flood risk from local sources during a rainfall event with a 1 in 100 annual chance of occurring. These local sources include flooding from surface runoff, groundwater and from the 7,500 km of watercourses within Norfolk. The County Council's two core aims as Lead Local Flood Authority are to reduce the existing local flood risk for communities and to prevent new development from increasing flood risk. Whilst not directly the authority's responsibility, the county also has nearly 100 miles of coastline and is vulnerable to tidal inundation and surges.

4.22. In the event of a major flooding incident, it is likely that the council would have recourse to the Bellwin scheme of emergency financial assistance to Local Authorities[9]. This would enable the council to be reimbursed for 100% of eligible expenditure above a threshold set by the government. The threshold for Norfolk was £1.164m in 2017-18 (i.e. this is the maximum liability for the County Council in the event of a major incident eligible for support under the Bellwin rules).

5. Organisational factors

Organisational structure and governance changes

5.1. The County Council structure is based on four Executive Directors alongside the Chief Legal Officer and a Strategy Director, all reporting to the Managing Director, and includes the following departments: Children's Services; Adult's Services; Community and Environmental Services; Finance and Commercial Services; and the Managing Director's Department. The Managing Director's Department encompasses Legal and Democratic Services and Strategic

[9] Bellwin Scheme thresholds published October 2017 https://www.gov.uk/government/publications/bellwin-scheme-guidance-notes-for-claims

Services. This structure is intended to secure improvements in both strategic and transactional services required to meet the changing needs of different customer groups across the council. Statutory officer roles report to the Managing Director in fulfilling their statutory responsibilities.

5.2. The result of the full County Council elections in May 2017 saw the Authority moving from an authority where no party had overall control to a Conservative controlled authority.

5.3. The National Employers recently announced a local government pay offer for 2018-19 and 2019-20 of 2% in each year, with higher increases (from 3.734% to 9.191%) for those earning less that £19,430 to take into account the National Living Wage (NLW) which will be £7.83 per hour from April 2018. The new bottom rate within this offer would be £8.50 per hour, rising to £9.00 per hour in 2019-20. The first year represents an estimated increase to the national pay bill of 2.7%.

5.4. A new pay spine has been proposed within the offer for implementation in April 2019, with fewer spinal points at lower grades, which will have implications for local authorities' pay structures. At the time of drafting the Medium Term Financial Strategy, the implications of the new pay structure for Norfolk are not known.

The Sustainability and Transformation Programme (STP)

5.5. The Sustainability and Transformation Programme (STP) covers the Norfolk and Waveney area and involves all health and social care organisations. It is a programme to collectively address the demands facing the NHS and social care system, setting out collective change to services to address the challenges from tighter financial constraints, people living longer and with more complex health and care needs, changes to the type of care people want, as well as new opportunities for treatment and workforce challenges.

5.6. The wider system has a total budget of £1.6bn to spend on health and social care each year. However spend is more than this and if no changes are made within the system by 2020-21 there would be a collective £415m funding gap.

5.7. To address this the STP is focussing on three main areas of work:

- Supporting people to keep themselves healthy and well;
- Enabling more people to live independently; and
- Reducing the pressure on hospitals.

5.8. The Council's 2016-21 budget plans for adult and children's social care and public health are reflected in the STP plan 'In Good Health', which will continue to be updated to reflect new contracts across health organisations and the Council's revised budget plans. The Better Care Fund also reflects the STP plans.

5.9. Plans within the STP include significant involvement from council services including public health, with focus on preventative work to reduce demand for services, and social care including integrated teams, with focus on out of hospital solutions and improved pathways for people with learning disability and with mental health conditions. The STP includes some funding for transformation and funding has been secured to support joint programmes of work such as Transforming Care Plans.

Children's Services response to Ofsted assessments

5.10. Following an Ofsted report in 2015 which found Norfolk Children's services to be inadequate, a commissioner was identified to review services and report recommendations. Within the report of the commissioner, it was recommended that a strategic partnership with a voluntary agency to cover the areas of Looked After Children and Leaving Care be developed. A second Ofsted monitoring visit was undertaken in October 2016 and concluded that while there had been positive movement in some areas of Children's Services, the overall pace of change was slow. Key areas for development included edge of care and care leavers' independent living skills development. In addition there was an identified need to better develop strategic planning and performance management across the department. To this end Norfolk Children's Services looked to put in place a strategic and operational partnership to secure service improvement for Norfolk's children and young people. Children's Services' Committee originally agreed such a strategic partnership in July 2016 and a further paper was submitted to Committee on 15 November 2016. Discussions were held between Barnardo's and the County Council, and in June 2017 this partnership was launched to create the "New Directions" service which provides targeted support to families and children at risk of coming into care. The aim of the new service is:

- to ensure more children and adolescents can live safely with their families; and
- to reunify children with their families, where it is safe and to reduce the numbers coming back into care.

5.11. In January 2016 Children's Services Committee approved the OFSTED Improvement Plan following the OFSTED Inspection Report of October 2015. That plan has guided the strategic direction over the course of the last year. In July 2016 Children's Services received the findings of OFSTED's first HMI Monitoring Visit. This noted progress on the issues that had led to the judgement that services for Looked After Children and Care Leavers were inadequate. In light of this Children's Services began development of a new improvement plan. The need for this was confirmed in July 2016 when the Department for Education (DfE) issued a revised Directions Notice to Norfolk County Council, which also required the County Council to develop a new improvement plan for Children's Services.

5.12. An Ofsted report highlighting findings relating to the most recent monitoring visit in November 2017 is due to be released 19 January 2018.

5.13. The Council undertakes **public consultation** on budget proposals which have the potential to impact on service users. In 2018-19 councillors agreed to formally consult on six budget savings proposals relating to service areas:

- Change the way we work out how much people pay towards the cost of their non-residential care services by taking into account people's actual disability related expenses
- Remodel the children's centre service offer to provide a more targeted response to families through working more closely with our other services and partners, for example by sharing buildings, and by focusing their work on the families that need them most
- Reducing spend on non-safety critical highway maintenance
- Reduce the number of roads gritted in winter
- Change the construction and demolition waste concession at recycling centres
- Review the operation of bus services supported by the County Council

5.14. Initially we sought views on proposals to increase council tax in 2018-19 by 4.9% (including 3% Adult Social Care Precept). Following the late announcement of the Local Government Finance Settlement 2018-19 on 19 December 2017, which extended powers to increase council tax by a further 1%, we also sought views on whether or not the Council should increase council tax by 5.99%. Details of the consultation process, and the responses to the consultation, are set out in the Revenue Budget report.

5.15. The Council undertakes **equality and rural impact assessments** for all budget proposals. This informs the Policy and Resources Committee in making recommendations to Full Council about the budget, and ensures that due regard is given to eliminating unlawful discrimination, promoting equality of opportunity, and fostering good relations between people with protected characteristics and the rest of the population. Detailed information about the findings of equality impact assessments, and the recommended mitigating actions, are included in the Revenue Budget report.

Resource plans, funding, service pressures and savings

5.16. The plans and assumptions in the Council's budget and Medium Term Financial Strategy have been reviewed as part of the preparation of the 2018-19 budget to ensure that they are robust and deliverable. The Executive Director of Finance and Commercial Services' recommendation of a 5.99% council tax increase is made on the basis that this will enable a substantially more robust budget for 2018-19 and for future years.

5.17. Experience of the implementation of savings plans, along with the findings of a review of Adult Social Care saving proposals completed in 2016-17, has identified that in some cases the cost, complexity and time required to deliver transformational change is likely to be greater than that originally allowed. As a result, the removal or delay of a significant number of previously agreed savings has been proposed over the life of the MTFS.

5.18. As set out elsewhere, the Provisional Local Government Finance Settlement (LGFS) has provided a greater degree of certainty about future funding levels for local authorities through the offer of four-year settlement allocations covering the period 2016-17 to 2019-20. However, there remains considerable uncertainty around the final two years of the Medium Term Financial Strategy (2020-21 and 2021-22).

5.19. The reductions in the Council's Settlement Funding Assessment set out in the four year settlement remain extremely challenging, with the most significant reductions having occurred in the first two years (2016-17 and 2017-18), as shown in Table 1 below. The table reflects figures published in the 2018-19 provisional LGFS and includes changes to the Business Rates baseline which are outside the certainty funding allocations. Therefore while the four-year settlement offered a degree of additional certainty for Council budget planning, the significant pressures across all budgets will mean that further savings and efficiencies need to be identified to produce a balanced budget for future years.

MTFS Table 1: Reductions in Settlement Funding Assessment

	2015-16 Adjusted	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment	287.507	250.382	222.693	207.151	191.233
Percentage reduction on previous year		-12.91%	-11.06%	-6.98%	-7.68%

5.20. Savings are being delivered through a range of approaches. The table provides a summary of the savings within current budget planning which were subject to consultation as part of the development of the 2018-19 budget. Efficiency related savings continue to be targeted as a priority.

5.21. Savings targets will be profiled to require savings towards the beginning of the budget period in order to seek to ensure that no savings are necessary in the final year of the Medium Term Financial Strategy (2021-22).

MTFS Table 2: Categorisation of savings

	2018-19	2019-20	2020-21	2021-22	Total
	£m	£m	£m	£m	£m
Savings in current budget planning subject to consultation in 2018-19	-2.880	-3.000	-0.500	0.000	**-6.380**
Other savings	-27.119	-13.157	-21.473	-10.400	**-72.149**
Total savings	**-29.999**	**-16.157**	**-21.973**	**-10.400**	**-78.529**

General and Earmarked Reserves and provisions

5.22. General reserves are an essential part of good financial management and are held to ensure that the Council can meet unforeseen expenditure and respond to risks and opportunities. The level of reserves held has been set at a limit consistent with the Council's risk profile and with the aim that council tax payer's contributions are not unnecessarily held in provisions or reserves.

5.23. Earmarked Reserves support the Council's planning for future spending commitments. In the current climate of limited resources, the planned use of Earmarked Reserves allows the Council to smooth the impact of funding reductions and provides time for the implementation of savings plans. As part of the year-end closure of accounts, a detailed review of the reserves and provisions held by the Council will be undertaken. The Medium Term Financial Strategy assumes an overall reduction in the level of Earmarked Reserves. Further details of the anticipated use of Earmarked Reserves are included in the Statement on the Adequacy of Provisions and Reserves 2018-22.

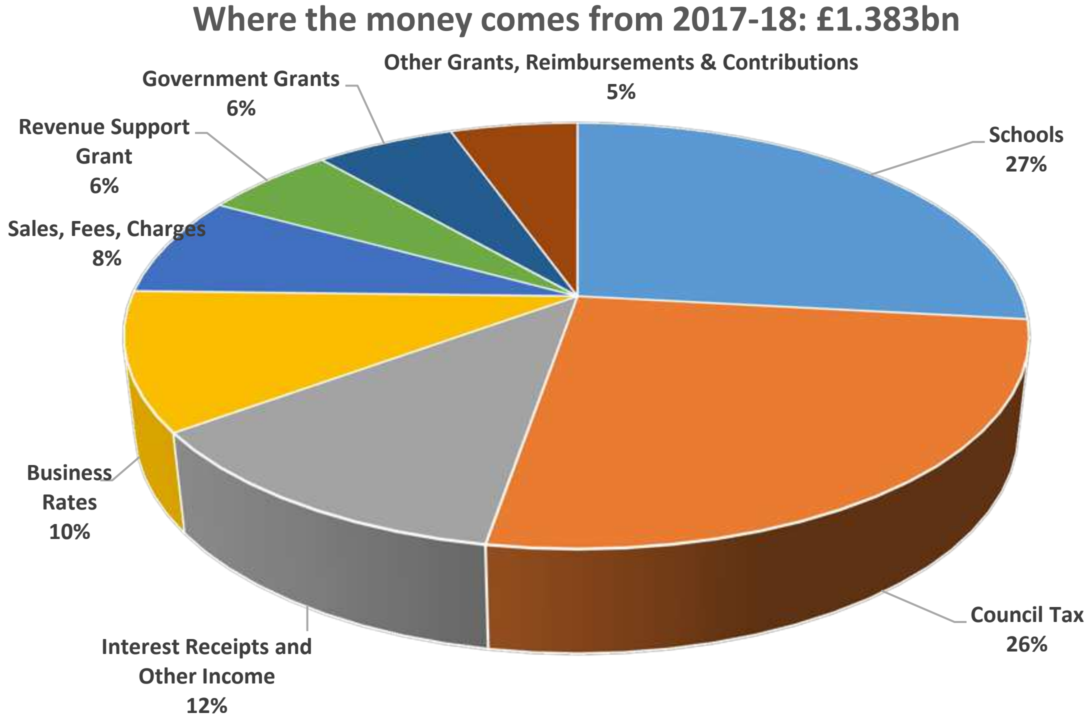
5.24. When taking decisions on utilising reserves, it is important to acknowledge that reserves are a one-off source of funding. Once spent, reserves can only be replenished from other sources of funding or reductions in spending. Therefore reserves do not represent a long term solution to the continued funding reductions facing the Council.

6. Local Government Funding

6.1. Local Government funding has three major components:

- money received through council tax;
- money received through partial retention of locally generated Business Rates; and
- money redistributed by Government in the form of Revenue Support Grant (RSG) and specific grants.

6.2. Councils also generate income through sales, fees and charges. The breakdown of this funding in 2017-18 is shown in the pie chart below.



Business Rates (10%)

6.3. Since April 2013, Councils have no longer received Formula Grant, but instead received funding from a mix of locally retained business rates and government grants that are allocated from centrally retained business rates.

6.4. The introduction of the business rates retention scheme has resulted in a direct link between local business rates growth and the amount of money councils have to spend on local people and local services. The scheme provides incentives for local authorities to increase economic growth, through retention of a share of the revenue generated from locally collected business rates. The new scheme does not alter the way that business rates are set, and they continue to be set nationally by central government.

6.5. Local authorities benefit from 50% of business rates growth (or indeed suffer the consequences of business rates decline) in their area. The scheme is complex, involving a system of tariffs, top-ups and levies, however, at its simplest, for every £100 change in rates in Norfolk, £50 would go to central government, £40 to the district councils and £10 to Norfolk County Council.

6.6. Baselines are fixed in-between reset periods and only adjusted for inflationary increases to allow local authorities to retain generated growth for a period of time. The next reset is expected following a review of relative needs and resources, intended to deliver an updated and responsive distribution methodology to be implemented in 2020-21, MHCLG are consulting on this during 2018. Until then, upper tier authorities are restricted in gains but also protected from reductions somewhat, as a large proportion of income is received through index linked top-ups.

6.7. Local authorities in Norfolk have agreed to establish a Norfolk Business Rates Pool. The Pool allows Norfolk to retain additional business rates funding in the county through retaining levy payments which otherwise would have been paid over to central government. MHCLG have accepted Norfolk's application to add Great Yarmouth to the Pool for 2018-19. All Norfolk local authorities are now included in the Pool.

6.8. The Pool allocates the retained levy to a Joint Investment Fund shared by the Parties for joint allocation to support Norfolk's economic growth strategy on the basis of the following principles:

i) The purpose of the Norfolk business rates pool is to make strategic investments designed to support Norfolk priorities within the Local Enterprise Partnership's Strategic Economic Plan to support Norfolk's economic growth strategy; and

ii) Priority will be given to schemes which:-

- Lever funding from LEP growth and European funds.
- Support projects which will lead to:
  - Job creation
  - Further business rates growth
  - Housing growth
  - Improved skills and qualifications
  - New business creation/expansion
- Ready to start on site and have all relevant permissions, licences, land ownership arrangements in place.

6.9. If a member of the Pool decided it no longer wished to be designated as part of the Pool for 2018-19 it was required to notify MHCLG by 16 January 2018. If any council in the Pool requested a revocation of the designation before this date, the rest of the Pool cannot continue. The Secretary of State would then revoke the designation and all local authorities identified as part of the Pool would revert to their individual settlement figures.

6.10. The primary challenge within the current Business Rates scheme is the level of financial risk that councils face due to appeals and business rate avoidance, with little scope for these risks to be managed under the current arrangements. Some councils are of the view that the risks outweigh the rewards available to councils through incentives to grow the local economy. The Government has implemented a new three-stage approach to business rates appeals: "Check, Challenge, Appeal," aimed at providing a system which is easier to navigate, with an emphasis on early engagement to reach a swift resolution of cases. The new system came into force on 1 April 2017, to coincide with the national revaluation of rateable values.

6.11. In respect of the 2018-19 budget, District Council forecasts are being collated and the level of income the council will receive is not yet confirmed. Potential business rate appeals and requests for relief such those submitted by NHS Trusts continue to add uncertainty to future rates income.

6.12. The Chancellor announced a number of measures relating to business rates in the Autumn Budget 2017, including:

- Further changes to the business rates system to support businesses and improve fairness:
    - The switch in indexation of business rates from RPI to CPI will be brought forward to 2018-19. This means business rates will go up by 3.0% rather than 3.9%.
    - Revaluations will be undertaken on a three-yearly cycle after the next five year revaluation is completed.
    - Measures to address the “staircase tax” and to extend the £1,000 discount support to public houses with a rateable value below £100,000.
- Local government will be compensated for the impact of these business rate changes.

Changes to the Business Rates Retention Scheme

6.13. The 2018-19 Settlement represents the third year of the four year certainty offer which began in 2016-17, and was described by the Government as providing a path to a new system which will build on the current 50% retention scheme and will see councils retain an increased proportion of locally collected business rates.

6.14. Following the General Election in 2017 and the absence of the **Local Government Finance Bill** 2017[10] in the Queen’s speech, the Ministry for Housing, Communities and Local Government plans to implement the latest phase of the Business Rates Retention Scheme (BRRS) in 2020-21, which will see 75% of business rates retained by local government. At present it is not known how this will be split within two-tier areas.

6.15. 75% retention is to be achieved by rolling in existing grants including Public Health Grant and Revenue Support Grant. The incentive to grow business rates locally will be strengthened as it is anticipated that the system will allow for 75% growth to be retained locally from the 2020-21 reset onwards. The Government intends to make these changes as part of a move towards financial self-sufficiency for local government.

6.16. It is expected that the new system will continue to incorporate an element of redistribution of rates nationally to ensure that all authorities are funded to deliver their statutory duties and to mitigate the impact of variation in the level of business rates income across the country.

6.17. MHCLG confirmed that existing 100% rate pilots will continue and were originally planning for five further pilots in 2018-19 – but due to the level of

[10] Local Government Finance Bill 2017, http://services.parliament.uk/bills/2016-17/localgovernmentfinance/documents.html

interest (27 applications were received) this was increased to ten. Norfolk's application was not successful, although there may be a further opportunity to apply to participate in 2019-20.

6.18. MHCLG published a formal consultation on a review of relative needs and resources in December 2017, intended to deliver an updated and more responsive distribution methodology to be implemented from 2020-21.

6.19. Further consultations on the changes are anticipated, and there remains considerable uncertainty at this point about the detailed plans for implementation of the proposals. A key issue for the County Council will be to ensure that the review of funding needs accurately captures the pressures faced by Norfolk, particularly in respect of social care, demographic issues, and the specific local pressures arising from sparsity and rurality.

Revenue Support Grant (RSG) (6%)

6.20. As the local share of business rates has been fixed until 2020, in order to manage reduction in the overall Local Government Departmental Expenditure Limits, any changes to the Settlement Funding Assessment are addressed through changes to the RSG amount.

6.21. The amount of funding the Council receives is published as the Settlement Funding Assessment. As shown in the table below, the Council remains heavily reliant on RSG and therefore cuts to this funding stream have a significant impact on the budget. Our budget planning assumes that all the remaining Revenue Support Grant (£38.810m) will be removed in year three of the Medium Term Financial Strategy (2020-21), however there is considerable uncertainty about this, including whether any element of RSG would be offset within the 75% Business Rates Retention.

6.22. The table below shows Norfolk's Settlement Funding Assessment, which reflects the four-year funding allocations as set out in the Provisional Settlement 2016-17 and updated for information included within the 2018-19 provisional settlement. It shows the reducing proportion of funding provided by Revenue Support Grant (RSG).

MTFS Table 3: Settlement Funding Assessment

	2016-17		2017-18		2018-19		2019-20	
	£m	%	£m	%	£m	%	£m	%
Settlement Funding Assessment	250.382	100.0%	222.693	100.0%	207.151	100.0%	191.233	100.0%
Received through:								
Revenue Support Grant	108.511	43.3%	77.926	35.0%	58.035	28.0%	38.810	20.3%
Baseline Funding Level	141.870	56.7%	144.767	65.0%	149.116	72.0%	152.423	79.7%
Via Top-Up	*115.685*		*119.351*		*123.109*		*125.753*	
Retained Rates	*26.185*		*25.416*		*26.007*		*26.670*	

Specific grants (6%) and schools funding (27%)

6.23. The table below summarises the amount of specific grants expected to be received in 2018-19, along with indicative figures for 2019-20. In most cases the allocations for the years beyond 2018-19 have not yet been confirmed by the Government. Ring-fenced funding below includes funding to schools.

MTFS Table 4: Grants and Council Tax

	2018-19 Provisional £m	2019-20 Indicative £m
Un-ring-fenced	231.746	222.986
Ring-fenced	670.361	669.330
Council tax (assuming council tax increased annually in line with OBR forecast of CPI and 3% Adult Social Care precept in 2018-19)	388.799	396.569
Local Business Rates	26.240	27.118

6.24. Details of significant specific grants are set out below:

Ring-fenced grants

6.25. **Public Health** – Public Health grant continues to be ring-fenced grant in 2018-19 for public health services. The Government has indicated that Public Health funding may be included within the Business Rates Retention Scheme from 2020-21. Public Health covers a wide range of services that may be provided directly to communities or to other organisations that deliver services supporting the health and wellbeing of our population.

6.26. Public Health grant allocations for 2018-19 have been announced with Norfolk due to receive £39.062m in 2018-19. Indicative allocations for 2019-20 have also been announced, with Norfolk due to receive £38.031m. This is a reduction of over £1m in 2019-20. Ring fencing remains in place until 31 March 2020.

6.27. **Dedicated Schools Grant (DSG)** – The Minister of State for School Standard, Nick Gibb, announced school and early years funding allocations for 2018-19[11] in a written statement covering Dedicated Schools Grant (DSG), Education Services Grant (ESG) protections for academies (following the ceasing of ESG), Pupil Premium and the additional £1.3bn over the next two years to phase in the National Funding Formula (NFF).

6.28. In July 2017 the Education Secretary Justine Greening announced £1.3bn (£416m in 2018-19 and £884m in 2019-20) to phase in the NFF in 2020-21. During the two year transition period a “soft formula” will be implemented whereby schools allocations will be indicative allowing LAs discretion over how it can be spent. From 2020-21 the “hard formula” will allocate funding directly to schools.

6.29. The Government has announced DSG for 2018-19 totalling £599.457m, this compares to a total DSG allocation of £581.240m in 2017-18. The DSG is before academy recoupment.

6.30. **Pupil Premium Grant (PPG)[12]** – In 2018-19, disadvantaged pupils: primary will attract £1,320, which is aimed to help primary schools raise attainment and ensure that every child is ready for the move to secondary school. £935 will be allocated for disadvantaged pupils: secondary, allocations remain unchanged from 2017-18. Disadvantaged pupils are those who have been registered for free school meals at any point in the last six years.

6.31. The pupil premium plus (for looked after children) increase to £2,300 per pupil in 2018-19 (£1,900 2017-18). The eligibility for this includes those who have been looked after for one day or more, and (from 2015-16) children who have been adopted from care or have left care under a special guardianship or child arrangement order. Schools will receive £2,300 for each eligible pupil adopted from care who has been registered on the school census and the additional funding will enable schools to offer pastoral care as well as raising pupil attainment.

6.32. Children with parents in the armed forces will continue to be supported through the service child premium. In 2018-19, the service child premium will continue to be set at £300 per pupil.

Un-ring-fenced grants

6.33. **NHS funding (Better Care Fund)** – the County Council and Clinical Commissioning Groups (CCGs) are partway through a three year agreement to the better care fund covering 2016-17 to 2018-19. This gives a revenue

[11] Dedicated Schools Grant allocations 2018-19 https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2018-to-2019
[12] Pupil Premium Grant allocations 2018-19 https://www.gov.uk/government/publications/pupil-premium-conditions-of-grant-2018-to-2019/pupil-premium-2018-to-2019-conditions-of-grant

contribution to NCC of £29.288m in 2018-19. The savings and efficiencies linked to this programme are currently expected to be delivered.

6.34. The BCF funding through the NHS is distinct from the improved Better Care Fund which is detailed below.

6.35. Integration is a priority for Norfolk where it is recognised that current health and social care services will become unsustainable given increasing demand and financial imperatives. The BCF programme is a key mechanism for the delivery of integration in Norfolk. Funding has been pooled for Health and Social Care services to promote closer joint working in local areas in line with Better Care Fund plans agreed between the NHS and local authorities, which are intended to align to and support the large scale change required by the local Sustainability and Transformation Plan. This funding is used to commission services for local health and social care needs, as determined by the Health and Wellbeing Boards.

6.36. Disabled Facilities Grant (DFG) allocations are transferred to District Councils through the BCF. This enables Housing Authorities to meet their statutory duty to provide adaptations to the homes of people with disabilities to help them live independently for longer. From 2016-17 the DFG allocations have included amounts to offset the discontinuation of the Social Care Capital Grant. The full allocation for 2018-19 is expected to be £7.480m.

6.37. **Improved Better Care Fund** – From 2017-18 the County Council will receive additional funding for Adult Social Care via Improved Better Care Fund allocations. Nationally this will be worth £1.5bn by 2019-20, and has been funded from changes to the New Homes Bonus grant. The three year plan covering the period 2017-2020 setting out the use of this funding was agreed by the County Council and health partners in July 2017 and is set out in greater detail in paragraph 2.16.

6.38. **Supplementary funding to the improved better care fund** – The Chancellor of the Exchequer announced the Government's Spring 2017 Budget on Wednesday 8 March 2017, which was after the County Council's budget setting decisions in February. This announcement included an additional £2bn of one-off funding to councils in England over the next three years to spend on adult social care services. £1 billion of this funding will be provided in 2017-18, and is intended to ensure that "councils can take immediate action to fund care packages for more people, support social care providers, and relieve pressure on the NHS locally." Norfolk will receive £18m in 2017-18, followed by £11m in 2018-19 and £6m in 2019-20. The use of this funding has been agreed locally with health partners.

6.39. **Local Reform and Community Voices grant** – allocations for this grant, which consists of three funding streams (Deprivation of Liberty Safeguards in Hospitals; local Healthwatch funding; and funding for the transfer of Independent NHS Complaints Advocacy Service to local authorities) have not been announced. It may be that the grant has been reduced or removed, but in the past allocations have not been published until after the start of the financial year and it is therefore assumed that this funding continues in 2018-19.

6.40. **Independent Living Fund (ILF)** – the ILF provides support for disabled people with high support needs, to enable them to live in the community rather than in residential care settings. From 1 July 2015 responsibility for supporting ILF users in England passed to local authorities, with associated grant funding being provided. Provisional allocations have been published through to 2019-20, and no changes are currently expected.

6.41. **Social Care in Prisons grant** – the Social Care Act establishes that local authorities are responsible for assessing and meeting the care and support needs of offenders residing in any prison, approved premise or bail accommodation within its area. This grant is to provide additional funding to undertake this new burden. Allocations have not yet been announced for 2018-19 but it is assumed that the funding continues.

6.42. **New Homes Bonus Funding** – New Homes Bonus (NHB) is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid for each new home, linked to the national average of the council tax band, originally for a period of six years. As part of the Provisional Settlement, the Government has confirmed that the national baseline for housing growth will continue to be 0.4%, effectively reducing the number of eligible properties in the calculation of the grant. In 2018-19 NHB payments will be made for four, rather than five years. No changes were announced within the 2018-19 Local Government Finance Settlement.

6.43. **Rural Services Delivery Grant** – 2018-19 allocations had been expected to fall by £15m from £65m 2017-18, however this reduction has been cancelled and allocations remain at £65m. For Norfolk, this means an additional (one-off) £0.737m funding for the County Council in 2018-19.

Council Tax (26%)

6.44. Council tax is a key source of locally raised income for many local authorities. This helps make up the difference between the amount a local authority needs to spend and the amount it receives from other sources, such as business rates, government grants, and fees and charges.

6.45. The core council tax referendum limit of 2% has been increased by 1% to allow a maximum increase of 3% before a local referendum is required (in line with inflation – CPI) in both 2018-19 and 2019-20.

6.46. In 2016-17 the Government introduced a new discretion for local authorities providing adult social care to raise additional council tax as an Adult Social Care precept. This gave authorities the option to raise an additional precept of 2%, on top of their existing discretion to raise council tax within the referendum limit (at the time also 2%). In 2017-18, the Government further extended the flexibility around the Adult Social Care precept, allowing councils to raise it by 3% in 2017-18 and 2018-19, but in this event having no rise permitted in 2019-20. The Council's Medium Term Financial Strategy is based on the following council tax assumptions (subject to Member decisions in each year).

MTFS Table 5: Council Tax assumptions

	2017-18	2018-19	2019-20	2020-21	2021-22
Assumed increase in general council tax (based on CPI)	1.80%	2.99%	2.99%	1.99%	0.00%
Assumed increase in Adult Social Care precept	3.00%	3.00%	0.00%	0.00%	0.00%
Total assumed council tax increase	**4.80%**	**5.99%**	**2.99%**	**1.99%**	**0.00%**

6.47. Further background information about council tax is provided below.

Council Tax Freeze Grants 2011-12 to 2015-16

6.48. Between 2011-12 and 2015-16, the Government offered Council Tax Freeze Grant (CTFG) to encourage councils not to increase council tax. The arrangements for CTFG differed from year to year (in 2012-13 for example CTFG allocations were not ongoing) but generally amounts have been added into the Local Government Departmental Expenditure Limit (LG DEL). Whilst this provides some certainty about the continuity of this level of funding, once specific grants are transferred into the LG DEL, there is no guarantee that we will receive the same amount, as the grants are no longer ring-fenced and we are no longer able to identify the funding as a separate amount. In reality, once RSG is removed as part of the localisation of business rates, any notional amounts of CTFG will also cease to be received. From 2016-17, the Government stopped offering Council Tax Freeze Grant.

Council Tax assumptions within Core Spending Power for 2016-17 onwards

6.49. In 2016-17 the Government introduced a measure of "core spending power", which was amended in 2018-19[13] to consist of:

- Settlement Funding Assessment (Business Rates Baseline Funding and RSG);
- Compensation for under-indexing the business rates multiplier
- New Homes Bonus;
- The local government element of the Improved Better Care Fund;
- Rural Services Delivery Grant; and
- Council Tax Requirement

6.50. Core spending power is thus intended to reflect the resources over which councils have discretion.

6.51. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant for the period up to 2019-20 to ensure that within each tier of Local Government (upper-tier, lower-tier, fire

[13] Core Spending Power 2018-19 https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2018-to-2019

and rescue, and GLA other services), authorities of the same type received the same percentage change in settlement core funding. The inclusion of council tax in this calculation represents a significant change in Government policy. The Spending Review document stated that this was intended to "*rebalance support including to those authorities with social care responsibilities by taking into account the main resources available to councils, including council tax and business rates.*"[14]

6.52. Nonetheless, by using core funding as a mechanism for the distribution of funding in the four year settlement, the Government has effectively assumed that:

- Councils will raise council tax at least in line with the Office for Budget Responsibility's (OBR) November 2015 forecast for CPI inflation, an annual average of 1.75% over the period, however it peaked at 3.1% November 2017. The Government have recognised this by increasing the core council tax referendum limit by 1% to allow a maximum of 3% before a local referendum is required in both 2018-19 and 2019-20.
- Relevant councils will raise the Adult Social Care precept in each year.
- Average annual growth rates in the council tax base between 2013-14 and 2015-16 will recur for the period to 2019-20.

6.53. As a result, any decision to raise council tax by less than the Government's inflation assumptions, or a decision not to exercise the full discretion to raise a social care precept, will lead to an underfunding of councils through the Spending Review period, when compared to the Government's expectations. Within the 2016-17 provisional settlement, for Norfolk County Council, an increase in council tax of £83.667m is forecast in the Government's assumptions by 2019-20 compared to the 2015-16 baseline – amounting to an overall 26.9% increase in the funding from council tax across the period. The achievability of such significant increases is not certain.

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[14] *Spending Review and Autumn Statement 2015*, para 1.242, p59, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

7. Revenue strategy and budget

7.1. The primary objective of the Medium Term Financial Strategy 2018-22 is to show a balanced four year budget. At present further savings or additional revenue funding need to be identified to meet the shortfall shown in 2019-20 2020-21 and 2021-22 below:

MTFS Table 6: Provisional medium term financial forecast budget shortfall

	2019-20 £m	**2020-21 £m**	**2021-22 £m**
Additional cost pressures and forecast reduction in Government grant funding	57.769	79.789	36.033
Forecast council tax base increase	-7.770	-9.914	-2.032
Identified saving proposals and funding increases	-28.706	-21.973	-10.400
Bring forward 2021-22 savings requirement	11.800	11.800	-23.601
Budget shortfall / (surplus)	**33.093**	**59.702**	**0.000**

7.2. The Council's revenue budget plans deliver a balanced budget for 2018-19, but a shortfall remains of £33.1m in 2019-20 and £59.7m in 2020-21 (an **overall deficit in the Medium Term Financial Strategy of £92.8m**). The Medium Term Financial Strategy (MTFS) is intended to aid forward planning and help mitigate financial risk. The detailed timetable for the identification of the required savings and future year budget setting is set out in the Revenue Budget report.

7.3. Uncertainty remains around a number of key areas which could impact on the MTFS in future years:

- further integration of health and social care;
- the impact of the decision to leave the EU on local government funding and the wider local economy;
- the potential impact of any transfer of responsibilities for the Fire Service to the Police and Crime Commissioner;
- the achievability of growth assumptions for council tax included in the Government's methodology for the distribution of funding reductions;
- whether the financial demands of ongoing austerity will necessitate changes in the way local services are delivered and organisations are configured as demonstrated by the wider debates about reorganisation taking place across local government; and
- the implementation of 75% Retention of Business Rates and the fair funding review by 2020-21, whether there will be any additional responsibilities transferred to Local Government as part of this process, and the level of further funding reductions.

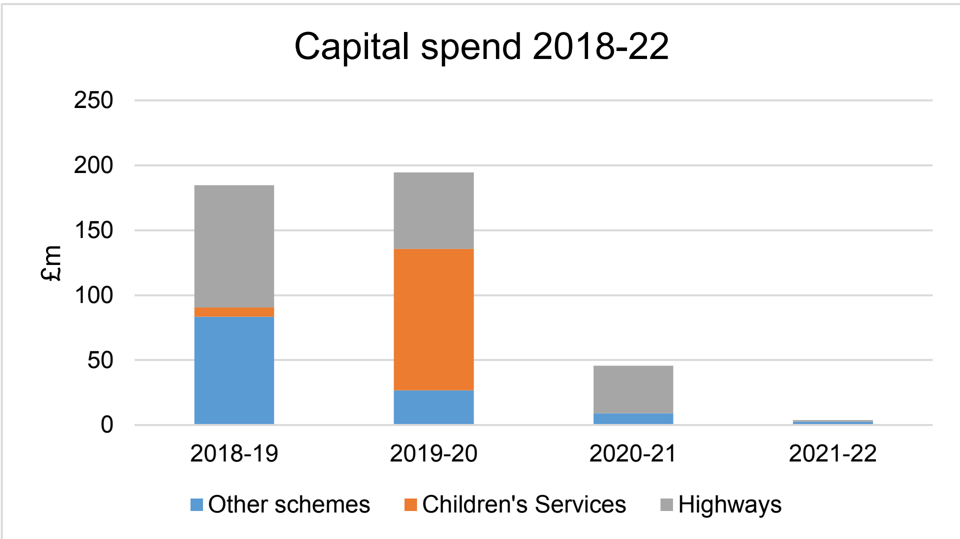
8. Capital strategy and budget

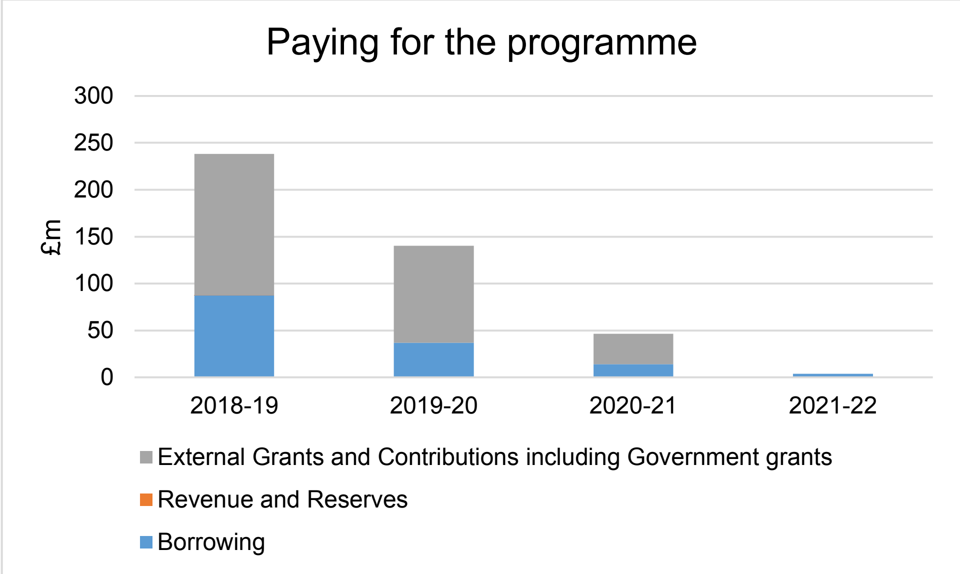
8.1. The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. The key aims of the Capital Strategy are to:

- To identify capital projects and programmes;
- To prioritise capital requirements and proposals;
- To provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities;
- To consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets;
- To identify resources available for capital investment over the medium term planning period.

8.2. A proposed capital programme for 2018-22 of £428.910m is included elsewhere on the agenda.

8.3. The bar charts below show the split of capital spend and how it is funded.





8.4. The main use of capital receipts over the next three years will be to apply them directly to the re-payment of debt as it falls due, and to support the costs of maintaining the farms estate. Any surplus will either be retained to support future demands and reduce borrowing or to fund transformation projects as permitted under the flexible use of capital receipts strategy. The amount and timing of capital receipts is subject to a great deal of uncertainty, particularly in respect of development land. The programme of potential sales is regularly updated and the latest forecasts suggest that general capital receipts of over £11m are anticipated over the next three years, of which £8.8m is forecast to be directly applied to debt repayments.

County Farms

8.5. The County Farms Estate is managed in accordance with the policy approved by Full Council in October 2014. The size of the estate has been maintained in excess of 16,000 acres. The Farms Estate generates circa £2.100m annual rent income for the Council and this is projected to rise to £2.200m. After deducting direct landlord's expenditure in maintaining and improving the Estate, and the cost of management, a net contribution of £0.476m is made to the Council's revenue budgets.

8.6. A programme of planned improvements is continuing to be implemented, funded both from the Capital Programme for larger schemes and from the trading account for revenue improvement schemes. In 2017-18 the estimated expenditure of capital and revenue improvements amounts to just over £0.720m.

Summary

8.7. The Medium Term Financial Strategy sets out details of the high level national and local factors which are likely to impact upon the Council's budget planning over the next four years. It provides information about how the Council intends to respond to these challenges and needs to be considered when the County Council makes decisions about the Budget. The Medium Term Financial

Strategy in particular provides an overview of the likely implications of 2018-19 budget decisions for the future years 2019-20 to 2021-22, and outlines the potential longer term issues facing the Council, such as (for example) the localisation of business rates.

8.8. The overarching purpose of the Medium Term Financial Strategy is to support the Council in developing balanced budget plans over the four year period, and to support this objective a proposed planning timetable for setting a balanced budget for 2019-20 is included within the 2018-19 Revenue Budget report.

Your Views on council tax

Respondent information

Respondent Numbers

There were 314 responses received for this proposal. Of these the majority (**219 people** or **70%)** replied as individuals.

Responding as:			
An individual / member of the public	219	70%	**90%**
A family	64	20%	
On behalf of a voluntary or community group	0	0%	**1%**
On behalf of a statutory organisation	4	1%	
On behalf of a business	0	0%	
A Norfolk County Councillor	0	0%	**7%**
A district or borough councillor	2	1%	
A town or parish councillor	11	4%	
A Norfolk County Council employee	6	2%	
Not Answered	8	3%	**3%**
Total	**314**	**101%***	**101%***

How we received the response		
Email	19	6%
Letter	1	0%
Consultation paper feedback form	1	0%
Online submission	293	93%
Total	314	99%*

**Please note: Due to rounding, percentages may not always appear to add up to 100%*

Responses by groups, organisations and businesses

Broadland Older People's Partnership responded but did not identify as a **voluntary or community group.** The partnership were broadly supportive of the proposal to increase council tax provided the 3% social care precept is ring fenced for Adult Social Care.

Four respondents told us they were responding on behalf of a **statutory organisation**. The respondents are: Costessey Town Council, Shipdham Parish Council, Snettisham Parish Council and South Norfolk Council. The statutory organisations expressed the following views:

- Councils were worried that the proposal could push demand and costs onto other public sector partners.
- Councils were concerned about the affordability of the proposal for local residents.

- Councils should continue to work in collaboration to tackle issues and seize opportunities rooted in the principle of what will make a difference for people rather than what works best for organisational structures.
- Others took the opportunity to express their views on the decision to increase County Councillors' allowances.

Two respondents told us they were **district or borough councillors** but didn't name the council. District and borough councillors were concerned about the affordability of the proposal, an above inflationary increase during a period when people's incomes are not keeping pace and the decision to increase councillors allowances.

Eleven respondents told us they were **town or parish councillors** although eight did not name the council. The named councils are: Redenhall with Harleston Town Council, Rollesby Parish Council and Warham Parish council. Town and parish councillors were concerned about the affordability of the proposal, an above inflationary increase during a period when people's incomes are not keeping pace and suggested that efficiencies should be realised before proposing an increase in council tax.

A response from **Brandon Lewis MP** was also received which noted the importance of protecting services for local residents while continuing to find further efficiencies and generate income, for example by increased returns from property assets. Brandon Lewis also asked the council to take the effect of our proposals on other local authorities and partners into account and consider savings in administrative functions before making changes to frontline services. He also expressed his regret that the Council had decided to increase councillors' allowances, rather than use the funding to mitigate the impact of some of the budget proposals.

What do you think about our proposal to increase council tax by 4.9% in 2018/19? How, if at all, do you think that the proposal might impact on you? Please write in below:

Overall theme	Issues raised	Number of times mentioned	Quotes
Proposal would be difficult for people to afford	• There was a great deal of concern about the affordability of the proposal, even amongst those that felt increasing council tax was reasonable. • Some people were particularly concerned about pensioners' ability to afford the increase (21).	131	"I don't agree with the council increase of 4.9% as times are getting harder for families and we are struggling at the moment". "It is a big increase and will cause difficulties for many people, but it must be done I guess." "It's the only way to support people who live in Norfolk. It won't be easy to pay the increase however more cuts would impact too much." "We simply can't afford it!! We currently don't turn our heating on unless we really have to as can't afford the oil" "This comes on top of an increase last year. Increasing council tax two years in a row is bad news and my families council tax bill is the single biggest bill we face every month!" "I understand the need to raise funds etc, but it hits us at the bottom of the ladder the hardest. I struggle to make ends meet as it is! Every time I get the annual "living wage" pay rise (for which I am grateful) it ends up being swallowed up by the increase in my council tax, so I am no better off".

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
Proposal would directly affect people's lives	• Several respondents commented that they would be directly affected by an increase to council tax.	87	"It will have a direct effect on my income/ standard of living as I am retired and therefore on a fixed income". "I think this is excessive and it would impact on my monthly family budget." "I can not believe you are even thinking of doing this, we are struggling with our bills and having to make ends meet"
Impact of above inflationary rise in council tax	• Several respondents were worried about being able to afford an above inflationary increase in council tax during a period when they felt people's incomes are not increasing.	83	"Wages are stagnant and most people see less than inflation pay "rises" meaning in real terms a pay cut". "Salaries have not increased at a comparable rate to the cost of living while council tax and other costs continue to rise at a rate beyond any salary increase." "Haven't had a pay rise for years, so how can I afford more?" "My (public sector pay) has only increased by 1% in the last 7 years and inflation is higher than this".
Support for increasing council tax by 4.9%	• Several respondents felt the proposed increase was reasonable to protect services for Norfolk residents.	77	"I am in full agreement that council tax should be increased. It is necessary to maintain vital and valued services for the people of Norfolk that affect us all, whether directly or indirectly. On the

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
			whole, council tax is a fair tax based on ability to pay." "It will be hard but we need to do it. The alternative of paring back services yet further is unthinkable. I support the County Council on this." "Yes increase the council tax. I pay all of my council tax although I'm a very variable low income of a few hundred pounds a month but this is what we have to do to maintain services so go ahead" "I think that increasing level of council tax is crucial. I will be impacted as a council tax payer but cannot see how vital services can be protected without additional income."
General opposition to proposal	• Several respondents did not want to see any increase in council tax.	72	"I can not believe you are even thinking of doing this, we are struggling with our bills and having make ends meet" "This comes on top of an increase last year. Increasing council tax two years in a row is bad news and my families council tax bill is the single biggest bill we face every month!" "I don't agree with the council increase of 4.9% as times are getting harder for families and we are struggling at the moment."

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
			"I don't agree with this large increase in tax. It will affect me because I am a pensioner and each year find it more and more difficult to make ends meet. There is a limit to how much I can reduce my food intake and lower the thermostat on my heater." "This increase should NOT happen, we are struggling with bills everyday".
Support for raising council tax but by less than 4.9%	• Others commented that although they recognised the need for an increase in council tax they thought that this should be a smaller increase. For example, some respondents were happy to pay the 3% social care precept but not the 1.9% increase in general council tax.	23	"I don't mind paying towards the social care bill but disagree with a rise due to inflation. My husband and I are both public service workers and have had our pay capped at 1% for years and inflation has meant we have had a significant pay cut over the years." "It is a disgrace. We should have regular smaller increases"
Proposed increase not high enough	• Some respondents thought that the council should go further and increase the council tax by the full amount available to them.	15	"I do not think this is enough. I would rather pay substantially more to receive IMPROVED services." "I don't think it's enough. Council tax needs to levied at a rate which preserves services." "I fully support an increase in Council Tax. Indeed I would go further and support a more substantial increase if it were legally possible and in order to avoid any cuts in services".

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
Concerns about partners raising precepts	• Some respondents were worried that the overall council tax bill will increase by over 4.9% if partners also choose to increase their precept.	19	"If the County Council increases its Council Tax bill, the others (district councils, police and parish councils) all follow suit which means that a 4.9% increase becomes more like a 9% increase" "I disagree with this increase. What happens is each time NCC increase the Council Tax is that the Parish Councils and District Councils also do the same. This means that the Council Tax rise in real terms will be greater than 4.9%" "I simply cannot afford it. Especially if the pcc puts his precept up by 1.99% or even higher if the cap isn't lifted!!!"
Meeting individual priorities and changes before agreeing to proposal	• Some respondents commented that they would like the tax revenue to be spent on specific services and for the council to be more transparent and efficient before agreeing to an increase in council tax.	28	"Be more efficient in these areas first and ask tax payers for more money only when this has been done." "I agree with the increase, but only if some of the income can be spent on maintaining those services that improve the quality of life in Norfolk, eg libraries, mudeums, arts provision." "The priority should be NHS, mental health and Education"
Central government responsibility	• Some respondents expressed strong opinions about national government decisions impacting on council tax locally and that Norfolk County Council should be doing more to advocate on behalf of its residents.	44	"The government must be made to realise that the councils need help, we are still paying the same amount of tax to the government to help the councils, the councils are continually increasing the council tax and we are getting far less for that"

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
			"I think this proposal is essential. The government has cut money for councils drastically and we must do our best to continue to fund public services which we all use." "Members need to put pressure on MPs to redress the whole Council Tax." "It is regrettable that Council Tax has to increase, this is mainly due to the fact that central Government is no longer taking its responsibilities to support local services seriously, but in the current situation an increase in tax is preferable to an even further reduction in services."
Proposal would have an impact on caring responsibilities	• A small number of respondents were worried about council tax increases having a detrimental effect on their caring responsibilities at a time when support services have been cut.	8	"My son has a life long disability and cannot always work full time, so we have the added pressure of supporting him financially, medications, keeping the house warm and hot baths. Adding this increase will only put further financial pressures on myself and my husband." "I think this is a high increase and will certainly make families like mine struggle more than we already are despite working all the hours that we physically can whilst supporting two children with additional needs." "As a parent of 2 disabled young adults who have had their services slashed because of cuts you will have to excuse my cynasim."

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
Concerns over council's efficiency	• Some respondents were concerned that the council would be unable to spend revenue raised by council tax efficiently or effectively.	44	"It is difficult as I appreciate the need for improved social care by raising the precept, but have little faith the money would be spent effectively. When you look at some of the pointless spending by NCC, and the waste in other areas, it can make you resent paying extra money to be frittered away." "…The council need to get priorities in check and stop wasting masses of cash on NDR, and other meaningless road projects" "…It also seems that it cannot control costs for publicy awarded contracts and that the local tax payer is always left to pick up overrun costs. Be more efficient in these areas first and ask tax payers for more money only when this has been done." …" Get your own house in order before expecting everyone else to pay for your wastage."
Disagree with banding	• Some respondents questioned the banding system and the overall fairness of council tax.	13	"…What we need is for Council tax bands to go beyond the current scale so that people with large expensive house pay more than they do now." "…A fairer way would be to have a graduated council tax so if you received all the amenities you paid a slightly higher rate."
No alternative to the proposal	• Some respondents felt there was no alternative to increasing council tax.	12	"It is too high but I understand you have no other choice."

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
			“It will be hard but we need to do it. The alternative of paring back services yet further is unthinkable.”
Explain how council tax is spent	• A few respondents asked for more clarity over how council tax is being spent.	12	“…If I could see where that spending was going I would feel happier.” “…I want to know you will not use the extra to pay off failing managers or those you’ve recruited Who don’t work out, or to give people a send off with a nice wad to go with their very early retirement. This is unfair when basic services are being cut.”
Lack of services / people not using council services	• Some respondents felt they did not use council services so should not be asked to pay any increase. Of these, two responses highlighted that they felt lack of services was particularly evident in rural villages.	15	“I live in a rural village where we have very few amenities, hardly any street lights, no pavements and the roads are not gritted or even relaid very often. I cannot see what we age getting for our council tax.” “This is why I find it laughable that you want to put the council tax up. We get nothing from it now anyways, and now it gets more expensive???”
Evidence of spending on the adult social care precept	• A few respondents commented that they wanted evidence that the 3% social care precept would be ring-fenced.	8	“I, for one, would not want to pay any more than the 1.9% increase for inflation as, despite the 'ring fence' claim this money would simply disappear into the 'pot'” “You say 3% is for adult social services, yet you as a council have the audacity to close Prior's Mead, Thetford.”

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
Proposal will protect and maintain services	• Some residents felt that increasing council tax would mean that current services could be protected and maintained at their current levels.	41	"I think that increasing level of council tax is crucial. I will be impacted as a council tax payer but cannot see how vital services can be protected without additional income. "It is important to maintain services and therefore I would accept a raise in council tax as necessary." "I am in full agreement that council tax should be increased. It is necessary to maintain vital and valued services for the people of Norfolk that affect us all, whether directly or indirectly. On the whole, council tax is a fair tax based on ability to pay."
Reduce council costs	• A small number of people commented that the council could do more to reduce costs by cutting services that they felt were non-essential.	9	"You have not cut out non essentials like the monthly news magazine, arts and entrtainment have far too much. There is so much more you can cut before making us pay even more. Is it needed or just desirable.the latter should be cut totaly."
Priorities for spending revenue generated by council tax increase	• A small number of respondents prioritised key service areas they would like to see council tax spent on.	5	"I would prefer to have an increase in council tax than have a reduction in services particularly in the area of education, s=Social services and the the environment."
Ideas to help the council	• Some respondents put forward their own ideas about how the council should be run or changed.	28	"At the same time as these cutbacks I would like to see that the council offices are limiting their wastage by setting an example and not using water coolers, single use plastic : cutlery or cups and are generally doing their best to ensure that our council tax is spent wisely."

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
			"I would welcome more of an effort to charge individuals who have 2nd homes in Norfolk paying more council tax to support the community." "…perhaps the higher earners within the council should not receive a pay rise to cover it instead."
Reduce staff, pay and conditions and councillor expenses	• Some people took the opportunity to express their concern about the council's decision to increase member allowances. Others said that they did not want council tax to be raised in order to pay for an increase in councillors' allowances. (51) • Some respondents felt that the council should cut the number of staff and reduce pay and conditions, particularly of senior officers. (14)	65	"Just do the right thing. Reverse the 11% for councillors. What a kick in the teeth for the people of Norfolk. You should be so ashamed. I don't know how you can hold your heads up. Disgusting." "…I also disagree with the proposal to raise the allowance for councillors above the rate agreed for Loacal Authority staff. That is wrong". "I am not happy with paying extra council tax to increase your allowances. If the money was going to support local Sure Start centres or other vital services, it would be a different matter". "Out of order! Norfolk counsellors give themselves a 11% increase that they were advised not to do. And now they want to charge us more to cover social care plans that could have been paid for twice over without their raise". "Why also do we need so many heads of service and assistant heads of service and then the

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
			managers directly under them these need trimming down not given a regrade of salary.” “Cut back on the number of managers and their huge salaries and exorbitant pensions to make some savings.”
Comments about the consultation or proposal	• Some people raised concerns about the consultation process. For example, respondents were worried that consultation responses would be ignored and there was not enough information supplied to respond fully.	16	“Thank-you for putting this out for consultation. Having served on a committee a few years ago I know that this is done to make everyone feel that they are involved, whereas their comments and suggestions are, in most cases, ignored.” “This is one of those areas where we are asked to comment on a proposal without a great deal of information being supplied.”

A second question was added to the consultation on 20 December 2017.

The Government has now said that councils can increase general council tax next year by an additional 1% without the need for a referendum. Although this is not our proposal we could now increase council tax by 5.99% in 2018/19. If you have any comments about whether or not the council should increase council tax by 5.99% please write these in below.

Overall theme	Issues raised	Number of times mentioned	Quotes
Comments relating to increasing council tax by 5.99% in 2018/19	Comments relating to increasing council tax by 5.99% showed no significant differences to the comments we received relating to increasing council tax by 4.9%. • There was a great deal of concern about the affordability of the proposal, even amongst those that felt increasing council tax by another 1% was reasonable (18 mentions). • Some respondents were worried about being able to afford an above inflationary increase in council tax during a period when	77	"The government don't have my bills to pay how can you justify this amount of a rise I can not afford to have my heating on now." "6% (or just under) is a huge increase for much less services. If you were increasing services it may be worth looking at but some of us have fixed incomes and some of us have none at all and live off our savings." "With inflation and pension increases at 3% this would not be justified." "No increase in council tax, my income hasn't changed yet all my outgoings have." "Again, I am happy to pay this to protect essential front line services such as social care. This will

Findings of Public Consultation: Council Tax

Overall theme	Issues raised	Number of times mentioned	Quotes
	they felt people's incomes are not increasing (14 mentions). • Some respondents felt an increase of 5.99% was reasonable (15 mentions). Of these, a few (8 mentions) commented that they wanted to see services maintained or protected. • Some respondents did not want to see a 5.99% increase in council tax (24 mentions). • Others took the chance to express their feelings about increasing councillors' allowances (13 mentions).		have a financial impact for on my family but it's worth it for the common good." "I would support an increase of this level, so long as services are maintained and the poorest receive full rebates" "That's ridiculous, you should be looking to cut taxes not raise them. Shame on you" "I think that NCC shouldn't be bandying these figures about to see if anyone notices or cares! Council tax should not be increased just because it can be - only when proper value can no longer be provided without a measured and rational increase, which should be properly justified!" "…Whilst I appreciate that the council has to make savings, taking the money from my bank account when the councilors have just awarded themselves a ridiculous back dated pay rise is insulting. In summary, I'll grit my teeth over the 3% for adult social care, but until the Councilors can show a level of fiscal responsibility to all their staff and constituents rather than just themselves I do not want to pay anymore." "You can't make cuts, pay yourselves more and ask us to pay more!"

Additional responses

List responses received in addition to the standard format (eg. petitions, postcard campaigns, letters) and summarise main points
Norfolk County Council Labour Group organised and promoted their own separate consultation. They described this consultation proposal as: “Increase Norfolk County Council council tax by 4.9% on top of last year’s 4.9% increase – you will be paying far more for far worse services.” Seventy five of the responses contained comments relating to the proposal. Respondents took the opportunity to express their concerns about the decision to raise councillors’ allowances (19 mentions) particularly at a time when salaries are not keeping pace with wider inflationary costs (18 mentions). Some respondents said they felt decisions made by central government have had a direct impact on a local level (22). Overall there was no consensus on the proposed increase. Where people stated they were supportive (14 mentions) they generally felt that increasing council tax would help to maintain and improve services. Where people felt they couldn’t support the proposal (19 mentions) they generally felt concerned about reduced levels of services.

Appendix J produced by Stakeholder and Consultation Team
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Policy and Resources Committee

Item No 11

Report title:	**Capital strategy and programme 2018-19**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

This report presents the proposed capital strategy and programme and includes information on the funding available to support the programme.

Executive summary

Summary

The attached report presents the proposed capital strategy and programme for 2018-22 and includes information on the funding available to support the programme.

Members are recommended to:

- **agree the proposed 2018-22 capital programme of £428.910m**
- **refer the programme to the County Council for approval, including the new and extended capital schemes outlined in Appendix B;**
- **agree the Capital Strategy at Appendix D as a framework for the prioritisation and continued development of the Council's capital programme;**
- **note capital grant settlements summarised in Section 4;**
- **note the estimated capital receipts to be generated, subject to market conditions, over the next three years to support schemes not funded from other sources, as set out in Table 5;**
- **recommend to full Council adoption and publication of the Council's Flexible Use of Capital Receipts Strategy for 2018-19 to 2022-23 as set out in Section 5.**

1. Introduction

1.1 The attached report introduces the proposed capital programme for 2018-22.

1.2 The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts or grants and other anticipated contributions from third parties.

1.3 The programme is supported by a prioritisation model to guide the best use of resources.

1.4 The size of the capital programme reflects capital grant settlements, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out in the attached Annex.

1.5 The Council’s ability to prudentially borrow to fund future schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing is provided in Section 6.

2. Evidence

The attached Annex summarises the development of the proposed capital programme, including proposed new schemes, and a summary of forecast capital receipts.

3. Financial Implications

3.1. The financial impacts of the proposed capital programme including expenditure, funding, financing and the impact on future revenue budgets are dealt with in detail in Sections 3 to 6 of the attached Annex.

4. Issues, risks and innovation

Risk implications

4.1 There is a long term risk to the Council’s ability to deliver services without sufficient investment in maintaining its assets. To mitigate this, the capital programme is aligned to the Council’s asset management plans and property client function ensuring that assets are well-maintained or disposed of if surplus to requirements.

4.2 The programme requires regular monitoring, management and budgetary control to deliver schemes on time and within budget. This is addressed through regular capital finance monitoring reports which are reported to Policy and Resources Committee.

4.3 The capital programme is set on the basis of best estimates of cost. Through good procurement practice, the Council will continue where possible to manage down the costs of capital schemes, and to minimise the need to borrow.

4.5 There is a risk that anticipated grants and other third party contributions will not be received for reasons out of the authority’s control. In these circumstances, the programme will be amended to reflect the reduced funding.

4.5 Apart from those listed in the report, there are no other implications to take into account.

5. Background

5.1 The Council needs to set a capital programme prior to the beginning of each financial year and to commit the revenue and capital resources required to deliver the programme.

5.2 Most schemes are prioritised within the two major capital programme areas of transport and schools, with corporate property, IT and loans to subsidiary companies also important themes.

5.3 Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within CES and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Property schemes are co-ordinated through the Council's Corporate Property team are reported to the Business and Property Committee.

5.4 Schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

5.5 The Council's overall year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

5.6 This report sets out the proposed capital programme for 2018-22. It is supported by a strategy aimed at securing a structured, affordable and prioritised approach for the development of future years' capital programmes.

Officer Contact

If you have any questions about the matters contained in this paper please get in touch with:

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Norfolk County Council

Capital strategy and programme 2018-22

Report by the Executive Director of Finance and Commercial Services

1. Introduction

1.1. This report introduces the proposed overall capital programme for 2018-21 for consideration by Policy and Resources Committee and, subject to resulting recommendations or amendments, for approval to the County Council.

1.2. The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts when available, or grants and contributions from third parties.

1.3. The size of the capital programme reflects capital grant settlements that have been announced by central government, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out below.

1.4 The Council pays from future revenue budgets the interest and repayment costs of the borrowing. The Council's ability to prudentially borrow to fund future schemes is limited by budgetary pressures.

1.4. **Autumn Budget 2017**

In the 2016 Autumn Statement it was announced that, following the 2017 Spring Budget, Budgets will be delivered in the Autumn rather than in March or April of each year The Autumn Budget 2017 published 22 November 2017 contained one item relating specifically to Norfolk: the Government announced that it will contribute £98m to support a new bridge in Great Yarmouth, alleviating congestion and stimulating growth in the Enterprise Zone.

There are also a number of other announcements which may affect Norfolk: Compared to the Spring Budget 2017, medium term government borrowing assumptions reflect "higher local authority self-financed capital expenditure", which perhaps some indication of expectations. Related to this, the budget announces a Local infrastructure rate – the Autumn Budget 2017 confirmed that the government will lend local authorities in England up to £1 billion at a new discounted interest rate of gilts + 60 basis points accessible for three years to support infrastructure projects that are high value for money.

While overall capital expenditure is expected to increase, the DCLG Local Government capital Departmental Expenditure Limit (DEL) shows no increase over the period to 2020-21.

A £1.7 billion Transforming Cities Fund, will target intra-city transport projects which "drive productivity by improving connectivity, reducing congestion and utilising new mobility services and technology". Half will be allocated via competition for transport projects in cities (with the other half allocated to combined authorities). In addition, the government is investing an additional £45 million in the current financial year to tackle around 900,000 potholes across England.

Finally, there are a number of proposals relating to housing, the planning process and developer which are likely to affect County Council's directly and indirectly.

1.5. **National Infrastructure Delivery Plan 2016 to 2021**

A National Infrastructure Delivery Plan was published in March 2016. A key project included in the plan was the Northern Distributor Road which is nearing completion. Norfolk residents may also benefit from a new river crossing in Lowestoft, and improved improvements to the A14 between Cambridge and Huntingdon and a rail link between Cambridge and Oxford.

1.6. **Local joint working**

Norfolk County Council works with a number of other authorities and bodies in the development of capital and infrastructure projects and investments. This will increase further with the development of the "**One Public Estate**" programme. Examples of current joint working include:

The Council works closely with the **New Anglia LEP**, which has resulted in the LEPs direct financial support for projects including the NDR and the Norwich International Aviation Academy, and joint working which has resulted in the recent announcement of £98m government support for the Great Yarmouth Third River Crossing.

The Council is working with Norwich City Council to look at the significant opportunities which could arise from investment in the **Norwich Airport Industrial Estate**.

The **Norfolk Joint Museums Committee** consists of representatives from district councils and the County Council. The Norfolk Museums Service is run by Norfolk County Council with capital schemes managed and reported as part of the Council's financial monitoring. The Norwich Caste Keep project is a nationally significant £13m scheme which will see the Keep reimagined and reinterpreted by 2020.

2. The Proposed Capital Programme 2018-22

2.1. Background

2.1.1. A three year capital programme for 2017-20 was agreed by the County Council in February 2017. This was prepared using information from the Government on known and forecast funding levels available at that time.

2.1.2. This proposed capital programme has been updated to include the latest estimates of funding available to the Council. Further information on these sources of funding is included in Section 4.

2.1.3. The proposed capital programme includes all funding currently re-profiled from 2017-18 to future years, as regularly reported to Policy and Resources Committee. The 2018-21 programme reflects all amounts re-profiled up to and including month 8 (November) and significant changes made in month 9 (December).

2.1.4. The new capital programme reflects known government grant settlements for 2017-18 and beyond. The programme also sets out borrowing to be approved.

2.1.5. A schedule of existing schemes included in the on-going capital programme is attached at Appendix A to this Annex, with new schemes listed in Appendix B.

2.1.6. Particular attention should be drawn to those schemes which are to be funded from borrowing and capital receipts. The budget proposals provide for the direct use of capital receipts for the repayment of debt. As a result, there will be very limited capital receipts available to support new capital expenditure. An analysis of receipts and their proposed use is included in Section 4.

2.2. The Existing Programme

The value of existing schemes brought forward into the new programme are shown in the table below. These figures are based on period 8 financial monitoring (December monitoring based on the position as at 30 November 2016) and will vary through to 1 April 2018 as schemes are accelerated or delayed.

Table 1: Existing programme, excluding proposed new schemes

Service	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	**Total £m**
Adult Social Care	2.406				2.406
Children's Services	5.004	108.893			113.897
CES Highways		3.600			3.600
CES Other	28.969	9.214	0.010		38.193
Finance and Commercial Services	33.427				33.427
Total	**69.806**	**121.707**	**0.010**		**191.523**

2.3. New schemes

Schemes not included in previous capital programmes will result in the following additions to the capital programme subject to approval:

Table 2: Proposed investment in new schemes

Service	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	**Total £m**
Adult Social Care	2.334	2.380	2.428	2.476	**9.618**
Children's Services	2.200	-	-	-	**2.200**
CES Highways	94.191	55.420	36.715	1.316	**187.642**
CES Other	3.947	2.047	2.400	-	**8.394**
Finance and Commercial Services	12.304	13.026	4.203	-	**29.533**
Total	**114.976**	**72.873**	**45.746**	**3.792**	**237.387**

2.4. The Total Proposed Capital Programme (existing and new)

The full Capital Programme for 2018-22, combining existing and proposed schemes, is summarised in the following table.

Table 3: Proposed Total Capital Programme

Service	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	**Total £m**
Adult Social Care	4.740	2.380	2.428	2.476	**12.024**
Children's Services	7.204	108.893	-	-	**116.097**
CES Highways	94.191	59.020	36.715	1.316	**191.242**
CES Other	32.916	11.261	2.410	-	**46.587**
Finance and Commercial Services	45.731	13.026	4.203	-	**62.960**
Total	**184.782**	**194.580**	**45.756**	**3.792**	**428.910**

Note: tables on this page may be subject to small rounding differences

2.5. The existing programme includes:

Major programmes and schemes, for example

- Schools basic need and capital maintenance
- Transport new schemes and capital maintenance
- Completion of the Norwich Northern Distributor Road
- Better Broadband for Norfolk

Where additional funding for existing capital programmes have been received during the current financial year, they have been added to the programme, with all changes reported to Policy and Resources Committee through the year.

Schemes and virements approved during 2017-18 include

- Procurement of new sourcing, purchasing and payments system £0.450m
- Purchase of a farm at Marshland St James £3.130m
- £7.250m vired from the Norfolk Energy Futures Investment Fund to the NDR
- Re-allocation of capital funding no longer required for the purchase of library books to libraries capital maintenance
- Exchequer Services improvement to County Hall Annexe - £0.100m.

The full summary of schemes in the existing programme can be found in Appendix A.

2.6. The major new schemes proposed for addition to the capital programmes comprise:

Capitalisation of works previously funded from revenue budgets:

- Capitalisation of community equipment and assistive technology
- Capitalisation of highways works, including road markings and stud work

Examples of new projects requiring borrowing or unallocated capital receipts:

- Various Fire schemes, including the red fleet replacement programme.
- A leachate treatment pilot on closed landfill sites.
- IT server infrastructure and other IT transformation investment
- NDR additional costs
- Property maintenance and improvements, including a major refurbishment of the Basement and Lower Ground floors at County Hall.

New schemes (grant funded) not requiring additional borrowing

- Highways new DfT grants not already included in the programme

Details of all the new schemes above are given in Appendix B.

2.7. The prioritisation system used to rank schemes in accordance with good practice, and to provide a firm basis for including unfunded/unsupported schemes, is summarised in Appendix C.

3. Financing The Programme

3.1. The capital programme is financed through a number of sources – grants and contributions from third parties; contributions from revenue budgets and reserves; and external borrowing and capital receipts.

3.2. For the purpose of the table below, it is assumed that future capital receipts will be applied to the direct re-payment of debt, rather than funding the capital programme.

3.3. Proposed new schemes will result in an additional £73m of new borrowing over 4 years, subject to alternative sources of funding becoming available. This amounts to a considerable investment, and is a reflection on the decreasing levels of central government capital grant, combined with increasing pressures on the revenue budget.

3.4. The funding of the proposed programme is set out in the table below:

Table 4: Funding of the Proposed Capital Programme £m

Funding Source	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	Total £m
External Grants and Contributions including Government grants	150.558	103.243	32.450	0.000	**286.251**
Revenue and Reserves	0.011				**0.011**
Capital receipts	0				**0**
Borrowing	87.528	37.114	14.214	3.792	**142.648**
Total	**238.097**	**140.357**	**46.664**	**3.792**	**428.910**

Note: this table may be subject to small rounding differences

3.5. Grants and contributions funding the 2018+ programme include grants received or announced in previous years, not yet spent. Non-government external funding is primarily from developer contributions relating to highways and schools schemes around new developments. Most external grants are received from the government Departments for Transport and Education.

3.6. The provisional 2018-19 local government finance settlement published in December 2017 makes no direct reference to capital funding.

3.7. The Department for Education has confirmed the method for calculating school condition funding in 2018-19 will be the same method used for 2015-18, while the methodology for 2019-20 onwards is reviewed. This includes Devolved Formula Capital and School Condition Allocations.

3.8. Norfolk's Basic Need allocation for 2018-19 is already incorporated into the capital programme. As reported in the Schools' Capital Programme 2017-2020 report to the 14 November Children's Services Committee, a 2019-20 allocation of £25.732m for Norfolk has been confirmed by the Education and Skills Funding Agency. This allocation has been added to the future year's Children's Services capital programme.

3.9. As reported in the Highways Capital Programme and Transport Asset Management Plan report to the 19 January 2018 Environment, Development and Transport Committee, funding from the Department for Transport (DfT) for both Structural Maintenance and Integrated Transport Block grants is still broadly based upon the 6-year profile announced after the last spending review (£23.043m (indicative) and £4.141m respectively).

3.10. The transport funding environment is becoming more complex and varied: the national LTP maintenance allocation was “top-sliced” to allow councils to bid into one-off “challenge” and “incentive” pots and the Council is looking more towards alternative sources of funding such as Local Growth Funding, City Cycling Ambition and developer funding. The DfT established a “National Productivity Investment Fund” early in 2017, and in October Norfolk was successful in attracting £3.05m funding from the DfT, and the Council is pursuing competitive and other funding opportunities.

3.11. In the Autumn Budget the Government, announced a £98m grant for the 3rd River Crossing as part of its Large Local Major Schemes Programme.

3.12. A Disabled Facilities Grant (DFG) is received as part of the Better Care Fund. This grant is forwarded to district housing authorities to administer.

3.13. From 2016-17, the Local Government Financial Settlement has provided the majority of funding to Lead Local Flood Authorities to carry out their duties under the Flood and Water Management Act 2010, and for their role as statutory consultee on surface water for major development. Allocations announced for 2018-19 and 2019-20 are £81.706m and 86.628m respectively.

4. Capital Receipts forecast

4.1. Where capital receipts are generated through the sale of assets or repayments of loans by third parties, these may be: (a) used to reduce the borrowing requirement of the Council's capital programme in that year, (b) held to offset against future capital borrowing requirements or (c) used to repay existing borrowing. Capital receipts are a corporate asset and therefore not ring-fenced to any specific service or function. Any requests to ring-fence Capital Receipts need to be made via the B&P committee and endorsed by P&R.

4.2. The Council continues to review its assets seeking to ensure that their ongoing use supports the Council's future priorities. Assets that do not meet this need have been identified and form the basis of a continually updated disposal schedule.

4.3. The figures included in the schedule are currently the best estimate of the value of properties available for disposal, pending formal valuations, market appetite, planning decisions, timing of sales and delivery options, particularly in relation to housing schemes. As a result, there is scope for considerable variation. More detailed valuations will become available as the properties are prepared for market and are reported through the Business and Property Committee.

4.4. The schedule is also only an indication of the phasing of disposals. Some sales will take place later than forecast, for example when planning or legal issues arise, whereas others may be accelerated as alternative sales and development opportunities are identified. These movements are tracked in capital monitoring reports reported to Policy and Resources Committee.

Table 5: Draft property disposal schedule estimates £m

Property sales potential	**2018-19**	**2019-20**	**2020-21**	
	£m	**£m**	**£m**	
General	3.517	0.017	0.740	
Farms	0.946	1.885	1.460	
Major development sites	3.650	3.600		
	8.113	**5.502**	**2.200**	

4.5. Forecast farms disposals are allocated separately, and this total is highly dependent on the sale of development land in Hopton and Acle and a number of other large sites which comprise the majority of total potential sales by value. Under the constitution, some of the farms Capital Receipts are reinvested back into the Farms Estate.

4.6. Due to the uncertainties involved as to the values and timing, the figures above are a guide and outcomes will be reported as properties are sold.

5. Flexible use of capital receipts

Introduction

5.1. DCLG Statutory Guidance on the Flexible Use of Capital Receipts (updated), dated March 2016, has offered local authorities flexibility in the use of capital receipts. Originally this covered receipts generated between April 2016 and March 2019. However, the provisional Local Government Finance Settlement 2018/19 has extended this for an additional three years.

5.2. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

5.3. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

Background

5.4. Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under section 11 of the Local Government Act 2003, specify the purposes for which capital receipts may be used. The main permitted purpose is to meet capital expenditure together with other specified types of payment. Permitted purposes do not include use to support revenue expenditure.

5.5. Under section16(2)(b) of the 2003 Act the Secretary of State is empowered to issue directions providing that expenditure of local authorities shall be treated as capital expenditure for the purpose of Part 1 of the 2003 Act. Where such a direction is made the expenditure specified in the Direction is from that point on capital expenditure which can be met from capital receipts under the Regulations.

Process

5.6. For each financial year, a local authority should ensure it prepares and publishes at least one Flexible use of Capital Receipts Strategy prior to exercising the flexibilities allowed. The strategy must be presented to full Council, and this can be part of the annual budget setting documents.

5.7. Ideally, the strategy will be prepared before the start of any financial year. Where the need or opportunity has not been anticipated, the strategy can be presented to full Council at the earliest opportunity.

5.8. The DCLG gives examples of projects which would generate qualifying expenditure, including:

- Sharing back office services
- Service reform pilot schemes
- Service reconfiguration, restructuring or rationalisation
- Driving a digital approach to the delivery
- Aggregating procurement
- Setting up commercial or alternative delivery models
- Integrating public facing services across two or more public sector bodies

Strategy content

5.9. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided.

5.10. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years.

5.11. Each future year's Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

Proposed strategy for the flexible use of capital receipts

5.12. As stated in section 4 above, the value and timing of capital receipts is hard to predict and is not known at this stage. In order to support the revenue budget, the first £4.840m of capital receipts in 2018-19 and £2m thereafter will be applied directly to the repayment of debt. In addition, a proportion of capital receipts from the sale of farm land are ring-fenced.

5.13. Additional capital receipts, if available, will be used to fund transformation projects, including service restructuring and demand management:

- which are in accordance with Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued by the DCLG, dated March 2016 and
- subject to scrutiny of proposals by the Executive Director of Finance and Commercial Services.

5.14. Any changes to this strategy will be reported through the Policy and Resources Committee.

Impact on Prudential Indicators

5.15. From 2016-17 the Council's has applied its non-farms capital receipts directly to the repayment of debt. Receipts not needed for this purposes are now carried forward to repay future debt instalments. As a result, in the medium term, the flexible use will not have an impact on the majority of prudential indicators. Reduce the capital receipts available for the future repayment of debt will instead have a direct impact on future revenue budgets if the medium terms budget long term aim of generating £2m pa of non-farms capital receipts cannot be met. Assuming £2m of capital receipts are used to fund transformation projects:

Prudential indicator	Impact of £2m flexible use compared to using capital receipts for the direct re-payment of debt
Capital expenditure payment forecast	Expense classed as capital expenditure increases by £2m.
Ratio of Capital Financing Costs to Net Revenue Stream	No impact
Incremental Impact of Capital Programme on Band D Council Tax	No impact
Capital Financing Requirement	

Authorised Limit for External Debt	No impact
Operational Boundary Limit for External Debt	No impact

6. Revenue Impact of the Proposed Capital Programme

6.1. Where the Council uses borrowing to support the capital programme, it must set aside revenue funds on an annual basis to repay the capital borrowed. This is required by statute and is known as Minimum Revenue Provision (MRP). The cost of MRP depends on the life of the underlying asset.

6.2. In addition to MRP, the Council will need to fund any additional interest costs through future revenue budgets. The Council has the capacity to borrow from the Public Works Loan Board (PWLB) with interest rates currently in the order of 2.5-3%. However, apart from recent £40m borrowing in respect of the NDR, since 2008 the Council funded capital expenditure using its cash balances. Where borrowing is not undertaken the interest cost to the revenue budget is the interest foregone, forecast to be approximately 1.0% in the short to medium term.

6.3. The incremental revenue impact of schemes funded from borrowing is set out in the Treasury Management report to this committee.

Officer Contact

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Appendices

Appendix A: Capital programme 2018-21 – existing schemes

Appendix B: New and extended capital schemes

Appendix C: Capital bids prioritisation

Appendix D: Capital strategy 2018-19

Appendix A: Capital programme 2018-21 – existing schemes

- **see following pages (all figures £m)**
- **note: no existing schemes are currently programmed for 2021-22**

	2018/19				2019/20				2020/21				
	Borrowing	Revenue and Reserves	Grants and Contributions	TOTAL	Borrowing	Revenue and Reserves	Grants and Contributions	TOTAL	Borrowing	Revenue and Reserves	Grants and Contributions	TOTAL	TOTAL PROGRAMME
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Department/Project													
Children's Services	**5.000**	**0.000**	**67.393**	**72.393**	**0.000**	**0.000**	**41.504**	**41.504**	**0.000**	**0.000**	**0.000**	**0.000**	**113.897**
A1 - Major Growth			24.838	24.838			33.067	33.067					**57.905**
A2 - Master Planning			2.994	2.994									**2.994**
A3 - Area Growth & Reorganisation			9.229	9.229			7.237	7.237					16.466
A4 - Growth - Minor Adjustments			6.735	6.735									6.735
B1 - Special Educational Needs (SEN)			1.914	1.914			1.000	1.000					2.914
B2 - Additional Needs	5.000		0.602	5.602									5.602
B4 - Early years			0.356	0.356									0.356
C2 - Major Capital Maintenance			14.023	14.023			0.200	0.200					14.223
D - Other schemes			6.702	6.702									6.702
Adult Social Care	**2.406**	**0.000**	**0.000**	**2.406**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**2.406**
Social Care Information Systems	2.406			2.406									2.406
CES - Highways	**0.000**	**0.000**	**1.900**	**1.900**	**0.000**	**0.000**	**1.700**	**1.700**	**0.000**	**0.000**	**0.000**	**0.000**	**3.600**
NDR			1.900	1.900			1.700	1.700					3.600
CES - Other	**13.256**	**0.010**	**2.147**	**15.413**	**14.975**	**0.000**	**7.160**	**22.135**	**0.644**	**0.000**	**0.000**	**0.644**	**38.193**
Better Broadband	1.500		0.701	2.201	11.548		7.160	18.708	0.644			0.644	21.553
SEP	3.485			3.485	1.477			1.477					4.962
Replacement HWRC	2.750			2.750									2.750
Vehicle replacement - fire	0.950			0.950									0.950
Unallocated DLG grant			0.900	0.900									0.900
Portable generators - fire			0.189	0.189									0.189
Flood Rescue			0.093	0.093									0.093
Various fire improvements	0.693	0.010	0.037	0.740	0.200			0.200					0.940
Libraries Buildings/books/kiosk	1.800		0.163	1.963	1.000			1.000					2.963
Norwich Castle Keep Development	1.312			1.312	0.750			0.750					2.062
Norwich Castle critical M&E	0.750			0.750									
Museums Other	0.016		0.065	0.081									0.081

Department/Project	2018/19 Borrowing £m	2018/19 Revenue and Reserves £m	2018/19 Grants and Contributions £m	2018/19 TOTAL £m	2019/20 Borrowing £m	2019/20 Revenue and Reserves £m	2019/20 Grants and Contributions £m	2019/20 TOTAL £m	2020/21 Borrowing £m	2020/21 Revenue and Reserves £m	2020/21 Grants and Contributions £m	2020/21 TOTAL £m	TOTAL PROGRAMME £m
Finance & Commercial Services	**31.008**	**0.000**	**0.000**	**31.008**	**2.145**	**0.000**	**0.000**	**2.145**	**0.274**	**0.000**	**0.000**	**0.274**	**33.427**
Budget Manager Licences	0.022			0.022	0.023			0.023	0.024			0.024	0.069
Capital loans facility - NCC subsidiary companies	6.500			6.500									6.500
Capital Programme Management	0.300			0.300	0.300			0.300					0.600
Farms Various Schemes	1.678			1.678	0.572			0.572					2.250
Source to pay replacement system	0.121			0.121									0.121
5 year software licenses	0.600			0.600									0.600
ICT capital hardware	0.300			0.300									0.300
GNGB Supported borrowing	11.000			11.000									11.000
Minor Works inc equality	0.439			0.439									0.439
Norfolk One Public Estate	0.250			0.250	0.250			0.250	0.250			0.250	0.750
Corporate Offices Capital Maintenance	1.574			1.574	1.000			1.000					2.574
County Hall site continuing redevelopment	8.175			8.175									8.175
Room Booking System	0.050			0.050									0.050
TOTAL	**51.670**	**0.010**	**71.440**	**123.120**	**17.120**	**0.000**	**50.364**	**67.484**	**0.918**	**0.000**	**0.000**	**0.918**	**191.522**

Appendix B: New and extended capital schemes

Proposed new schemes added to the capital programme are listed below:

Service Area	Title	2018-19	2019-20	2020-21	2021-22	Additional information
		£m	£m	£m	£m	
ASC	Community Equipment and Assistive Technology Capitalisation	**2.334**	**2.380**	**2.428**	**2.476**	Capitalisation to the extent that community equipment and assistive technology form a class of "non-current assets" with a life of more than one year, to contribute to revenue savings.
Children's Services	Capital projects to be funded from prudential borrowing	**2.200**				An amount of £2.2m funding has been or is likely to be received from revenue sources currently or previously applied to capital purposes. This proposal is to replace the revenue funding with prudential borrowing, such that the funding can be re-allocated back to revenue, and can therefore be used as a one-off source to support the 2017-18 Children's Services revenue budget.
CES - Highways	**Additional highway investment (total £20m)**	14.008	1.476	3.200	1.316	At the P&R Committee on 27 November 2017, Members noted that one of the priorities for the administration was a commitment to invest an extra £20m in Norfolk's roads. The funding would be allocated to delivery of major projects, junction improvements, market town schemes, footways and crossing improvements and a contribution to parish partnership local Member and PROW. It is proposed that the Major schemes element would be used to support the permanent funding solution for the NDR, in accordance with the table below, and is subject to approval by the EDT Committee.
	Highways capitalisation	1.065	1.065	1.065		Capitalisation of costs previously charged to the revenue budget to deliver revenue savings, including capitalisation of area and ITS, programme team and other staff time and direct expenses, asset condition surveys, capitalisation of road markings and stud work, and capitalisation of design fees.
	Highways – new borrowing	**15.073**	**2.541**	**4.265**	**1.316**	
	Highways – grants/external funded schemes	79.118	52.879	32.450	-	Grants/external funded schemes as presented in Highways Capital Programme Summary report to January EDT Committee – analysis below.
	Total highways	**94.191**	**55.420**	**36.715**	**1.316**	
CES - other	**Fire**					

Service Area	Title	2018-19	2019-20	2020-21	2021-22	Additional information
		£m	£m	£m	£m	
	Fire ICT equipment	0.480				Purchase new ICT equipment rather than lease
	Fire Mobile Data Terminal replacement	0.250				
	Fire Scottow Live Training upgrades	0.470				
	Fire Retained Alter replacement	0.140				
	Fire Hydrant/ Asset management system	0.100				
	Fire Red Fleet replacement	1.000	1.250	2.000		The £1m in 2018-19 is in addition to an existing £0.950m currently in the programme.
	Fire Critical Equipment replacements			0.150		Extension to existing programme
	Fire North Earlham Prince's trust	0.035				
	Total Fire requirement	**2.475**	**1.250**	**2.150**		
	CES – other (excl Fire)					
	Better Broadband for Norfolk	0.250	0.250	0.250		Capitalisation of project management (previously charged to revenue)
	On-street parking scheme development costs	0.100	0.100			Development of schemes including staff time and development of TRO's.
	GRT – site Improvements	0.100				Improvements: Gypsy, Roma and Traveller sites
	Museums access improvements	0.050				To develop new entrance for immediate use for wedding parties at the Castle. This will address some accessibility issues and support the generation of income.
	New Green infrastructure – development of the network	0.350				Potential to draw down external funding with income generating opportunities
	Street Lighting LED	0.197	0.372			Subject to availability of PFI sinking fund
	Closed Landfill Sites – leachate treatment pilot plant	0.425	0.075			Long term revenue budget savings are estimated at £100k. Leachate treatment should be expected for at least another 30 years.
	Total CES other (excl Fire)	**1.472**	**0.797**	**0.250**		
	Total CES non-highways	**3.947**	**2.047**	**2.400**	**-**	
	Total CES Capital new schemes	**19.020**	**4.588**	**6.665**	**1.316**	
Finance and Comm Servs	**ICT**					
	Servers and devices	4.230	5.630	3.130		Inc Servers – hardware and licences Devices - rolling replacement including tablets & smartphones Licences – Skype & Microsoft
	Data Centres	1.503				New Comms/data Rooms at CH / Millennium Library
	Network	1.400				LAN & Wi-Fi refresh, Security tools
	Information management	0.555	0.555	0.555		Portal structure, GRID development
	Travel & Transport - ITS move	1.000				Networking costs in addition to property move costs
	Less existing capital budget	-1.902				Capital funding previously approved

Service Area	Title	2018-19	2019-20	2020-21	2021-22	Additional information
		£m	£m	£m	£m	
	Total ICT	**6.786**	**6.185**	**3.685**		
	Property					
	Capital grant contribution towards East Anglia's Children's Hospices (EACH) "nook" appeal.	0.500				Contribution of £0.5m towards the £10m total cost of a new Childrens Hospice in the county; helping young people and their families face end-of-life situations closer to home.
	Hethersett Fire Station site remodelling including Whitegates relocation	0.550				Changes and adaptations to two existing County Council owned fire stations (Wymondham and Hethersett) to enable offices, workshops and ancillary buildings to be vacated and exploited.
	County Hall North Wing Car Park	0.410				Creation of approx. 112-125 additional spaces on site around County Hall North Wing and Annexe
	County Hall Heating/Cooling systems	0.095				County Hall Heating and Cooling systems engineering review in advance of remedial works.
	Remedial works to County Hall	1.750				Remedial works to improve working environment and improve energy efficiency.
	County Hall Refurbishment Phase 2		6.323			Refurbishment of Basement and Lower Ground floors including fire compliance, North Wing leaking roof, new central storage facility, improving data centre resilience. Works will enable release of off-site office space and potentially enable third party use/income.
	Vauxhall Centre Underground Car Park	0.230				Norfolk County Council acquired the freehold to the Vauxhall Centre Underground Car Park in April 2016. The site offers 80 parking spaces in a busy City centre location with a potential of generating income between £0.080m to £0.100m per annum
	Accommodation Rationalisation	0.025	0.025	0.025		Works where leases/licences are coming to an end, to facilitate staff relocation.
	Intelligent Transport System relocation	0.705				As a result of the North Wing refurbishment I.T.S are required to relocate all Office, Server Room and Control Room equipment.
	Fire Property Maintenance	1.053	0.493	0.493		On-going capital maintenance
	Jubilee Centre Norwich	0.200				Refurbishment of Jubilee Centre
	Total Property	**5.518**	**6.841**	**0.518**		
	Total F&CS	**12.209**	**13.026**	**4.203**	**-**	
Summary	**Total proposed new bids - borrowing**	35.858	19.994	13.296	3.792	
	Total proposed new schemes – grants/external	79.118	52.879	32.450	-	
	Total new schemes to be approved	**114.976**	**72.873**	**45.746**	**3.792**	

Service Area	Title	2018-19	2019-20	2020-21	2021-22	Additional information
		£m	£m	£m	£m	

Highways capital programme summary						
	LTP funding	3.200	3.000			
	Structural maintenance	31.885	32.465	33.515		
	Other funding	46.998	20.179			
	Highways total forward programme	**82.083**	**55.644**	**33.515**		
	Less items already in programme					
	NDR	-1.900	-1.700			
	Less new borrowing to be approved in new programme (above)	-1.065	-1.065	-1.065		
	Highways grant/external funded forward programme	**79.118**	**52.879**	**32.450**		

Additional Highways investment: proposed budget distribution

Work Type	Sub-type	Total	2018-19	2019-20	2020-21	2021-22
		£	**£**	**£**	**£**	**£**
NDR		**12,000,000**	12,000,000			
County Councillor Member Fund		**2,016,000**	504,000	504,000	504,000	504,000
Parish Partnerships		**100,000**	25,000	25,000	25,000	25,000
Market Towns	studies	**400,000**	175,000	100,000	100,000	25,000
	interventions	**1,665,000**	0	555,000	555,000	555,000
PROW		**200,000**	119,000	81,000		
Footways and crossings	works	**727,500**	151,000	190,000	200,000	186,500
	assessments	**106,500**	43500	21000	21000	21000
Junction improvements	works	**2,695,000**	900,000	0	1795000	0
	feasibility	**90,000**	90,000			
		20,000,000	14,007,500	1,476,000	3,200,000	1,316,500

Key

(shaded) = indicative

Schools projects (to be funded through existing grants and developer contributions, as available)

Project	Description	Project Delivery (subject to minimising disruption to education provision)
New primary school building for St Edmund's Primary School, King's Lynn on Lynnsport site	Building for 2FE primary school building on Lynnsport land offered in lieu of S106 contributions. Scheme will assist delivery of alternative provision in King's Lynn.	2019/20
Aylsham Primary growth and reorganisation	Accommodation for St Michael's CE VA Infant School to reorganise to 140 place primary. Expansion of John of Gaunt Infant school site to accommodate further 1 form of entry resulting from change to St Michael's and growth in town.	2017/18
Bowthorpe organisation/New primary school building	As part of the need for additional places in Bowthorpe, the organisation and expansion of primary places is being reviewed. This is likely to include a new school building and site.	2020/21
Costessey Infant and Junior	Amalgamation onto single site 3FE primary and second phase to expand to 4 forms of entry.	2017/18
Dersingham VA Infant and Junior	Amalgamation onto single site. Funding to include disposal of infant school site.	2017/18 onwards
East Harling Primary to 1.5FE	Expansion in response to pressure on school places.	2018/19
Mulbarton Infant and Junior expansion	Expansion of infant and junior schools in response to pressure on school places in Mulbarton and the surrounding villages.	2018/19
Sprowston area growth	Expansion of existing primary schools to west of Sprowston to absorb housing growth prior to new primary schools in Beeston Park	2016/17 onwards
Temporary Classrooms 2017/18	Placement of modular temporary accommodation at school sites experiencing either a bulge year of entry or the first year/continuing years of sustained pupil number growth.	Target delivery by Sept 2017 / 2018
Scarning CE VC Primary	Additional classrooms to provide additional 0.5 form of entry for Dereham cluster. S106 developer contributions form part of funding.	2017/18
Downham Market Hillcrest Primary	Expansion to 3 forms of entry in response to housing growth S106 developer contributions form part of funding.	2017 /18
Norwich North and South growth	Expansion of existing schools in Norwich in response to pressure on school places.	2017/18 onwards
Poringland Primary	Project to expand school to 2 forms of entry.	2017 /18

Project	Description	Project Delivery (subject to minimising disruption to education provision)
Watton Junior Academy	New school building and site to address housing	2017/18 onwards
Land costs for new schools	Part funding required for land available through housing developments. Funding through Basic Need grant.	2016/17 onwards
Capital Maintenance and Academy transfer funds	Projects of approximately £500,000 not covered by schools' devolved formula capital based on assessment by NPS surveyors, and liabilities for NCC properties on conversion to academies.	2016/17

Other projects in development include:

- The Great Yarmouth Third River Crossing: feasibility and other work to date has been funded from grants. Following the recent announcement of Dft Commitment in the form of £98m in government support, work is currently being undertaken to establish options, funding requirements and sources, and the extent of NCC funding which might be required.
- Numerous other highways schemes outlined in the Highways Capital Programme and Transport Asset Management Plan report to 19 January 2018 EDT Committee.
- Sewell Barn Theatre site external works to car park on NCC retained property, subject to project development and funding

Appendix C: Capital bids prioritisation model

The three main objectives in compiling an affordable capital programme are:

- to provide an ambitious and deliverable programme
- to minimise unaffordable revenue costs, mainly by avoiding unsupported expenditure.

Funding for capital schemes comes from a variety of sources. Significant capital grants are received annually from the departments for Transport and Education, in the expectation that they will be spend on maintaining and improving the schools and highways estates. Other funding, often relating to specific projects, comes from a variety of sources. Capital receipts can be used to fund capital expenditure, but where there are no unallocated capital receipts borrowing might be necessary.

Funding unsupported schemes puts additional pressure on what is already a very tight revenue budget, so it is important where possible that if borrowing is required, that a source of income is identified to fund the future borrowing costs.

In developing the capital programme the following are taken into account:

1. Existing schemes and funding sources: a large part of the capital programme relates to schemes started in previous years or where funding has been received in previous years and will be carried forward.

2. Additional capital schemes approved during the year.

3. Prioritising new and on-going schemes on a Council-wide basis to ensure the best outcomes for residents. The prioritisation model is based on the model which has been used for a number of years.

4. If a limit has to be applied to the amount of funding available in any year, the model may have to be developed to categorise schemes, for example into those that are Essential, Priority (short term), Priority (longer term) and Desirable, and to limit spend on scaleable projects or programmes funded through prudential borrowing.

5. The prioritisation process gives a high weighting to schemes which have funding secured. Where non-ringfenced capital grants are received there is an initial assumption that they will allocated to their natural home: for example DfT grants to highways, DfE grants to the schools capital programme.

6. Where a scheme does not have a funding source, priority is given to schemes which can provide their own funding. Where revenue or reserves cannot be identified, then it may be possible to identify future revenue savings or income streams which can be used to re-pay borrowing costs;

7. If there are unallocated capital receipts, these will be used to provide funding for higher priority unfunded schemes.

A capital project marking guide is based on the suggestions made in previous years. Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

Capital programme 2018-22 – officer prioritisation scores

Existing schemes

	Stat or Regulatory duty	CC Priorities	Cross-service Working	Impact on Council borrowing	Leverage Value	Flexibility and Scalability	Avoidance of risk to service delivery	**Total Score**
	1	**2**	**3**	**4**	**5**	**6**	**7**	
Weighting	**10**	**20**	**10**	**25**	**15**	**10**	**10**	**100**
Scheme Title	Score	Score	Score	Score	Score	Score	Score	
On-going schemes in the 2017-21 capital programme								
Highways Capital Improvements	3	5	2	5	5	2	5	84
Highways Structural Maintenance	4	4	2	5	2	2	5	73
Highways other DfT grants	4	4	2	5	2	2	5	73
City Deal Local infrastructure	2	3	4	4	4	4	3	70
Temporary Classrooms	4	4	1	5	0	3	5	67
Northern Distributor Road	3	5	3	2	4	1	5	66
Schools Capital Maintenance	3	4	1	5	0	3	5	65
Elm Road, Thetford – Community Hub	4	4	1	5	0	3	4	65
Better Broadband	0	5	3	4	4	0	3	64
School Basic Need	4	4	1	5	0	3	3	63
Delivery of CS Sufficiency Strategy	5	3	3	4	0	3	4	62
Replacement fire engines	4	4	0	3	0	4	5	57
Norfolk One Public Estate programme	3	2	4	1	5	5	2	56
Server infrastructure	2	2	3	3	2	3	5	55
Customer Service Strategy	2	4	4	2	0	3	5	54
DfT Challenge Fund	4	4	1	0	5	4	2	53
Technology and investment programme (transformation)	2	2	3	3	2	4	3	53
Fire Aerial Appliance	4	3	0	3	0	4	4	51
Fire Operational equipment	4	3	0	3	0	4	4	51
Scottow Enterprise Park capital	0	5	4	2	0	3	3	50
Flood Mitigation measures	3	4	1	1	3	3	3	50
Norse, additional loan facility	0	1	1	4	3	5	2	49
Norwich Castle Keep development match funding	2	4	1	1	5	2	1	48
Farm property capital maintenance	2	1	0	5	0	3	4	47
Libraries Open+	2	2	1	3	0	4	5	47
Norwich Castle museum business critical M&E services	4	3	2	2	0	2	4	46
Corporate offices capital maint	2	2	5	1	0	5	4	45
ICT – Control systems relocation from Hethersett to Wymondh	3	1	3	3	0	2	5	45
Licencing and generic capital improvements	2	2	1	3	2	4	1	45
Voice and data contract – capital	2	2	4	1	2	2	4	43
Development of Ketteringham Site	2	2	3	1	3	3	2	42
Fire station fire detection systems	4	3	2	1	0	2	4	41
Replacement HWRC Norwich	3	4	0	1	0	1	5	39
Basement/Lower Ground	0	2	3	3	0	3	2	39
County Hall North Wing	0	2	3	3	0	3	2	39
Whitlingham capital repairs	1	2	3	2	0	2	4	38
Capitalisation of library books	2	3	0	2	0	3	3	38
Single Employee Portal	2	2	5	1	0	3	2	37
Live fire unit	2	3	0	1	0	4	4	37
Replacement room booking system	0	2	2	3	0	2	3	37
Capitalisation of corporate capital staff costs where applicable	2	2	1	3	0	3	1	37
Managing Asbestos Exposure	5	1	1	0	0	5	5	36
Replacement of Self Service Kiosks in Libraries	2	2	0	2	0	3	4	36
Repay Debt (Dummy reference bid)	**0**	**0**	**0**	**5**	**0**	**5**	**0**	**35**

New schemes

	Stat or Regulatory duty	CC Priorities	Cross-service Working	Impact on Council borrowing	Leverage Value	Flexibility and Scalability	Avoidance of risk to service delivery	Total Score
Title	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
	10	**20**	**10**	**25**	**15**	**10**	**10**	**100**
ASC								
Community Equipment and Assistive Technology Capitalisation	3	3	0	3	0	2	5	**47**
Children's Services								
Children's Services capital projects to be funded from prudential borrowing	3	4	1	3	0	2	5	**53**
Highways								
Additional highway investment	3	5	2	3	1	2	5	**62**
Fire								
Fire various equipment	4	4	0	3	0	2	5	**53**
CES other								
Better Broadband for Norfolk	0	5	3	4	4	0	3	**64**
On-street parking scheme development costs	4	2	0	2	0	2	3	**36**
GRT – site Improvements	4	2	3	0	1	2	4	**37**
Museums access improvements	4	4	2	2	1	1	1	**45**
New Green infrastructure – development of the network	2	2	0	2	3	3	1	**39**
Street Lighting LED	2	3	3	3	0	4	1	**47**
Closed Landfill Sites – leachate treatment pilot plant	4	4	0	5	0	2	4	**61**
ICT								
ICT servers, network, data centre	2	2	4	1	2	2	4	**43**
Travel & Transport - ITS move	0	2	3	3	0	3	4	**43**
Property								
Contribution towards new hospice at Framingham Pigot – “Nook” appeal	1	4	3	0	5	0	0	**39**
Hethersett Fire Station site remodelling, including Whitegates relocation	0	1	2	5	0	3	0	**39**
County Hall works and improvements	0	2	3	3	0	3	4	**43**
Vauxhall Centre Underground Car Park	0	2	0	5	0	3	1	**41**
Fire Property Maintenance	2	2	5	1	0	5	4	**45**
Jubilee Centre Norwich	2	4	2	2	0	1	3	**42**

All schemes listed above meet the threshold.

Appendix D: Capital strategy 2018-19

1 Purpose and aims of the Capital Strategy

1.1 The Capital Strategy has been developed as a key document that determines the council's approach to capital. It is an integral aspect of the Council's medium term service and financial planning process as reflected in the Medium Term Financial Strategy (MTFS).

1.2 The Capital Strategy is concerned with, and sets the framework for:

- all aspects of the Council's capital expenditure for the period covered by the Council's medium term financial strategy
- planning, prioritisation, management and funding.

It is closely related to, and informed by

- the Council's priorities
- the Council's Asset Management Plans and
- capital funding grants and debt facilities provided by central government and other external funding sources.

1.3 The Capital Strategy is reviewed on an annual basis to ensure it continues to reflect the changing needs and priorities of the Council, and its partners throughout Norfolk and the region.

1.4 The key aims of the Capital Strategy are:

- to identify capital projects and programmes;
- to prioritise capital requirements and proposals;
- to provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities;
- to consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets;
- to identify the resources available for capital investment over the medium term planning period.

1.5 The Capital Strategy provides a framework for the allocation of resources. The approval of new capital schemes and the allocation of available funding is undertaken when the capital programme is approved as part of the wider budget setting process.

2 Influences on the capital strategy

2.1 The Council continues to be faced with significant changes and challenges which affects all of the public sector and the following are some of the major influences on our Capital Strategy.

2.2 For a number of years there have been stringent reductions in revenue and capital grant funding for public services, with a strong drive towards austerity and value for money. Local authorities are facing rising demand and expectations for Council services. The Council is seeking creative new ways of providing services which may require capital investment to deliver best value for our communities and taxpayers.

2.3 The success of any Capital Programme is delivery to anticipated timescales and budgets. Failure to achieve either results in increases in capital costs and additional revenue pressures.

In a challenging financial environment, effective procurement, robust contract management and constant oversight are essential to manage costs and ensure all spend delivers the intended outcomes.

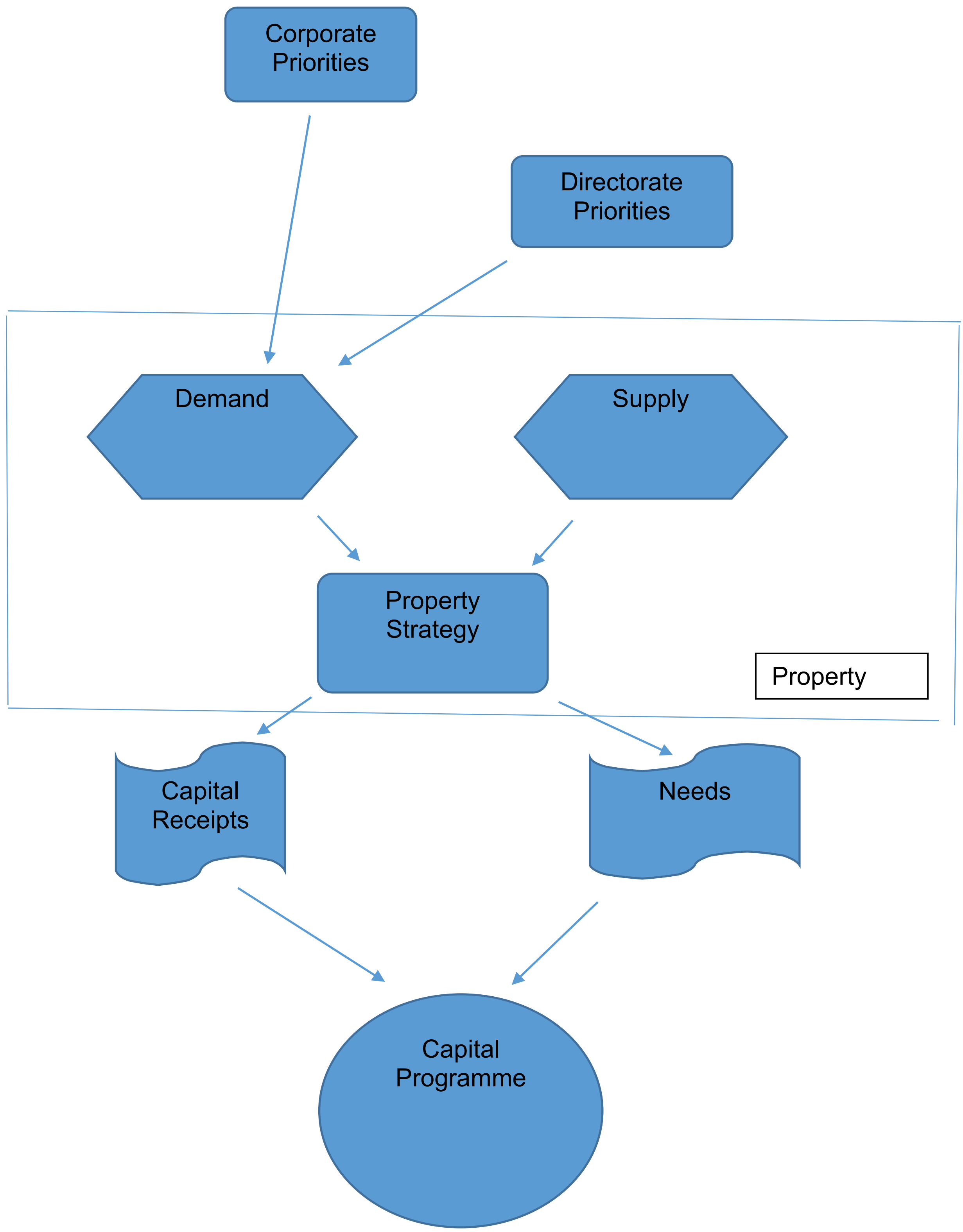
2.4 Formation and delivery of asset management plans are vital to the implementation of the Capital Strategy and to the delivery of the Capital Programme. The Council's primary asset management plan is supplemented by its:

- Transport Asset Management Plan, and
- Children's Services Capital Priorities Group assessment of growth pressures.

2.5 In order to minimise the impact of additional borrowing on future revenue budgets, and to reduce the cost of maintaining under-used or inefficient properties, the Council has a programme of asset disposals. The asset rationalisation and disposals policy is now a key element of delivering capital funding and for reducing property related costs.

2.5 The relationship between the asset management plan and the capital programme is shown below:

The fit between the Capital Programme and the Asset Management Strategy



3 Capital Expenditure

3.1 Capital expenditure and investment is vital for a number of reasons:

- As a key component in the transformation of service delivery and flexible ways of working
- A catalyst for economic growth
- To maintain or increase the life of existing assets
- To address the issues resulting from increasing numbers of service users
- As a lever to generate further government or regional capital investment in Norfolk

3.2 With a challenging financial environment for the foreseeable future that is influenced by a variety of external factors, there will only ever be a limited amount of capital resources available. Therefore, it is vital that we target limited resources to maximum effect with a new focus on our strategic and financial priorities.

3.3 Capital funding is limited. External capital grants can only be spent on capital. Projects funded from revenue, revenue reserves or borrowing all affect revenue budgets. Borrowing in particular has long term revenue consequences. Two costs are incurred when a capital scheme is funded from borrowing:

- A Minimum Revenue Provision (MRP) – the amount we have to set aside each year to repay the loan and this is determined by the life of the asset associated with the capital expenditure; and
- Interest costs for the period of the actual loan.

3.4 On present long term borrowing interest rates every £1 million of prudential borrowing costs as much as £0.080m pa in ongoing revenue financing costs for an asset with an assumed life of 25 years, or up to £0.230m pa for an asset with a 5 year life. This is in addition to any ongoing maintenance and running costs associated with the investment.

3.5 The MRP policy which defines the method used each year to calculate MRP are set annually as part of the budget process.

3.6 Given the revenue cost pressures shown in the Council's Medium Term Financial Strategy the scope for unsupported capital expenditure (capital expenditure that generates net revenue costs in the short or medium term) may be limited.

3.7 The budget planning process is designed to reflect both capital and revenue proposals such that the revenue consequence of capital decisions, particularly as a result of increased borrowing, are reflected in future revenue budgets such that any capital investments are prudent, affordable and sustainable for the Council.

4 Capital project prioritisation

4.1 The Council has to manage demands for investment within the financial constraints which result from:

- The limited availability of capital grants
- The potential impact on revenue budgets of additional borrowing and
- The level of capital receipts generated.

As a result, prioritisation criteria have been developed to assess any capital bids that ensure the Programme is targeted to Council priorities.

The criteria are initially applied by a group of officers representing major service areas and appropriate support skills such as property management and finance. Results are moderated by Chief Officers before the capital programme is proposed through the Policy and Resources Committee to County Council.

4.2 All capital bids that require support must be supported by a Business Case that demonstrates

- Purpose and Nature of scheme
- Contribution to Council's priorities & service objectives
- Other corporate/political/legal issues
- Options for addressing the problem/need
- Risks, risk mitigation, uncertainties & sensitivities
- Financial summary including amounts, funding and timing

4.3 The prioritisation criteria are reviewed annually to ensure they continue to reflect the changing needs and priorities of the Council.

4.4 Development of the prioritisation model

The corporate capital prioritisation model is based on the model first used for the 2015-18 capital programme.

The financial measure used in the model has been updated to be able to add weight to schemes which reduce immediate pressure on the Council's revenue budget.

This model operates at a corporate level which looks at capital programmes rather than individual schemes, except where schemes are not externally funded. Most schemes are prioritised within the two major capital programme areas of transport and schools.

Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within ETD and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Non-school property schemes are presented through the Council's Corporate Property team. Other schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

The Council's three year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

4.5 Funding and the scoring threshold

Irrespective of scores, schemes can only be included in the County Council approved capital budget up to the point that funding is available taking into account limitations associated with different funding sources.

For schemes with no funding source, a benchmark of 35 has been applied, being the score for a dummy project of simply re-paying debt. For funded schemes, this also provides a useful benchmark against which to ask the question as to whether the Council should be undertaking projects which do not, for example, fulfil the Council's objectives.

Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

5 Capital Programme overview

5.1 The Capital Programme should support the overall objectives of the Council and act as an enabler for transformation in order to address its priorities.

5.2 Over the last three years Norfolk County Council's capital expenditure has been as follows:

Financial year	2014-15	2015-16	2016-17
	£m	£m	£m
Capital expenditure	140.9	129.1	205.2

The Council's 2016-17 capital programme was split by funding type as follows:

Funding type	**£m**	**%**
Capital grants and contributions	171	83%
Revenue and reserves	4	2%
Capital receipts (applied to the direct repayment of debt in 2016-17)	0	0%
Borrowing	30	15%
Total	**205**	**100%**

6 Capital expenditure

6.1 Capital expenditure is defined under the Financial Reporting Standard (FRS) 15 as expenditure which falls into one of two categories

- The acquisition, creation or installation of a new tangible or intangible asset.
- Increasing the service potential of an asset for at least one year by:
- Lengthening substantially its life and/or market value or

- Increasing substantially either the extent to which an asset can be used or the quality of its output.

A de-minimis level is applied when accounting for a new asset as capital – for Norfolk County Council this is £40,000, although capital funding can be applied to assets with lower value.

7 Capital Funding Sources

7.1 There are a variety of different sources of capital funding, each having different advantages, opportunity costs and risks attached.

Borrowing

7.2 The Prudential Capital Finance system allows local authorities to borrow for capital expenditure without Government consent, provided it is affordable. Local Authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.

7.3 As a guide, borrowing incurs a revenue cost of approximately 7% of the loan each year for an asset with a life of 25 years, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs to be satisfied that it can afford this annual future revenue cost.

7.4 Local Authorities have to earmark sufficient revenue budget each year as provision for repaying debts incurred on capital projects, in accordance with the relevant MRP policy.

Grants

7.5 The challenging financial environment means that national government grants are reducing, or changing in nature. A large proportion of this funding is currently un-ringfenced which means it is not tied to particular projects. However, capital grants are allocated by Government departments which clearly intend that the grants should be certain area such as education or highways. So although technically the grants are un-ringfenced, the political reality is not as clear cut.

7.6 Sometimes grant funding is not sufficient to meet legislative obligations and other sources of funding will be sought to fund the gap.

Capital Receipts

7.7 Capital receipts are estimated and are based upon the likely sales of assets as identified under the developing Asset Management Plan. These include development sites, former school sites and other properties and land no longer needed for operational purposes. Receipts are critical to delivering our revenue budgets through the direct repayment of debt and potentially the flexible use of capital receipts. Receipts not used for that purpose can be used to reduce the level of borrowing required.

Revenue / Other Contributions

7.8 The Prudential Code allows for the use of additional revenue resources within agreed parameters. Contributions are received from other organisations to support the delivery of schemes with the main area being within the education programme with contributions made by individual schools and by developers.

8 Capital Programme Management

8.1 The Capital Programme is kept under continual review during the year.

Each scheme is allocated a project officer whose responsibility is to ensure the project is delivered on time, within budget and achieves the desired outcomes.

8.2 Capital finance monitoring reports are prepared monthly, and Service Committees receive financial reports relevant to their area. The Policy and Resources Committee takes an overview of the overall capital programme. This includes recommendations to change the Programme to reflect movements in resources and variations from planned spending on schemes, and to introduce new schemes not anticipated at the time of setting the annual programme.

8.3 Various Capital Working Groups oversee the co-ordination and management of the Capital Programmes. These groups include:

Group / Programme	Role
The Children's Services Capital Priorities Group	A member and officer group which oversees the development and delivery of the Schools capital programme.
EDT Committee	The Environment, Development and Transport Committee has responsibility for maintaining and developing the highway network, as well as other responsibilities including Waste Management and Recycling.
Business and Property Committee	The Business and Property Committee has responsibility for developing and monitoring property and asset management, including responsibility for the oversight and development of County Farms.
The Council's Corporate Property Team	Responsible for managing the Council's property portfolio and to maximise Capital Receipts from the sale of surplus property assets. Roles include - reviewing policies relating to property. - co-ordinating the Council's asset management plan - corporate property scheme prioritisation

Policy and Resources Committee

Item No 12

Report title:	**County Council Budget 2018-19 to 2021-22: Statement on the Adequacy of Provisions and Reserves 2018-22**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services – Simon George**

Strategic impact

This report sets out the Executive Director of Finance and Commercial Services' statement on the adequacy of provisions and reserves used in the preparation of the County Council's budget, which is reported elsewhere on this agenda. As part of budget reporting to Policy and Resources Committee and the County Council, the Executive Director of Finance and Commercial Services is required under the Local Government Act 2003 to comment on the adequacy of the proposed financial reserves. Members must consider the level and use of reserves and balances to inform decisions when recommending the revenue budget and capital programme. This paper is one of a suite of reports that support Policy and Resources Committee's recommendations to County Council about the budget.

Executive summary

This report details the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2018-22. It includes an assessment of the Council's financial risks that should be taken into consideration in agreeing the minimum level of General Balances held by the Council.

This paper is one of a suite of reports that support the County Council's 2018-19 budget decisions.

Policy and Resources Committee is recommended to:

1) Agree to recommend to County Council:

a) Note the planned reduction in non-schools earmarked and general reserves of 36.5% over four years, from £74.169m (March 2017) to £47.112m (March 2022) (paragraph 5.2);

b) Note the policy on reserves and provisions in Appendix C;

c) Agree, based on current planning assumptions and risk forecasts set out in Appendix B:

i. for 2018-19, a minimum level of General Balances of £19.301m, and
ii. a forecast minimum level for planning purposes of

- **2019-20, £22.738m; and**
- **2020-21, £23.578m; and**
- **2021-22, £23.791m.**

as part of the consideration of the budget plans for 2018-22, reflecting the transfer of risk from Central to Local Government, and supporting recommendations;

d) Agree the use of non-school Earmarked Reserves, as set out in Appendix E.

1. Introduction

1.1. As part of budget reporting to Policy and Resources Committee and the County Council, the Executive Director of Finance and Commercial Services is required under the Local Government Act 2003 to comment on the adequacy of the proposed financial reserves.

1.2. Reserves are an essential part of good financial management and are held to ensure the Council can meet unforeseen expenditure and to smooth expenditure across financial years. They enable councils to manage unexpected financial pressures and plan for their future spending commitments. While there is no universally defined level for councils' reserves, the reserves a Council holds should be proportionate to the scale of its future spending plans and the risks it faces as a consequence of these. Norfolk County Council's policy has been to set limits consistent with the Council's risk profile and with the aim that Council Taxpayer's contributions are not unnecessarily held in provisions or reserves.

1.3. This paper sets out the County Council policy for reserves and balances and details the approach for setting a risk assessed framework for reaching a recommended level of general balances. Appendices A and B explicitly identify the risks, over ten categories, and the quantification of those risks, in arriving at the recommended level.

1.4. Taking into account the overall position, it is considered that the current level of General Balances is adequate and the minimum level is therefore proposed at £19.301m.

2. Purpose of holding provisions and reserves

2.1. The Council holds both provisions and reserves.

2.2. Provisions are made for liabilities or losses that are likely or certain to be incurred, but where it is uncertain as to the amounts or the dates on which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

2.3. Reserves (or Earmarked Reserves) are held in one of three main categories:

- Reserves for special purposes or to fund expenditure that has been delayed – reserves can be held for a specific purpose, for example where money is set aside to replace equipment or undertake repairs on a rolling cycle, which can help smooth the impact of funding.

- Local Management of Schools (LMS) reserves that are held on behalf of schools – the LMS reserve is only for schools and reflects balances held by individual schools. The balances are not available to support other County Council expenditure.

- General Balances – reserves that are not earmarked for a specific purpose. The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance and Commercial Services is required to form a judgement on the level of the reserve and to advise Policy and Resources Committee accordingly.

2.4. Reserves are held for revenue and capital purposes. However some are specific e.g. Usable Capital Receipts can only be used for capital purposes.

3. Current Context

3.1. In respect of General Balances, their minimum level is presently recommended at £19.301m for 2018-19. The projected actual level at 31 March 2018 is £19.301m, prior to allowing for the revenue budget year end position, which is currently forecasting an overspend of £2.790m (as per the monitoring report to Policy and Resources Committee 29 January 2018). However, Chief Officers are taking action to reduce the level of overspend and it is anticipated that a balanced outturn position will be achieved as a result. The budget proposals reported on this agenda do not include any use of General Balances. The level of minimum balance is informed by an assessment of the financial risk to which the Council is exposed, whilst also taking account of the level of financial controls within the Council. Financial management and reporting arrangements are considered to be effective and this has been commented on by the external auditors.

3.2. Norfolk County Council's provisions and reserves are reported to Policy and Resources Committee on a monthly basis and are subject to continual review. They are also reported to the relevant Service Committee. In comparison with other County Councils, the Council holds a lower than average percentage of general balances. Latest Revenue Account Budget information from the Ministry of Housing, Communities and Local Government indicates that as a proportion of the 2017-18 net budget the Council's general reserves are presently 5.4%, while the average for shire counties is 6.4%.

3.3. In setting the annual budget, a review of the level of reserves is undertaken, alongside any under or overspend in the current year, to determine whether it is possible to release funding to support the following year's budget or whether additional funding is required to increase the level of reserves. That review is informed principally by an assessment of the level of financial risk to which the council is exposed and an assessment of the role of reserves in supporting future spending plans.

3.4. The overall level of General Balances needs to be seen also in the context of the earmarked amounts set aside and the Council's risk profile. Whilst it is recognised that all county councils carry different financial risk profiles, the position in Norfolk is that the level of its General Balances is below that of most other counties.

4. Assessment of the level of General Balances

4.1. The framework for assessing the level of General Balances, detailed at Appendix A, is based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council. It takes into consideration the most significant risks and issues including the following:

- Level of savings and transformation. One of the most significant risks continues to be the level of transformation that has to take place across the Council to deliver the required budget savings. Risk has been considered as part of our assessment of the robustness of the budget proposals, and reflected in the reprofiling and removal of some savings. The remaining risks will be monitored within and across services as part of the Council's ongoing risk management process and mitigating actions will be identified and monitored. Robust financial monitoring controls are in place and additional monitoring of the transformation programme is being undertaken.

- Managing the cost of change. The Council will need to budget for the cost of any redundancies necessary to achieve the required budget savings and service restructuring to the extent they are not contained in the budget proposals. The Council has a separate redundancy reserve for this purpose.

- The effect of economic and demand changes. There is always some degree of uncertainty over whether the full effects of any economy measures and / or service reductions will be achieved. Whilst the budget process has been prudent in these assumptions and those assumptions, particularly about demand led budgets, should hold true in changing circumstances, an adequate level of general contingency provides extra reassurance the budget will be delivered on target. Changes in the economic climate may also influence certain levels of income to be received at a lower level than previous years.

- Cost of disasters. The Bellwin Scheme of Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. In a disaster situation, the Council can claim assistance from the Government using the Bellwin rules. Thresholds were set for 2017-18 and mean the Council would have to fund emergency costs below £1.164m. Central Government would then provide 100% grant funding for any eligible expenditure incurred above this amount. Examples of natural disasters eligible for the scheme would include severe flooding and hurricane damage.

- Uncertainty arising from the introduction of new legislation or funding arrangements such as the moves towards retention of Business Rates.

- Risk of changes to the levels of grant funding and factors affecting key income streams such as Council Tax and Business Rates.

- Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.

- The risk of major litigation, both currently and in the future.

- The need to retain a general contingency to provide for any unforeseen circumstances which may arise.

- The need to retain reserves for general day to day cash flow needs.

4.2. The ten areas of risk considered in the general contingency are detailed in Appendix A with an explanation of the potential risks faced by the Council. Appendix B details the calculation of the General Balances.

Table 1: Recommended and forecast level of General Balances 2017-22

2017-18 (31/03/2018 Forecast)		**2018-19**	**2019-20**	**2020-21**	**2021-22**
£m		**£m**	**£m**	**£m**	**£m**
19.301	Assessment of the level of General Balances	19.301	22.738	23.578	23.791

4.3. It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The “balances” need to reflect spending experience and risks to which the Council is exposed.

4.4. The latest budget monitoring position reported to Policy and Resources Committee forecasts general balances at 31 March 2018 of £19.301m, prior to allowing for the revenue budget end of year position, which is currently forecasting an overspend of £2.790m. Work is being undertaken by Executive Directors to reduce the overspend position reported in period 8. It is expected that these actions will enable a balanced outturn position to be achieved for 2017-18.

4.5. The increase in the minimum level of risk-based balances needed in the following four years reflects the increased level of risk around budget assumptions, such as pay awards, where the longer forecasting horizon increases the level of uncertainty.

5. Review of Earmarked Reserves and Provisions

5.1. As part of the 2018-19 budget planning process, a detailed review has been undertaken in respect of each of the reserves and provisions held by the Council. In general, the earmarked reserves and provisions are considered by the Executive Director of Finance and Commercial Services to be adequate and appropriate to reflect the risks they are intended to cover. However, it is considered that changes could be made to some reserves, due to changing circumstances. Table 2 summarises the earmarked reserves for each Committee. The detailed balances for individual reserves are shown at Appendix E.

Table 2: Summary of Earmarked Reserves and Provisions 2017-22

Committee	**Balance at 31/03/17 £m**	**Forecast at 31/03/18 £m**	**Forecast at 31/03/19 £m**	**Forecast at 31/03/20 £m**	**Forecast at 31/03/21 £m**	**Forecast at 31/03/22 £m**
Adult Social Care	6.230	16.676	8.294	6.229	4.415	4.415
Children’s Services	2.170	1.194	0.554	0.517	0.510	0.510
Communities	9.634	5.521	4.236	3.616	3.120	3.120
Environment Development and Transport	26.829	25.235	24.596	24.043	23.493	23.493
Business and Property	5.985	2.762	2.318	2.105	1.985	1.985
Digital Innovation and Efficiency	0.825	0.261	0.261	0.261	0.261	0.261
Policy and Resources	30.059	17.044	16.491	16.491	16.491	15.516
Total (excluding schools)	**81.732**	**68.692**	**56.750**	**53.263**	**50.275**	**49.300**
Reserves for capital use	4.703	0.232	4.020	1.610	1.000	1.000
Schools	6.380	3.939	3.687	3.435	3.185	3.185
School - LMS	14.000	0.000	0.000	2.000	4.000	6.000

5.2. The planned change in total non-schools reserves is **a reduction of 36.5%** over four years:

Table 3: Change in Reserves 2017-22

	March 31, 2017	March 31, 2022	Reduction %
	£m	£m	
General Balances	19.301	23.791	
Earmarked Reserves	54.868	23.321	
Total	**74.169**	**47.112**	**36.5%**
The comparative figures for last year were:			
	March 31, 2016	**March 31, 2020**	**Reduction %**
General Balances	19.252	23.568	
Earmarked Reserves	68.317	22.959	
Total	**87.569**	**46.527**	**46.9%**

5.3. When taking decisions on utilising reserves or not it is important that it is acknowledged that reserves are a one-off source of funding and once spent, can only be replenished from other sources of funding or reductions in spending. The practice has been to replenish reserves as part of the closure of accounts, however this can be difficult to predict, and these contributions are therefore not reflected in the figures shown.

5.4. The forecast use of reserves shown in Table 2 includes the full use of LMS balances in 2017-18. This is because the 2017-18 overspend on the Dedicated Schools Grant High Needs Block is being funded from a loan from Locally Maintained Schools balances that will need to be repaid in future years. A plan to reduce the under-lying overspend and to repay the loan, whilst meeting the needs of Children and Young People, is being developed and proposals have been discussed and agreed at the Schools' Forum, following a consultation with schools. This use of the reserve was agreed at January's Children's Services Committee.

5.5. Attached at Appendix C is the policy on reserves and provisions used to provide guidance in assessing their level. Attached at Appendix D and E is a full list of the reserves and provisions held by the Council including their purpose, and the expected usage over the medium term period. The forecast year end position of all reserves and provisions is reported to each meeting of the Policy and Resources Committee.

6. Equality Impact Assessment

6.1. In making decisions about the budget, the County Council must give due regard to eliminating unlawful discrimination, promoting equality of opportunity and fostering good relations between people with protected characteristics and the rest of the population. Details of the equality and rural impact assessment of the budget proposals are included in the Revenue Budget report.

7. Issues, risks and innovation

7.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2018. Legal requirements in relation to setting the budget and level of Council Tax have been set out within this and other reports on the agenda and are considered to be met.

7.2. **Risks** – The risks associated with the budget proposals were reported to Service Committees in January 2018 and to Council in the separate report on the Robustness of Estimates. Reports on the Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

8. Summary

8.1. Members could choose to agree different levels of reserves and balances, which could increase or decrease the level of risk in setting the revenue and capital budget. This would change both the risk assessment for the budget and the recommended level of balances.

8.2. The proposed level of reserves and balances set out in this report is considered to provide a prudent and robust basis for the Revenue Budget 2018-19, and will ensure the Council has adequate financial reserves to manage the delivery of services and the proposed savings in the financial years covered by the associated Medium Term Financial Strategy.

Background Papers

Provisional Local Government Finance Settlement 2018-19:
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

Officer Contact

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Key financial risks for Norfolk County Council for General Balances calculation

Area of risk	Explanation of risk
1) Legislative changes	Key government policy and legislative changes will impact on the Council's budget plans. Forecasts have been based on the latest information available but there is risk of variation and there is greater risk in future years, where estimates cannot be fully based on firm government announcements. Key elements include: - Government grant – based on provisional government funding announcements. Although Settlement Funding allocations up to 2019-20 have been announced, future changes in grant level may still occur. - Business Rates. Councils' funding is affected by the level of business rates collected. The Council is affected by the combined rates across all Norfolk councils, which helps smooth out any specific peaks and troughs, however significant appeals and applications for relief such as Power Stations, GPs surgeries and NHS Foundation Trusts could result in significant volatility. There is also considerable uncertainty about the Government's plans for localisation of Business Rates, initially intended to be completed during the life of the current parliament. This may result in a further transfer of risk to Local Authorities, and may also see a transfer of responsibilities. - Council Tax base and collection fund. The council funding is affected if there is a reduction in the tax base or in the amount collected by the billing authorities. The budget is based on a prudent forecast, which minimises the financial risk to budgeted income. - NHS/Social Care Funding – Agreement has been reached around how much additional social care funding will be available to NCC from CCGs up to 2018-19. The Government is providing funding to Local Government via an "Improved Better Care Fund" which includes both recurrent funding and use of the one-off additional social care grant announced within the Spring Budget 2017. A three year plan covering the period 2017-2020 setting out the use of this funding was agreed by the County Council and health partners in July 2017. - The National Living Wage was introduced from 2016-17, starting at £7.20 and the Government target is for it to rise to £9 by 2020. The exact level at which the National Living Wage will be set in future years has not been confirmed and the latest OBR projections published alongside the Autumn Budget in November 2017 suggest the rate will be £8.56 by 2020.
2) Inflation	Pay inflation has been assumed at 2% for 2018-19 to 2021-22. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. However the County Council is currently part of the national

Key financial risks for Norfolk County Council for General Balances calculation

Area of risk	Explanation of risk
	agreement and therefore pay awards will be impacted by any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period. Price inflation has been included based on contractual need. There is a risk that inflation will be required during the planning period, even where there is no current contractual element. In addition many contracts are negotiated post budget agreement and therefore forecast inflation levels may be different in practice. Inflation on fees and charges is set by NCC – a 2.2% increase has been assumed for 2018-19 and 2% in the following years. However, there is a risk that market forces may require this to be varied during the planning period.
3) Interest rates on borrowing and investment	Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by our Treasury Advisors. Reference is also made to the London Intra Bank Bid rate for money market trades. Current rates are at historically low levels and are not forecast to increase at any significant pace over the next couple of years. The revenue cost of borrowing is based on the rates of interest payable on the Council's existing debt and assumptions in respect of capital expenditure to be funded from borrowing which has yet to be borrowed.
4) Government funding	In 2016-17, the Government provided indicative four year funding allocations up to 2019-20. While the grant announcements remain subject to Government changes, which can also arise 'in-year', the Council has a much higher degree of certainty than has historically been the case. However, there remain a number of issues which may impact on future funding levels: • The drive to deliver deficit reduction targets means that the Government may place further reductions on government departments that may affect local government, particularly if there are changes in the wider economy. • On occasion general issues arise on funding which place the Council at risk of clawback. • Key funding for integrated health and social care is via the Department of Health and is dependent on the agreement of plans and further information regarding payment by results. • There is considerable uncertainty about the Government's plans to reform local government funding including the 75%

Key financial risks for Norfolk County Council for General Balances calculation

Area of risk	Explanation of risk
	retention of Business Rates (which will mean the phasing out of Revenue Support Grant and Public Health grant).
5) Employee related risks	Staffing implications of budget planning proposals have been evaluated and reflected within the financial plans, including the cost of redundancy. However, variations could occur as detailed implementation plans are developed.
6) Volume and demand changes	Many of our largest budgets are demand led and these present long standing areas of risk. Forecasts for social care are based on current outturn predictions and applied to population forecasts. Costs could vary if the population varies or if the proportion of people either requiring or eligible for care is different to the forecast. Budgets for Looked After Children take into account the County Council's strategy for minimising the number of children in care. Financial risks include delivery of the strategy and external factors that can lead to an increase in the number of Looked After Children. Waste forecasts are based on the latest available information. If tonnage levels increase, this will lead to an increased pressure.
7) Budget savings	The Medium Term Financial Strategy includes £79m budget savings to be delivered across four years. A full assessment of all proposals has tested the robustness of each saving to minimise the financial risk, however a risk remains that the programme is delivered at a slower rate, or that some savings are not achievable at the planned level. In addition, further savings need to be identified to close the £93m funding shortfall between 2019-20 and 2021-22.
8) Insurance and emergency planning provision	Unforeseen events and natural disasters can increase the level of insurance claims faced by the Council. The council's insurance arrangements, including actuarial review of the fund, additional provisions for unforeseen and unreported claims, service risk management and emergency planning procedures minimise this risk.
9) Energy, security and resilience	Were a disaster to occur, we must have a reserve in place to pick up costs that will fall to the Council. Norfolk includes flood risk areas and emergency procedures are in place to manage this. Resilience of ICT can create a risk that might have financial implications for the Council.

Key financial risks for Norfolk County Council for General Balances calculation

Area of risk	Explanation of risk
10) Financial guarantees /legal exposure	The contracts containing obligations that, if not fulfilled, would attract a penalty. The Council has PFI Schemes for street lighting, salt barns and schools. However there is no risk to the financing of these schemes at present.

APPENDIX B

Balances Calculation

Area of Risk	2017-18			2018-19			2019-20			2020-21			2021-22		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	£m
Legislative Changes															
Government Grant / Business Rates Top-up	197.277	0.00%	0.000	181.144	0.00%	0.000	164.563	0.00%	0.000	125.753	0.50%	0.629	125.753	0.50%	0.629
Business Rates – County share	25.688	1.00%	0.256	26.240	0.00%	0.000	27.118	0.50%	0.136	27.118	0.50%	0.136	27.118	0.50%	0.136
Council Tax Variation to Base/Collection	358.812	0.00%	0.000	388.799	0.00%	0.000	396.569	0.25%	0.991	406.483	0.25%	1.016	408.516	0.25%	1.021
NHS/Social Care Funding	60.120	0.00%	0.000	87.066	1.00%	0.871	93.611	1.00%	0.936	87.708	1.00%	0.877	87.708	2.00%	1.754
Apprenticeship Levy	0.806	1.00%	0.008	0.856	1.00%	0.009	0.856	1.00%	0.009	0.856	1.00%	0.009	0.856	1.00%	0.009
Landfill Tax - waste recycling (price)	23.694	1.00%	0.236	24.280	1.00%	0.243	26.582	1.00%	0.266	28.934	1.00%	0.289	29.513	1.00%	0.295
	666.398		**0.499**	**708.385**		**1.122**	**709.299**		**2.338**	**676.852**		**2.956**	**679.464**		**3.843**
Inflation															
Employees	235.737	0.00%	0.000	252.663	0.00%	0.000	253.765	0.50%	1.269	258.576	0.50%	1.293	263.747	0.50%	1.319
Premises	20.832	0.50%	0.103	23.421	0.50%	0.117	23.435	0.75%	0.176	23.472	0.75%	0.176	23.941	0.75%	0.180
Transport	59.839	0.50%	0.296	58.290	0.50%	0.291	58.565	0.75%	0.439	59.444	0.75%	0.446	60.633	0.75%	0.455
Supplies and Services	97.629	0.50%	0.483	117.867	0.50%	0.589	116.847	0.75%	0.876	110.299	0.75%	0.827	112.505	0.75%	0.844
Agency and Contracted	415.318	0.50%	2.056	421.543	0.50%	2.108	432.073	0.75%	3.241	441.000	0.75%	3.308	449.820	0.75%	3.374
Income (Fees and Charges)	107.567	0.00%	0.000	106.533	0.50%	0.533	109.434	0.75%	0.821	112.085	0.75%	0.841	114.326	0.75%	0.857
	936.923		**2.938**	**980.317**		**3.638**	**994.120**		**6.821**	**1,004.876**		**6.890**	**1,024.973**		**7.028**
Interest Rates															
Borrowing	25.085	0.25%	0.061	26.402	0.25%	0.066	29.481	0.25%	0.074	29.481	0.25%	0.074	29.481	0.25%	0.074
Investment	1.029	0.25%	0.003	0.400	0.25%	0.001	0.400	0.25%	0.001	0.400	0.25%	0.001	0.400	0.25%	0.001
	26.114		**0.064**	**26.802**		**0.067**	**29.881**		**0.075**	**29.881**		**0.075**	**29.881**		**0.075**
Grants															
Public Health Grant funding	40.093	0.00%	0.000	39.062	0.00%	0.000	38.031	0.00%	0.000	0.000	0.00%	0.000	0.000	0.00%	0.000
Other General Fund Grants	25.715	0.50%	0.127	22.871	0.25%	0.057	24.147	0.25%	0.060	18.210	0.25%	0.046	18.210	0.25%	0.046
	65.808		**0.127**	**61.933**		**0.057**	**62.178**		**0.060**	**18.210**		**0.046**	**18.210**		**0.046**

APPENDIX B

Balances Calculation

Area of Risk	2017-18			2018-19			2019-20			2020-21			2021-22		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	£m
Employee Related Risks															
Pensions actuarial evaluation	12.313	0.00%	0.000	14.184	0.00%	0.000	16.718	0.00%	0.000	17.052	0.00%	0.000	17.052	0.00%	0.000
	12.313		**0.000**	**14.184**		**0.000**	**16.718**		**0.000**	**17.052**		**0.000**	**17.052**		**0.000**
Volume / Demand Changes															
Capital Receipts	9.140	8.00%	0.731	4.840	7.50%	0.363	2.000	7.50%	0.150	2.000	7.50%	0.150	2.000	7.50%	0.150
Customer and Client Receipts	107.567	0.75%	0.801	106.533	0.75%	0.799	109.434	0.75%	0.821	112.085	0.75%	0.841	114.326	0.75%	0.857
Demand Led Budgets (Adult Social Care third party and transfer payments)	313.976	0.75%	2.339	320.044	1.00%	3.200	329.595	1.00%	3.296	334.607	1.00%	3.346	341.299	1.00%	3.413
Demand Led Budgets (Looked after Children)	79.748	0.75%	0.594	87.675	1.00%	0.877	89.013	1.00%	0.890	90.522	1.00%	0.905	92.332	1.00%	0.923
Winter Pressures	3.323	25%	0.824	2.647	10%	0.265	2.664	10%	0.266	2.682	10%	0.268	2.735	10%	0.274
Landfill Tax - waste recycling (volume)	23.694	1.20%	0.283	24.280	1.00%	0.243	26.582	1.00%	0.266	28.934	1.00%	0.289	29.513	1.00%	0.295
Public Health third party spend	37.506	1.00%	0.373	34.836	1.00%	0.348	34.837	1.00%	0.348	0.000	1.00%	0.000	0.000	1.00%	0.000
Better Care Fund Spend	60.120	1.00%	0.598	87.066	1.00%	0.871	93.611	1.00%	0.936	87.708	1.00%	0.877	87.708	1.00%	0.877
	635.074		**6.543**	**667.921**		**6.966**	**687.736**		**6.974**	**658.537**		**6.677**	**669.914**		**6.789**
Budget Savings															
Budget Reductions	47.775	8%	3.820	29.999	8%	2.273	16.157	8%	1.293	21.973	8%	1.758	10.400	8%	0.832
	47.775		**3.820**	**29.999**		**2.273**	**16.157**		**1.293**	**21.973**		**1.758**	**10.400**		**0.832**
Insurance/Public Liability Third Party Claims															
Uninsured Liabilities	0.000	0.00%	4.000	0.000	0.00%	4.000	0.000	0.00%	4.000	0.000	0.00%	4.000	0.000	0.00%	4.000
Bellwin rules	1,245.534	0.10%	1.246	1,163.554	0.10%	1.164	1,163.554	0.10%	1.164	1,163.554	0.10%	1.164	1,163.554	0.10%	1.164
	1,245.534		**5.246**	**1,163.554**		**5.164**	**1,163.554**		**5.164**	**1,163.554**		**5.164**	**1,163.554**		**5.164**
Energy Security and Resilience															
Carbon Tax Legislation	0.286	5.00%	0.014	0.286	5.00%	0.014	0.286	5.00%	0.014	0.286	5.00%	0.014	0.286	5.00%	0.014
	0.286		**0.014**	**0.286**		**0.014**	**0.286**		**0.014**	**0.286**		**0.014**	**0.286**		**0.014**
TOTAL			**19.252**			**19.301**			**22.738**			**23.578**			**23.791**

Norfolk County Council policy on Provisions and Reserves

Objective

The objective of holding provisions, reserves, and general balances is to ensure the Council can meet unforeseen or uncertain expenditure, and to meet specific future commitments as they fall due.

The level of provisions and reserves are continually reviewed to ensure that the amounts held are within reasonable limits. Those limits should be consistent with the Council's risk profile and should ensure that Council Taxpayers' contributions are not unnecessarily held in provisions or reserves.

Provisions

Provisions are made for liabilities or losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

The provision amounts are reported to Service Committees and Policy and Resources Committee on a regular basis and are continually reviewed to ensure that they are still needed and that they are at the appropriate amount. If necessary, the amount is increased or decreased as circumstances change to ensure that the provisions are not over or understated.

Reserves

The Council's reserves consist of the following main categories:

- Reserves for special purposes or to fund expenditure that has been delayed
- Local Management of Schools (LMS) reserve
- General Balances (Reserves that are not earmarked for a specific purpose)

Further details of these categories is set out below. The Council complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

Similar to provisions, reserves are reported to Policy and Resources Committee on a regular basis and are continually reviewed in the context of service specific issues and the Council's financing strategy. Reserves are held for revenue and capital purposes. Some reserves, such as General Balances, could be used for either capital or revenue purposes, whilst others may be specific e.g. Usable Capital Receipts can only be used for capital purposes.

Reserves for special purposes or to fund expenditure that has been delayed.
Reserves can be held for a specific purpose. An example of a reserve is repairs and renewals. Money is set aside to replace equipment on a rolling cycle. This effectively spreads the impact of funding the replacement equipment when the existing equipment is no longer fit for purpose.

Norfolk County Council policy on Provisions and Reserves

LMS reserve
The LMS reserve is only for schools and reflects balances held by individual schools. These balances are not available to support other County Council expenditure.

General Balances
The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance and Commercial Services is required to form a judgment on the level of this reserve and to advise the Policy and Resources Committee and County Council accordingly.

In forming a view on the level of General Balances, the Executive Director of Finance and Commercial Services takes into account the following:

- Provision for Unforeseen Expenditure
- Uninsured risks
- Comparisons with other similar organisations
- Level of financial control within the Council

Provision for Unforeseen Expenditure

Unforeseen expenditure can be divided into two categories:

- Disasters
- Departmental Overspends

In a disaster situation, the Council can have recourse to the Government using the Bellwin rules under which the Council would have to fund the first £1.164m of costs (2017-18 threshold). Central government would provide grant funding of 100% for eligible expenditure incurred above this amount. Examples of natural disasters are severe flooding and hurricane damage.

The Council also needs to be able to fund a Departmental overspend, should one occur.

Uninsured risks

A combination of external insurance cover and the Council's insurance provision provides adequate cover for most of the Council's needs. Considerable emphasis has been placed upon risk management arrangements within the Council in order to minimise financial risks.

However, there are some potential liabilities, such as closed landfill sites, some terrorism cover, and some asbestos cover, where it is not economical or practical to purchase external insurance cover. The County Council needs to have some provision in the event of such a liability arising.

Comparisons with similar organisations

As part of assessing the minimum level of General Balances to be held, comparisons are made with other County Councils. Based on the latest Policy and Resources

Committee monitoring report, the forecast level of General Balances at 31 March 2018 is £19.301m, prior to allowing for the revenue budget year end position. The County Council holds balances of 5.4% as a percentage of its net 2017-18 budget (Council Tax Requirement). This percentage can only be used as a guide as each Council's circumstances are different. However, the percentage of General Balances compared to the net revenue expenditure is below average in comparison to other County Councils, which is 6.4%.

Level of financial control within the Council

Factors that are taken into account in assessing the level of financial control are:

- The state of financial control of the Revenue Budget and the Capital Programme;
- The adequacy of financial reporting arrangements within the Council;
- Adequate financial staffing support within the Council, including internal audit coverage;
- Working relationships with Members and Chief Officers;
- The state of financial control of partnerships with other bodies; and
- Any financial risks associated with Companies where the Council is a shareholder.

In evaluating the level of General Balances, as part of producing the 2018-19 Budget, the Executive Director of Finance and Commercial Services has used a framework based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council.

The ten areas of risk considered in the general contingency are set out in a report to the Policy and Resources Committee budget meeting, including an explanation of the potential risks faced by the Council. The report also details the calculation of the General Balances. The balances reflect spending experience and risks to which the Council is exposed.

Minimum Level of General Balances

Taking all of the above factors into account the Executive Director of Finance and Commercial Services currently advises that the Council holds the following minimum level of General Balances for 2018-19 and indicative minimum levels for planning purposes for 2019-20, 2020-21 and 2021-22.

	2018-19 £m	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**
Assessment of the level of General Balances	19.301	22.738	23.578	23.791

Norfolk County Council policy on Provisions and Reserves

Chief Officers are expected to comply with financial regulations and deliver their services within the budget approved by the County Council and therefore departments are not expected to draw upon the £19.301m above.

If the level of General Balances is reduced to below the minimum balance, currently £19.301m, the shortfall will be replenished as soon as possible or as part of the following year's budget.

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
PROVISIONS	
Children's Services Doubtful Debts	
A provision to cover bad debts.	This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted.
Adult Social Services Doubtful Debts	
A provision to cover bad debts.	This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted. A significant proportion is for specific debts with an element for general service-user related debts.
EDT Doubtful Debts	
A provision to cover bad debts.	No current specific requirement, the provision will be used in the event of bad debts being written off. The timing of this use cannot be predicted.
Insurance	
Provision for insurance claims.	Contractual commitment based on reported claims and provision for incurred but unreported claims.
Pension liability re: Norfolk and Waveney Mental Health Trust	
Provision for the potential pension liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust.	The liability has been settled in 2017-18.
Redundancy	
A provision to meet redundancy and pension strain costs.	This provision is forecast to be used in full in 2017-18.
Fire Service Level Salaries	
This provision is held to meet variations on Fire Service staffing costs.	There is no current planned use of this reserve.
Closed landfill long term impairment provision	
Provision created to fund long term impairment costs arising from Closed Landfill sites, as per Government legislation and External Audit recommendation.	This is required to cover the legal requirements, but there is currently no specific call on the provision identified. A fixed amount from revenue is released each year to cover impairment costs.
EARMARKED RESERVES	
Adult Education Income Reserve	
The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Skills Funding Agency.	There are currently no plans for use of this reserve.

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
In addition, the Skills Funding Agency can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency working.	
Archive Centre Sinking Fund	
This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia.	The Archive Centre is required to provide environmental conditions that comply with BS 5454 and there is significant cooling and air conditioning plant to maintain satisfactory levels. Forward provision is required for the replacement of plant, boilers and lifts.
Building Maintenance	
This reserve is to ensure that the capital value of the Council's building stock is maintained and facilitates the rolling programme of building maintenance. It also allows NPS Property Consultants Ltd to respond to emergencies by carrying out repairs from day to day and as the need arises.	A rolling programme of work and annual budget contribution. The underlying reserve is to meet the risk of unidentified and emergency repairs.
Business Risk Reserve	
This reserve was established to manage the key risks in social care budgets.	Reserve will be used in full in 2017-18.
Economic Development and Tourism	
This is primarily the Apprenticeship Scheme balance and committed EU project funding.	Funding for apprenticeships and EU Projects are mainly committed.
Election Reserve	
This is to cover the cost of holding County Council elections.	Regular ongoing contributions to the reserve are planned each year. The reserve will be used in 2021-22 for the next election and will then be built up again.
Fire Operational/PPE Clothing	
This reserve is to meet variable demands for new operational equipment and personal protective equipment.	The reserve is for items such as hazmat suits and training in dealing with chemicals.
Fire Retained Turnout Payments	
This reserve is to meet variable demands from larger incidents and higher than expected turnouts.	Reserve is held for larger than anticipated actions during the year due to unforeseen circumstances such as the impact of the Downham Market rebuild.

APPENDIX D

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
Fire Pensions Reserve	
This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme.	Incidence of ill health and injury retirements are not planned and when they occur can carry a high financial cost. This reserve is to allow for those possible financial variances.
Highways Maintenance	
This reserve enables a wide range of maintenance schemes to be undertaken. An annual amount is transferred to the works budget. The reserve is also used to carry forward balances on the Highways Maintenance Fund.	The balance mainly relates to commuted sums to meet future liabilities. These sums are paid by Developers to cover the additional maintenance work arising from their developments. The profile of use of the reserves reflects the future liabilities and planned general Highways expenditure.
Historic Buildings	
This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings.	There is no specific call on the reserve identified, but it will be drawn upon as required during the period.
Icelandic Banks Reserve	
This is to provide for potential additional Icelandic Bank losses.	Forecast to be used in full during 2017-18.
Information Technology Reserve	
The reserve is used by multiple services to set aside money for specific IT projects.	New funding towards the reserve is not planned.
Insurance	
This reserve reflects monies set aside for future potential insurance liabilities that are in excess of those provided for in the Insurance Provision.	Some of this reserve was used to support the delivery of the 2017-18 budget.
Museums Income Reserve	
This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations.	Full use of the reserve is planned in 2019-20 with the planned closure of the Castle Keep due to re-development.
Norfolk Infrastructure Fund	
This reserve is to support infrastructure projects across the county.	Forecast to be used in full during 2017-18.

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
Nplaw Operational Reserve	
This reserve has been created to support the development and increased activities of the business and smooth variations in trading.	The reserve has been built up from Nplaw Trading and as such belongs to the Partners of the scheme.
Organisational Change and Redundancy Reserve	
This reserve was created to provide one-off funding to support and invest in transformational change e.g. change initiatives such as Workstyle and to fund redundancy costs.	The timing of when the reserve is used is dependent upon future events and it is expected it will be mainly used to fund redundancy costs.
EDT Bus De-registration	
This is funding to meet costs associated with the commercial deregistration of bus services.	There is no planned usage of the reserve, but will be drawn upon as required over the period.
EDT Park & Ride	
The reserve is for future site works.	There is currently no planned usage of the fund, but it is retained to meet potential necessary site works.
EDT Road Safety Reserve	
This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety.	Half of this reserve is expected to be used to support the balancing of the 2017-18 budget.
Ofsted Improvement Fund	
Funds held for the sustainable trading activities with schools to support schools improvement.	Reserve expected to be used in full by the end of 2019-20.
Prevention Fund	
This includes the Living Well in the Community Fund, Prevention Fund and Strong and Well revenue funding as agreed by Members to support prevention work, mitigate the risks in delivering prevention savings and to help build capacity in the independent sector.	Expected to be fully utilised by the end of 2018-19.

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
Public Transport Commuted Sums	
This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services.	This is held for a specified use, although there is currently no planned draw on the funding.
Repairs and Renewals Fund	
This fund is to meet the cost of purchasing and repairing specific equipment.	The need for the reserve has changed over time as more equipment is procured via leases. Use of the reserve over the next four years is expected.
Residual Insurance and Lottery Bids	
When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation).	The reserve incorporates externally funded grants earmarked towards projects. Included within this are sums required to complete the conservation of damaged documents. The timings for use of this reserve are not yet known.
Adult Social Care Mental Health Reviews	
This reserve contains funds set aside to support delivery of Mental Health services within Adult Social Care.	Reserve will be utilised in full to employ five Assistant Practitioners for Mental Health in 2018-19.
Strategic Ambitions Reserve	
This reserve supports the Council in achieving its aspirations and strategic ambitions for Norfolk.	Some of this reserve is expected to be used to support the balancing of the 2017-18 budget.
Street Lighting PFI Sinking Fund	
This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant and contributions which will be needed in future financial years to meet contract payments.	Reductions in the level of this reserve are expected over the next four years.
Unspent Grants and Contributions	
This reserve contains the balances on the Council's unconditional grants and contributions.	Mostly grants and contributions which will be used to fund spend during the next four years.
Usable Capital Receipts	
This reserve is for capital receipts to help support the capital programme and reduce borrowing requirement.	The reserve includes general capital receipts and receipts in relation to the County Farms estate – the use of an element of which is ring-fenced for county farm purposes. The balance of

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
	the reserve will be used to minimise borrowing for unfunded capital schemes.
Waste Management Fund	
This reserve is for waste management initiatives.	No significant use of this reserve currently planned.
SCHOOLS' PROVISIONS	
Children's Services Provision for Holiday Pay	
The provision is held for the payment of frozen holiday pay to former education staff that are now part of NORSE, on their retirement.	The balance of the provision reduces reflecting the expected conversion of schools to Academy status.
SCHOOLS' RESERVES	
Building Maintenance	
This is money put aside to spend on building maintenance of schools	The future usage will be part of individual school's financial plans.
Children's Services Equalisation	
To fund the variance in the number of Home to School/College Transport and School Catering days in a financial year as a result of the varying dates of Easter holidays.	No use of this reserve currently planned.
LMS Balances	
This reserve represents estimated surpluses and deficits against delegated budgets for locally managed schools. These funds are retained for schools in accordance with the LMS arrangements approved by the DfES and are not available to the Council for general use.	2017-18 overspend on the Dedicated Schools Grant High Needs Block is being funded from a loan from Locally Maintained Schools balances that will need to be repaid in future years. A plan to reduce the under-lying overspend and to repay the loan, whilst meeting the needs of Children and Young People, is being developed and proposals have been discussed and agreed at the Schools' Forum, following a consultation with schools.
Norwich Schools PFI Sinking Fund	
This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and schools contributions which will be needed in future financial years to meet contract payments.	Use of this reserve has been agreed to reduce the level of the Children's Services forecast 2017/18 revenue overspend.
Schools Playing Field Surface Sinking Fund	

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
This reserve is to maintain and replace the astro turf playing surface at schools in accordance with a lease agreement between the schools' governing body and the County Council.	In line with lease agreement.
Schools Sickness Insurance Reserve	
This reserve is a mutual insurance scheme operated on behalf of schools.	Forecast to be used in full in 2017-18.
Schools Non-Teaching Activities	
This reserve is held on behalf of schools	The future usage will be part of individual school's financial plans.
Schools Non BMPP Building Maintenance Fund	
This reserve is held on behalf of schools for building maintenance activities	The future usage will be part of individual school's financial plans.

APPENDIX E

Reserves and Provisions
Year End Projections

	Opening Balances 31/03/2017	Forecast Balances 31/03/2018	Forecast Balances 31/03/2019	Forecast Balances 31/03/2020	Forecast Balances 31/03/2021	Forecast Balances 31/03/2022
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Earmarked Reserves						
All Services						
Building Maintenance	2.336	0.981	0.981	0.981	0.981	0.981
Information Technology Reserve	3.954	2.706	1.887	1.883	1.883	1.883
Repairs and Renewals Fund	4.037	2.665	2.314	2.245	2.203	2.203
Unspent Grants and Contributions	10.454	16.946	7.903	5.334	3.008	3.008
	20.782	**23.299**	**13.086**	**10.443**	**8.074**	**8.074**
Children's Services						
Ofsted Improvement Fund	0.108	0.046	0.015	0.000	0.000	0.000
	0.108	**0.046**	**0.015**	**0.000**	**0.000**	**0.000**
Adult Social Care						
Prevention Fund	0.475	0.070	0.000	0.000	0.000	0.000
Adult Social Care Mental Health Reviews	0.000	0.159	0.000	0.000	0.000	0.000
	0.475	**0.229**	**0.000**	**0.000**	**0.000**	**0.000**
Communities						
Adult Education Income Reserve	0.053	0.053	0.053	0.053	0.053	0.053
Museums Income Reserve	0.130	0.130	0.130	0.000	0.000	0.000
Residual Insurance and Lottery Bids	0.205	0.208	0.208	0.208	0.208	0.208
Fire Pensions Reserve	0.235	0.156	0.156	0.156	0.156	0.156
Fire Retained Turnout Payments	0.395	0.031	0.030	0.030	0.030	0.030
Fire Operational/PPE/Clothing	0.341	0.258	0.179	0.179	0.179	0.179
	1.359	**0.836**	**0.755**	**0.625**	**0.625**	**0.625**
Environment Development and Transport						
Demand Responsive Transport	0.004	0.004	0.004	0.004	0.004	0.004
Public Transport Commuted Sums	0.268	0.268	0.268	0.268	0.268	0.268
Road Safety Reserve	0.150	0.077	0.077	0.077	0.077	0.077
Highways Maintenance	5.520	5.486	5.194	4.961	4.717	4.717
Historic Buildings	0.128	0.079	0.079	0.079	0.079	0.079
Waste Management Partnership Fund	0.950	0.875	0.875	0.875	0.875	0.875
P&T Park and Ride	0.012	0.012	0.012	0.012	0.012	0.012
P&T Bus De-registration	0.039	0.031	0.031	0.031	0.031	0.031
Street Lighting PFI Sinking Fund	5.322	4.807	4.622	4.437	4.252	4.252
	12.393	**11.639**	**11.162**	**10.744**	**10.315**	**10.315**

APPENDIX E

Reserves and Provisions
Year End Projections

	Opening	Forecast	Forecast	Forecast	Forecast	Forecast
	Balances	Balances	Balances	Balances	Balances	Balances
	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022
	£m	£m	£m	£m	£m	£m
Business and Property						
Archive Centre Sinking Fund	0.297	0.287	0.297	0.307	0.307	0.307
Economic Development and Tourism	2.553	1.458	0.975	0.752	0.632	0.632
	2.850	**1.746**	**1.272**	**1.059**	**0.939**	**0.939**
Policy and Resources / Corporate						
Norfolk Infrastructure Fund	1.712	0.000	0.000	0.000	0.000	0.000
NPLaw	0.178	0.112	0.112	0.112	0.112	0.112
Insurance Reserve	3.380	0.780	0.780	0.780	0.780	0.780
Icelandic Banks Reserve	0.178	0.000	0.000	0.000	0.000	0.000
Business Risk Reserve	4.911	0.000	0.000	0.000	0.000	0.000
Organisational Change and Redundancy Reserve	5.948	3.663	2.965	2.640	2.315	2.315
Election Reserve	0.000	0.000	0.325	0.650	0.975	0.000
Strategic Ambitions Reserve	0.595	0.160	0.160	0.160	0.160	0.160
	16.902	**4.716**	**4.342**	**4.342**	**4.342**	**3.367**
Non – Schools Total	**54.868**	**42.510**	**30.633**	**27.213**	**24.296**	**23.321**
Reserves for Capital Use						
Usable Capital Receipts	4.703	0.232	4.020	1.610	1.000	1.000
Schools Reserves						
LMS Balances	14.000	0.000	0.000	2.000	4.000	6.000
Children's Services Education Equalisation	0.101	0.494	0.494	0.494	0.494	0.494
Norwich Schools PFI Sinking Fund	2.418	0.000	0.000	0.000	0.000	0.000
School Sickness Insurance	0.102	0.000	0.000	0.000	0.000	0.000
School playing surface sinking fund	0.106	0.045	0.045	0.045	0.045	0.045
Building Maintenance	2.001	1.751	1.501	1.251	1.001	1.001
Schools Non-Teaching Activities	0.733	0.733	0.733	0.733	0.733	0.733
Schools Non BMPP Building Maintenance Fund	0.903	0.903	0.903	0.903	0.903	0.903
Schools Total	**20.364**	**3.925**	**3.675**	**5.425**	**7.175**	**9.175**

APPENDIX E

Reserves and Provisions
Year End Projections

	Opening Balances 31/03/2017	Forecast Balances 31/03/2018	Forecast Balances 31/03/2019	Forecast Balances 31/03/2020	Forecast Balances 31/03/2021	Forecast Balances 31/03/2022
	£m	£m	£m	£m	£m	£m
Provisions						
Children's Services						
Provision for doubtful debts	0.059	0.059	0.059	0.059	0.059	0.059
Adult Social Care						
Provision for doubtful debts	4.157	4.366	4.366	4.366	4.366	4.366
Communities						
Fire Service	0.048	0.048	0.048	0.048	0.048	0.048
Environment Development and Transport						
Provision for doubtful debts	0.042	0.037	0.037	0.037	0.037	0.037
Closed landfill long term impairment provision	11.072	11.007	10.942	10.874	10.804	10.804
Policy and Resources / Corporate						
Insurance	10.665	10.665	10.665	10.665	10.665	10.665
Pensions	0.670	0.000	0.000	0.000	0.000	0.000
Redundancy	0.151	0.000	0.000	0.000	0.000	0.000
Schools Provisions						
Children’s Services Provision for Holiday Pay	0.015	0.013	0.011	0.009	0.009	0.009

Policy and Resources Committee

Item No 13

Report title:	**County Council Budget 2018-19 to 2021-22: Robustness of Estimates**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services – Simon George**

Strategic impact

This report sets out the Executive Director of Finance and Commercial Services' statement on the robustness of the estimates used in the preparation of the County Council's budget, which is reported elsewhere on this agenda. This paper is one of a suite of reports that support Policy and Resources Committee's recommendations to County Council about the budget.

Executive summary

The level of risk and budget assumptions underpin decisions when setting the revenue budget and capital decisions, and affect the recommended level of general balances held. Members must consider the level of risk and the assumptions set out in this report when recommending the revenue budget and capital programme.

This report sets out the formal statement and provides more detailed information on risk, robustness of revenue estimates, and capital estimates.

Policy and Resources Committee is recommended to:

1) **Agree to recommend to County Council the level of risk and set of assumptions set out in this report, which underpin the revenue and capital budget decisions and planning for 2018-22.**

1. Introduction

1.1. As part of the budget setting process the Executive Director of Finance and Commercial Services (Section 151 Officer) is required under Section 25 of the Local Government Act 2003, to report on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget.

2. Approach to providing assurance on robustness of estimates

2.1. The budget estimates are estimates of spending and income made at a point in time prior to the start of the next financial year. As such, this statement about the robustness of estimates does not provide a guaranteed assurance but does provide Members with reasonable assurances that the draft budget, which reflects the budget recommendations to Policy and Resources Committee, has been based on the best available information and assumptions and has been subject to scrutiny by relevant staff, Executive Directors, and Members.

2.2. The requirement to report on the robustness of estimates has been met through key budget planning processes during 2017-18, including:

- Departmental reviews of budgets including consideration of the deliverability of planned savings to inform decision making, which has led to the **removal or delay of a number of savings** to ensure that the proposed budget is robust;
- Review by finance staff of all cost pressures and regular reports to Executive Directors to provide challenge and inform approach;
- Issue of guidance to all services on budget preparation;
- Routine monitoring of current year budgets to inform future year planning, with the result that **further investment into social care budgets** is planned for 2018-19 to meet 2017-18 overspend and other pressures;
- An organisational approach to planning with Policy and Resources Committee providing guidance early on and throughout the process;
- Executive Director review and scrutiny of developing proposals through County Leadership Team budget sessions which considered all services in July and September 2017.
- **Member review and challenge** via Policy and Resources Committee in the July, September, October, November and January meetings, and via detailed consideration by Service Committees in October 2017 and January 2018;
- Public review and challenge through **budget consultation for specific proposals** where required via the Council's consultation hub Citizen Space, including impact assessment of proposals;
- Assurance from fellow Executive Directors that final budget proposals considered by County Council are robust and are as certain as possible of being delivered;
- Member and Executive Director peer review of all service growth and savings throughout the budget planning process.

2.3. In addition, and as set out in the Scheme of Authority and Financial Responsibility, Executive Directors are responsible for the overall management of the approved budget and the appointment of Responsible Budget Officers (RBOs) who are responsible for ensuring that authorised budgets are managed in the most effective and efficient manner in accordance with agreed plans and financial controls. Therefore managers with RBO responsibilities also play a key part in monitoring the financial position, identifying variances and financial risks and planning for service changes including forecast contractual, demographic, legislative and policy changes. In preparing estimates considerable reliance is placed on Executive Directors and RBOs carrying out these responsibilities effectively.

3. Risk Assessment of Estimates

3.1. The organisation manages risk registers corporately, for each service and for key projects. These incorporate all types of risk, including financial. In addition, a formal risk assessment has been undertaken of the revenue budget estimates in order to support the recommendation of the level of General Balances. This risk assessment is detailed in the Statement on the Adequacy of Provisions and Reserves 2018-22 report elsewhere on this agenda.

3.2. Detailed budget planning estimates have been reported to Service Committees in October and January, along with key risks associated with the budget proposals identified. This enables Members to assess the risk associated with achievability of the savings identified and the robustness of the budget plans.

3.3. Early identification of risks enables Executive Directors to take mitigating action and to enable higher risk budgets to be more closely monitored during the year. The key corporate budget risks that will require ongoing attention are:

- **Income:** Continuing reductions to key government grant funding are occurring and there is significant uncertainty about Government plans for 75% Business Rates Retention from 2020-21. A list of revenue grants is included within the Revenue Budget 2018-19 report found elsewhere on the agenda;
- **General pay and prices:** Inflationary pressures affecting the Council's contracted spend and uncertainty about the level of future pay awards;
- **Adult Social Care:** Managing increased demand for services and complexity of need, and facilitating adequate investment to deliver financially sustainable service provision;
- **Looked after Children:** Meeting the challenge of delivering improvements within Children's Services to deliver improvement to both outcomes and financial sustainability within the service, whilst also dealing with increased numbers of looked after children;
- **Great Yarmouth Third River Crossing:** Significant capital project required to be met within planned capital funding; and
- **Organisational Change:** Managing significant transformation and staffing changes.

3.4. The budget estimates span a four year period 2018-22 and whilst forecast using the best available information, the planning assumptions and forecasts for future years will necessarily be based on less robust data and known factors. As part of the ongoing budget planning and monitoring cycle, these assumptions and emerging state of affairs are reviewed allowing the development of more detailed planning for the next financial years and revised medium term financial plans.

4. Robustness of Revenue Estimates

4.1. Within the framework set by Norfolk Futures, the service and budget planning process has focussed on the key priorities for services, including those services that we are required to do by law, and involves a continuous review of the way that services are provided. Cost pressures to manage unavoidable inflationary, legislative and demand pressures have been included in the revenue budget estimates.

4.2. During July and September, County Leadership Team undertook budget challenge sessions to consider budget plans and spending proposals. This provided an opportunity to evaluate initial proposals, risks arising from savings proposals and emerging planning issues for services. The most significant spending implications affecting the Council continue to relate to Adults and Children's Services, and in particular:

- Embedding new strategies for Adults service delivery, investing in early intervention and targeted prevention to keep people independent for longer, further developing integrated arrangements with Health (Better Care Fund and the Sustainability and transformation plan (STP)), including plans for the integration of health and social care services by 2020, whilst dealing with rising demographic pressures and the impact of the National Living Wage; and
- Implementing the Children's Services social care improvement plan, working towards being rated 'good' (with outstanding features) as defined by Ofsted and developing more permanence options for children in our care. Demand continues to be high and effective management will be key to managing within the budget.

4.3. As part of the budget process, Policy and Resources Committee, Service Committees, and Executive Directors have considered all the budget reductions and growth pressures and these are reflected in the proposed budget. In addition, some of the key risks identified, including risks relating to the achievability of savings, have been taken into consideration in the Policy and Resources Committee's budget recommendations, which will enable some budget risks to be managed down and this is reflected in the risk assessment of the recommended level of general balances.

4.4. Budget planning for 2018-19 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2018-19 Budget sees a significant investment in Service Committee budgets through both the removal of previously planned savings and recognition of budget overspend pressures, to provide assurance about the robustness of the revenue budget and the deliverability of savings. This represents the net removal or delay of £7.174m previous budget round savings from next year's budget.

4.5. The Council's budget planning assumes that any undeliverable savings have been removed in the exercise detailed above and therefore that all the remaining savings included for 2018-19 are deliverable.

4.6. The table below shows the current budget position for the following four years based on the Policy and Resources Committee recommendations set out in the

Revenue Budget report elsewhere on this agenda and the current budget forecast for 2017-18. The Medium Term Financial Strategy does not set out plans to fully meet the funding shortfall in 2019-20 to 2021-22. As part of delivering the Council's Norfolk Futures programme, and in developing the budget process for future years, work will continue to identify further proposals for service provision in order to identify additional opportunities to address these deficits in future years.

Table 1: Forecast Budget (Surplus) / Deficit 2017-18 to 2020-22

	2017-18 (Period 8 forecast)	2018-19 Budget	2019-20 Budget	2020-21 Budget	2021-22 Budget
	£m	£m	£m	£m	£m
Forecast outturn budget (surplus)/deficit	2.790	0.000	33.093	59.702	0.000

4.7. Work is being undertaken by Executive Directors to reduce the overspend position reported in period 8 where it is forecast that the outturn position will be an overspend of £2.790m at year-end. It is expected that these actions will enable a balanced outturn position to be achieved for 2017-18. The non-delivery of unachievable future year savings from the 2017-20 budget round has been addressed as part of the 2018-19 budget process, however 2017-18 savings which have not been achieved in-year are assumed to be delivered in 2018-19.

4.8. The factors and budget assumptions used in developing the 2018-22 budget estimates are detailed over sixteen headings, including drivers of growth, savings and other planning assumptions and set out at Appendix A.

5. Robustness of capital estimates

5.1. As with the revenue budget, the capital programme is designed to address the authority's key priorities, including schemes which will help transform the way in which services are provided. To this end, the programme is prepared on the basis of a number of factors, including previously agreed projects, spend to save proposals, and infrastructure and property requirements.

5.2. Projects are costed using professional advice relative to the size and nature of the scheme. Where appropriate, a contingency allowance is included in cost estimates to cover unavoidable and unforeseeable costs. The programme is guided by a simple prioritisation model: schemes that score less than that achieved by the repayment of debt represent bad value for money. In this way, the Council will achieve the most economic use of its scarce capital resources.

5.3. The largest on-going capital programmes relate to transport infrastructure and schools. In both cases there is significant member involvement through Service Committees. For other large projects, appropriate oversight is put in place.

5.4. An estimate of potential capital receipts is made each year. The actual level of receipt in any one financial year can never be forecast in advance with any degree of certainty due to market conditions and interest from purchasers and reduced receipts may result in fewer capital projects going ahead or additional future revenue costs.

5.5. The risks associated with having to fund large unforeseen programme variations are addressed mainly as a result of the Council being able to amend the timing of projects between years. The ability to re-profile projects between years does not result in a significant funding risk because the vast majority of funding is not time-bound, although there are inflationary risks which have to be considered.

6. Equality Impact Assessment

6.1. In making decisions about the budget, the County Council must give due regard to eliminating unlawful discrimination, promoting equality of opportunity and fostering good relations between people with protected characteristics and the rest of the population. The assessment of equality impact of the budget proposals is included in the Revenue Budget report elsewhere on the agenda.

6.2. Equality impact assessment of all relevant budget proposals has been set out in both the public consultation documentation and reports to service committees and Policy and Resources Committee. There is no further impact on equality arising from the statements within this report.

7. Issues and risks

7.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2018. Legal requirements in relation to setting the budget and level of council tax have been set out within this report and are considered to be met.

7.2. **Risks** – The risks associated with the budget proposals are reported to Service Committees in January 2018. The Statement on the Adequacy of Provisions and Reserves also sets out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

7.3. In setting the budget the Council can accept different level of risks, for example, minimising risk through investment in services, reducing higher risk savings, or putting in place additional reserves for specific risks. The robustness of the budget estimates is evaluated, setting out budget assumptions and areas of risk, to enable Members to consider the assumptions and risks that will underpin further decisions for agreeing the budget and level of general balances. The assumptions set out in the report directly impact on the risk assessment of the level of general balances.

8. Summary

8.1. The paper sets out details of the assessment of the robustness of the estimates used in preparing the proposed revenue and capital budget. There are no direct resource implications arising from this report, but it provides information and details of the assumptions used to support the Statement of the Executive Director of Finance and Commercial Services on the Robustness of the Estimates and provides assurances to Members prior to recommending and agreeing the revenue and capital budgets and plans for 2018-22.

8.2. The information included in both this report and other reports should be considered when Policy and Resources Committee recommends the budget to County Council. Issues that need to be considered and where decisions are required are:

- Additional Costs and Savings Options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2018-19 Revenue Budget and proposals for 2019-20 to 2021-22
- Overall level of the 2018-19 to 2021-22 Capital Programme
- Prudential Code Indicators for 2018-19
- Level of the Council Tax / Precept for 2018-19 and for the period 2019-20 to 2021-22
- Implications of the Revenue Budget for 2019-20 to 2021-22
- Responses to savings proposals from the Budget Consultation
- Outcome of equality and rural impact assessment

8.3. Members could choose to agree different assumptions and therefore increase or reduce the level of financial risk in setting the revenue and capital budgets. This would potentially change the risk assessment for the budget and the recommended level of general balances held.

Background Papers

Provisional Local Government Finance Settlement 2018-19 and future years: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

Officer Contact

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Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
Growth Pressures	
1) Inflation	Pay inflation has been assumed at 2% for 2018-19, 2019-20, 2020-21 and 2021-22, with higher increases (from 3.734% to 9.191%) for those earning less that £19,430, in line with the 2018-19 and 2019-20 proposed pay award. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. The County Council is currently part of the national agreement and therefore pay awards for 2020-21 onwards will be influenced by any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period. Pensions – The 2016 Actuarial Evaluation has set the employer contribution rates from 1 April 2017 at 15.5% for each of the three years 2017-20. Price Inflation is provided where a contractual increase is required. This is at the contractual rate where appropriate or at the forecast rate for CPI, 2.2% for 2018-19, and 2% in each of the following years based on the Office for Budget Responsibilities Economic and Fiscal Outlook forecasts. Inflation on income where appropriate has been included.
2) Demand and Demographics	There are two key areas where demand and demographic pressures have a significant impact on the council's budget planning: • Demographic pressures in Adult Social Care totalling £6.134m reflecting rising demand for services as people live longer and transition of service users from Children's Services to adult social care. • Demand pressures of £6.000m in Children's Services and non-reversal of £9.000m 2017-18 budget pressures, reflecting the additional number and cost of Looked after Children and Leaving Care costs.
3) Legislative changes	The budget estimates include the following assumptions with regard to current and future legislative changes • The Government implemented a National Living Wage from 2016-17, starting at £7.20. In April 2018 it will go up to £7.83 and the Government target is for it to rise to £9 by 2020. The exact level at which the National Living Wage will be set in future years has not been confirmed and the latest OBR projections published alongside the Autumn

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
	Budget in November 2017 suggest the rate will be £8.56 by 2020. The costs of the National Living Wage have been included in budgets in respect of the Council's directly employed staff. • Cost pressures assuming an increase above the core price inflation for pay and price market pressures have been included. • Cost pressures have been included associated with the increased income received for the Improved Better Care Fund.
4) Policy decisions	The 2018-19 budget includes the financial impact of previous year's budget decisions, including use of one-off funding within the 2017-18 budget, and the removal of a number of savings which have been re-profiled to later years. Also included is £2.000m to support Members' approved investment of £12.000m in Children's Services demand management and prevention strategy over the next few years, and £1.000m over two years to support investment in Norfolk Futures.
5) Interest Rates	Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by the Council's Treasury Advisors.
Savings	
6) Income	Inflationary increases to fees and charges have been included within the budget proposals. Changes to income either through expected reductions in income or initiatives to increase income generation are reported as individual budget proposals.
7) Savings	Savings have been identified across all services and range from productivity efficiency savings to reductions in service provision. All managers are responsible for ensuring that proposed savings are robust and delivered in accordance with plans. Measures throughout the planning process have reviewed and challenged the deliverability of savings and where appropriate a number of savings have been removed and some have been re-profiled to later years. Changes or delays in delivering savings will result in variance to the budget and as such savings will be closely tracked throughout the year as part of the budget monitoring process and reported to Policy and Resources Committee, with management actions identified as necessary.

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
Other Planning assumptions	
8) Funding changes	The budget reflects funding up to 2019-20 as announced within the 2018-19 Provisional Local Government Finance Settlement and plans for future years are based on the four-year settlement figures provided. Uncertainty remains about the cessation of Revenue Support Grant as part of 75% business rates localisation planned for implementation by 2020-21. The Revenue Budget report sets out the detail of key grants and highlights where any key areas of funding are yet to be announced. In relation to schools, funding is provided through the Dedicated Schools Grant (DSG) and Pupil Premium, which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. It is assumed that all school pay and prices inflationary pressures will be absorbed within the DSG allocation.
9) Financial risks inherent in any significant new funding partnerships; major contracts or major capital developments	Financial risks are included within the assessment of the level of general balances. The financial risks arising from major capital schemes such as the Norwich Northern Distributor Road and the Great Yarmouth Third River Crossing continue to be closely monitored and reflected within the County Council's capital budget proposals.
10) Availability of funds to deal with major contingencies	All provisions and earmarked reserves have been reviewed to test their adequacy and continued need. A risk assessment of the level of general balances has been undertaken and the budget reflects the assessed level of balances required.
11) Overall financial standing of the authority	The Council's treasury management activity manages both short term cash to provide security, liquidity and yield and the Council's longer term borrowing needs to fund capital expenditure through either long term borrowing or the utilisation of temporary cash resources pending long term borrowing. In accordance with the approved strategy, the Council currently continues to postpone any new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. At 31 December 2017, the Council's outstanding debt totalled £514.4m. The Council continues to maintain its total gross borrowing level within its Authorised Limit of £769.001m (prudential indicators) for 2017-18. The

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
	Authorised Limit being the affordable borrowing limit required by section 3 of the Local Government Act 2003. There are four treasury related indicators to restrict treasury activity within certain limits and manage risk. These are: variable interest rate exposure; fixed interest rate exposure; maturity profile of debt; and investments greater than 364 days. Monitoring is reported regularly to Policy and Resources Committee on an exception basis. The Council's treasury management activities are regularly benchmarked against those of other local authorities. The County Council has upper quartile investment performance; is cost effective; pays comparable rates of interest on its debt; and is effective at managing risk. At the end of December 2017 (2017-18 Period 9), the Council's cash balances stood at £90.3m.
12) The authority's track record in budget and financial management	As at the end of November 2017 (Period 8) the 2017-18 revenue budget is forecast to overspend by £2.790m on a net budget of £358.812m (gross £1.383bn). Executive Directors are undertaking further work to reduce the overspend in order to deliver a balanced outturn at year-end. Ernst and Young, the Council's external auditor, has issued an unqualified opinion on the 2016-17 accounts and concluded that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
13) The authority's capacity to manage in-year budget pressures	The level of general balances are assessed as part of the budget setting process, reviewed monthly and reported to Policy and Resources Committee as part of the regular monitoring process. Review and challenge improves the accuracy of budget estimates, which aims to support management and the early identification of budget issues. The regular reporting of risk and monitoring of mitigating actions supports in-year budget management.
14) The strength of the financial information and reporting arrangements	Information on budget and actual spend is reported publicly and monitoring reports are published regularly throughout the year. The reports are on a risk basis, so that attention is concentrated on what is most important.
15) The end of year procedures in relation to budget under/overspends at authority and departmental level	Guidance on end of year procedures is reported annually and arrangements are monitored. Detailed year-end financial information is reported alongside services' performance monitoring. The proposed year end arrangements will be reported to Policy and Resources Committee for approval.

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
16) The authority's insurance arrangements to cover major unforeseen risks	The County Council has a mix of self-insurance and tendered insurance arrangements. Premiums are set on an annual basis and reflected within the budget planning. Premiums are subject to annual variance due to external factors and internal performance, risk and claims management. General balances include assessment of financial risk from uninsured liabilities.

Policy and Resources Committee

Item No 14

Report title:	**Annual Investment and Treasury Strategy 2018-19**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**

Strategic impact

It is a regulatory requirement for local authorities to produce an Investment and Treasury Strategy for the year ahead. The Strategy forms an important part of the overall management of the Council's financial affairs and details the criteria for choosing investment counterparties and managing the authority's underlying need to borrow for capital purposes.

Executive summary

In accordance with regulatory requirements, this report presents the Council's investment and borrowing strategies for 2018-19.

Despite the recent 0.25% rise in bank rates, investment returns are likely to remain low during 2018-19. Borrowing rates are also likely to remain historically low, and a flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short-term but which will recognise the Council's need to borrow in the medium term.

The proposed investment strategy retains a diversified pool of high quality counterparties with a maximum deposit duration of three years. It also adds a small number of alternative investment vehicles to give the opportunity for an element of diversification.

The Council's external debt is forecast to be £513m at 31 March 2018, with cash balances and investments forecast to be approximately £85m.

Recommendation:

It is recommended that the Policy and Resources Committee endorse and recommend to County Council the Annual Investment and Treasury Strategy for 2018-19 at Appendix 1, including:

- **the capital prudential indicators included in the body of the report,**
- **the treasury management prudential indicators detailed in Annex 4 and**
- **the Minimum Revenue Provision Statement 2018-19 at section 5.**

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the

Code) requires local authorities to produce a treasury management strategy for the year ahead. The County Council is required to comply with the Code through regulations issued under the Local Government Act 2003 and has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.

1.2 Complementary to the CIPFA Code is the Department for Communities and Local Government's (DCLG's) Investment Guidance, which requires local authorities to produce an Annual Investment Strategy.

1.3 This report combines the reporting requirements of both the CIPFA Code and DCLG's Investment Guidance.

2. Evidence

2.1 The primary objectives of the Council's Investment and Treasury Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short term. This strategy is prudent while investment returns are low and the investment environment remains challenging.

The Investment and Treasury Strategy summarises:

- the Council's capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (including parameters on how investments are to be managed).

3. Financial Implications

Financial implications relating to this Strategy (budget forecasts for interest receivable from investment deposits and interest payable on borrowing) have been incorporated in the 2018-19 Revenue Budget and will be monitored and reported to Policy and Resources Committee throughout the year as part of the regular monitoring process.

4. Issues, risks and innovation

Risk implications

4.1 The County Council's treasury management activities provide for "the effective management of risk while pursuing optimum performance consistent with those risks." The Annual Investment & Treasury Strategy describes the parameters for risk management. Operationally, a risk register is maintained to monitor risks and control measures.

5. Background

5.1 The investment and borrowing strategy presented in this report for approval forms an important part of the overall financial management of the Council's affairs. The strategy has been produced in accordance with best practice and guidance and in consultation with the Council's external treasury advisors.

5.2 CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code on 21 December 2017. In addition, DCLG consultation on both investment guidance closed on 22 December 2017 and so we are currently waiting for the revised guidance to be issued. A lot of focus from both CIPFA and the DCLG has been on non-treasury investments, including the purchase of property with a view to generating income. Due to the timing of the release of these revisions and consultations, and the Council's limited exposure to any non-service related capital investments, the Strategy in this report is based on the previously existing guidance.

Officer Contact

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Appendix 1

Annual Investment and Treasury Strategy 2018-19

1 Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

> *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.2 Reporting requirements

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

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the Council's capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

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

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

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Treasury Management Panel and Policy and Resources Committee.

1.3 Treasury Management Strategy for 2018-19

The strategy for 2018-19 covers two main areas:

Capital spend

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- the investment strategy;
- counterparties

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. The current panel has received a briefing on general developments affecting the Council's treasury management function at its November meeting, and a representative from the Council's treasury advisors was present to add explanations and context throughout the meeting. Further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed and training attended in accordance with those needs. Demonstration of adequate training has been an integral part of the treasury team's successful "opting up" under MiFID II to enable the Council to continue to place money with approved counterparties from 3 January 2018.

1.5 Treasury management consultants

The Council uses Link Asset Services as its external treasury management advisors.

2 Capital Prudential Indicators 2018/19 – 2020/21

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

2.1 Capital expenditure

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

Capital expenditure £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Total	**205.163**	**253.841**	**238.097**	**140.357**	**46.664**

Other long-term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Capital grants	170.692	193.343	150.558	103.243	32.450
Revenue and reserves	4.192	4.393	0.011		
Capital receipts	-		0		
Prudential borrowing	30.279	56.105	87.528	37.114	14.214
Total capital expenditure	**205.163**	**253.841**	**238.097**	**140.357**	**46.664**

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council has £57.355m of PFI and finance lease liabilities at 31 March 2017 (ref note 17 to Financial Statements).

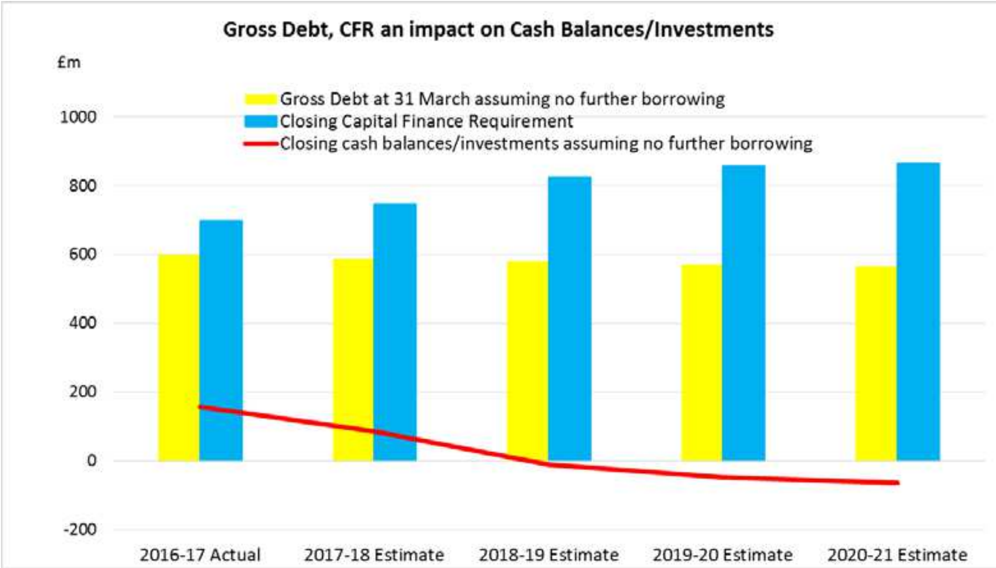
Capital Financing Requirement £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Opening CFR	**673.445**	**697.717**	**746.029**	**825.764**	**856.034**
Net financing need for the year (above)	30.279	56.105	87.528	37.114	14.214
Less MRP and other financing movements	(6.007)	(7.793)	(7.793)	(6.844)	(13.871)
Movement in CFR	**24.272**	**48.312**	**79.735**	**30.270**	**0.343**
Closing CFR	**697.717**	**746.029**	**825.764**	**856.034**	**856.377**

2.3 Core funds and expected investment balances

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

Year End Resources £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Opening investments	**178.489**	**157.201**	**86.189**	**(11.339)**	**(48.453)**
Net (use) of reserves, capital grants, working capital etc (bal)	(31.009)	(15.000)	(10.000)	0.000	0.000
Capital expenditure funded through prudential borrowing	(30.279)	(56.105)	(87.528)	(37.114)	(14.214)
New Borrowing	40.000				
Closing investments	**157.201**	**86.096**	**(11.432)**	**(48.546)**	**(62.760)**

Actual cash balances at 31 December 2017 are approximately £90m. The table above shows that based on the latest capital programme this balance is reducing rapidly and the Council will need to borrow in the short to medium term as shown in the following graph.



Actual cash flows and the need to borrow will depend largely on the speed at which the capital programme can be delivered, but also on the timing of, for example, government grant receipts.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

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

External Debt £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt at 1 April	496.289	529.878	521.983	514.087	507.216
Expected change in Debt - repayments	(6.411)	(7.895)	(7.896)	(6.871)	(6.371)
Expected change in Debt – new borrowing	40.000				
Debt	**529.878**	**521.983**	**514.087**	**507.216**	**500.845**
Other long-term liabilities (OLTL) 1 April	59.648	68.428	66.646	66.053	65.400
Expected change in OLTL	(2.293)	(1.782)	(0.593)	(0.653)	(1.009)
Landfill provision	11.073				
OLTL forecast	**68.428**	**66.646**	**66.053**	**65.400**	**64.391**
Gross debt at 31 March	**598.306**	**588.629**	**580.140**	**572.616**	**565.236**
The Capital Financing Requirement	697.717	746.029	825.764	856.034	856.377
Under / (over) borrowing	**99.411**	**157.400**	**245.624**	**283.418**	**291.141**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018-19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Executive Director of Finance and Commercial Services reports that the Council has complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2016-17 Equivalent	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt (bal)	629.289	679.383	759.711	790.634	791.986
Other long term liabilities	68.428	66.646	66.053	65.400	64.391
Total CFR	**697.717**	**746.029**	**825.764**	**856.034**	**856.377**

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limits, based on the reasonable possibility of unexpected capital expenditure or temporary overdrafts amounting to 5% of debt and/or 10% of long term liabilities:

Authorised limit £m	2016-17 Equivalent	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt	660.753	713.352	797.697	830.166	831.585
Other long term liabilities	75.271	73.311	72.658	71.940	70.830
Total	**736.024**	**786.663**	**870.355**	**902.106**	**902.415**

3.3 Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The MPC also gave forward guidance that they expected to raise Bank Rate by 0.25% only twice more in the next two years to reach 1.0% by 2020. This was very much in line with previous guidance that Bank Rate would only go up very gradually and to a limited extent.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

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

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018-19 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Rates have since fallen back and there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

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

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low, and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018-19 treasury operations. The Executive Director of Finance and Commercial Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- while forecasts indicate neither sharp rises or falls, then the decision to borrow will be based on a number of factors including:
- borrowing rates at appropriate maturities
- interest rates on cash balances
- current and forecast levels of cash balances
- budget provision for net additional borrowing costs
- the impact of borrowing costs on the MTFS.

3.5 Policy on borrowing in advance of need

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

3.6 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council may make use of this new source of borrowing as and when appropriate.

4 Annual investment strategy

4.1 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing and overlay that information on top of the credit ratings.

Investment instruments identified for use in the financial year are listed in below.

4.2 Investment strategy

As determined by DCLG's Investment Guidance, Specified Investments offer "high security and high liquidity". They are Sterling denominated and have a maturity of less than one year. Institutions of "high" credit quality are deemed to be Specified Investments. From the pool of high quality investment counterparties identified in Section 5, the following are deemed to be Specified Investments where the period of deposit is 364 days or less:

- Banks: UK and Non-UK;
- Part Nationalised UK Banks;
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, Parish Councils etc.

Non-Specified Investments are those investments that do not meet the criteria of Specified Investments. From the pool of counterparties identified in Section 5, they include:

- Any investment greater than 364/5 days (exact number of days pending outcome of on-going CIPFA consultation).
- Any Euro deposits specifically related to the management of Euro cash balances held by the County Council
- Pooled investment vehicles (such as property and bond funds).

The categorisation of ‘Non-Specified’ does not in any way detract from the credit quality of these institutions, but is merely a requirement of the Government’s guidance.

The Council’s proposed Strategy therefore includes both Specified and Non-Specified Investment institutions.

Investment returns expectations.
Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Current forecast
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

The 2018-19 County Council net budget provision (after adjusting for internal interest earning accounts) for interest receivable is approximately £1.0m.

4.3 Counterparty criteria

The Council works closely with its external treasury advisors to determine the criteria for high quality institutions. The Council applies a minimum acceptable credit rating criteria in order to generate a pool of highly creditworthy counterparties which provides diversification and avoids concentration risk. The key ratings used to monitor counterparties are Short Term and Long Term credit ratings. This is in compliance with the CIPFA Treasury Management Code of Practice.

The criteria for providing a pool of high quality investment counterparties for inclusion on the Council’s ‘Approved Authorised Counterparty List’ is provided below. A counterparty remains active as long as both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or

Moodys) remains at or above the minimum credit rating criteria specified below for UK or Non-UK Banks. In addition, Non-UK Banks must be domiciled in a country which has a sovereign rating of AA+ assigned by one of the three credit rating agencies. The respective Fitch, Standard and Poors and Moody's Short and Long term ratings are detailed in Annex 1. Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

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

- **Banks:**

(i) **UK Banks** requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria.

UK Banks	**Fitch**	**Standard & Poors**	**Moody's**
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

(ii) **Non-UK Banks requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria and a sovereign rating of AA+ assigned by one of the three credit rating agencies.**

Non-UK Banks	**Fitch**	**Standard & Poors**	**Moody's**
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- **Part Nationalised UK Bank:** Royal Bank of Scotland Group. This bank is included while it continues to be part nationalised or it meets the ratings for UK Banks above.

- **The County Council's Corporate Banker:** for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.

- **Building Societies:** The County Council will use Building Societies which meet the ratings for UK Banks outlined above.

- **Money Market Funds (MMFs)**: which are rated AAA by at least two of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposits. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks. Following money market reforms, MMFs will be allocated to sub-categories (CNAV, LNAV and VNAV) to meet more stringent liquidity regulations. However, the Council will continue to apply the same minimum rating criteria.

- **UK Government:** including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.

- **Local Authorities, Parish Councils etc.:** Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

- **The Norse Group:** short-term loan arrangements made in accordance with approved service level agreement and the monetary and duration limits detailed below.

Proposed new classes of counterparty, subject to maximum limits and due diligence

Where the funds/investments listed below do not meet the ratings for UK Banks outlined above, or are not rated, the Authority will seek guidance on the status of any fund it may consider using in the context of its overall portfolio and balance of risk and returns. Appropriate due diligence will also be undertaken before investment of these types is undertaken.

- **Property funds (where not classed as capital expenditure)**: these are long term, and relatively illiquid funds, expected to yield both rental income and capital gains. The use of certain property funds can be deemed capital expenditure, and as such would be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **Ultra-Short Dated Bond Funds** will use funds that are AAA rated and only after due diligence has been undertaken.

- **Corporate Bonds:** These are bonds issued by companies to raise long term funding other than via issuing equity. Investing in corporate bonds offers a fixed stream of income, paid at half yearly intervals.

- **Corporate bond funds:** Pooled funds investing in a diversified portfolio of corporate bonds, so provide an alternative to investing directly in individual corporate bonds. Minimum long term rating of A- to be used consistent with criteria for UK banks.

- **UK Government Gilt funds:** A gilt is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange. They can be either “conventional” or index linked. Using a fund can mitigate some of the risk of potential large movements in value.

The Executive Director of Finance and Commercial Services is responsible for maintaining an Approved Authorised Counterparty List in accordance with the above criteria. Credit rating information is supplied by our treasury advisors on all active counterparties that comply with the above criteria. Any rating changes, rating watches (notification of a likely change) and rating outlooks (notification of a possible longer term change) are provided by our treasury advisors immediately they occur. The Approved Authorised Counterparty List is actively managed on a day-to-day basis and when an institution no longer meets the Council approved counterparty criteria, it is immediately removed. The List is reviewed at least once a year for any possible additions. An indicative list, reflecting the ratings above is attached (Annex 2).

All cash invested by the County Council will be either Sterling or Euro deposits (including Sterling certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List. The inclusion of Euro deposits enables the County Council to effectively manage (subject to European Central Bank deposit rates) Euro cash balances held for schemes such as the France-Channel-England Project.

Annex 2 shows an Indicative List of Approved Counterparties for Lending, based on recent credit ratings.

Time and monetary limits applying to investments are listed in Annex 3.

The Code of Practice requires local authorities to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for use, additional market information will be used to inform investment decisions. This additional market information includes, for example, Credit Default Swap rates and equity prices in order to compare the relative security of counterparties.

4.4 Treasury prudential indicators

Treasury prudential indicators requiring approval are set out in Annex 4.

4.5 Capital loans to group companies and third parties

As well as the loans to Norse described above, the Council has lent to a number of third parties and group companies as part of its capital programme. These are approved through the capital programme, and repayments of interest and principal monitored under the terms of each individual loan. A summary of these loans is included at Annex 5.

5 Minimum Revenue Provision Statement 2018-19

The statement below is unchanged from 2017-18, subject to the final part of paragraph A6 which clarifies the extent to which MRP is set aside when capital receipts are used directly to re-pay debt maturities.

A1 Regulations issued by the Department of Communities and Local Government in 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement in advance of each year.

A2 Members are asked to approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory. Any revisions to the original statement must also be issued. Proposals to vary the terms of the original statement during the year should also be approved.

A3 MRP is the provision made in the Council's revenue budget for the repayment of borrowing used to fund capital expenditure - the Council has a statutory duty to determine an amount of MRP which it considers to be prudent, having regard to guidance issued by the Secretary of State.

A4 In 2018-19:

- For capital expenditure incurred before 1 April 2008, and all capital expenditure since that date which is supported by Formula Grant (supported borrowing), the MRP policy will be provide a fixed annual sum of £10.158m, calculated as 2% of the 31 March 2015 pre-2008 Capital Financing Requirement balance.
- For expenditure since 1 April 2008, the MRP policy for schemes funded through borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the guidance issued by the Secretary of State.

A5 Where loans are made to third parties for capital purposes, the capital receipt received as a result of each repayment of principal, under the terms of the loan, will be set aside in order to re-pay NCC borrowing and to reduce the Capital Financing Requirement accordingly. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan or if there is a high degree of uncertainty regarding the repayment. This arrangement will also be applied where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes.

A6 The Council will continue to make provision at least equal to the amount required to ensure that each debt maturity is met, to the extent that this is not met through the use of capital receipts to repay debt.

Annex 1

Ratings comparative analysis

<table>
<tr><th colspan="2">Moody's</th><th colspan="2">S&P</th><th colspan="2">Fitch</th><th></th></tr>
<tr><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th></th></tr>
<tr><td>Aaa</td><td rowspan="6">P-1</td><td>AAA</td><td rowspan="4">A-1+</td><td>AAA</td><td rowspan="4">F1+</td><td>Prime</td></tr>
<tr><td>Aa1</td><td>AA+</td><td>AA+</td><td rowspan="3">High grade</td></tr>
<tr><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>A1</td><td>A+</td><td rowspan="2">A-1</td><td>A+</td><td rowspan="2">F1</td><td rowspan="3">Upper medium grade</td></tr>
<tr><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>A3</td><td rowspan="2">P-2</td><td>A-</td><td rowspan="2">A-2</td><td>A-</td><td rowspan="2">F2</td></tr>
<tr><td>Baa1</td><td>BBB+</td><td>BBB+</td><td rowspan="3">Lower medium grade</td></tr>
<tr><td>Baa2</td><td rowspan="2">P-3</td><td>BBB</td><td rowspan="2">A-3</td><td>BBB</td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>Ba1</td><td rowspan="14">Not prime</td><td>BB+</td><td rowspan="6">B</td><td>BB+</td><td rowspan="6">B</td><td>Non-investment grade</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td><td rowspan="2">speculative</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td rowspan="3">Highly speculative</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">C</td><td rowspan="5">CCC</td><td rowspan="5">C</td><td>Substantial risks</td></tr>
<tr><td>Caa2</td><td>CCC</td><td>Extremely speculative</td></tr>
<tr><td>Caa3</td><td>CCC-</td><td rowspan="3">In default with little prospect for recovery</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td></tr>
<tr><td>C</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td rowspan="3">/</td><td>DDD</td><td rowspan="3">/</td><td rowspan="3">In default</td></tr>
<tr><td>/</td><td>DD</td></tr>
<tr><td>/</td><td>D</td></tr>
</table>

Annex 2

Indicative List of Approved Counterparties for Lending

UK Banks

Barclays Bank
Bank of Scotland Plc(*)
Close Brothers
Goldman Sachs
Santander UK
Lloyds TSB Bank(*)
HSBC Bank Group

Non-UK Banks

Australia:
- Australia & New Zealand Banking Group
- Commonwealth Bank of Australia
- National Australia Bank Limited

Canada:
- Toronto-Dominion Bank

Germany:
- DZ Bank AG
- Landesbank Baden-Wuerttemberg
- Landesbank Hessen-Thueringen Girozentrale

Netherlands:
- Rabobank

Singapore:
- DBS Bank Ltd
- Oversea-Chinese Banking Corp
- United Overseas Bank Limited

Sweden:
- Svenska Handelsbanken

Part Nationalised UK Banks

Royal Bank of Scotland(#)
National Westminster(#)

UK Building Societies

Coventry BS
Leeds BS
Nationwide BS
Yorkshire BS

Money Market Funds

Aberdeen Asset Management / Standard Life Investments
Federated Investors

UK Government

Debt Management Account Deposit Facility
Sterling Treasury Bills
Local Authorities, Parish Councils

Other

The Norse Group

Note: (*) (#) A 'Group Limit is operated whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total.

Annex 3

Time and monetary limits applying to investments

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

COUNTERPARTY	NCC LENDING LIMIT (£m)	OTHER BODIES LENDING LIMIT (£m)	**TIME LIMIT**
UK Banks	£60m	£30m	**Up to 3 Years** (see notes below)
Non-UK Banks	£30m	£20m	**1 Year**
Royal Bank of Scotland / Nat. West. Group	£60m	£30m	**2 Years**
Building Societies	£30m	£20m	**1 Year**
MMFs	£60m (per Fund)	£30m (per Fund)	**Instant Access**
Debt Management Account Deposit Facility	Unlimited	Unlimited	**6 Months (being max period available)**
Sterling Treasury Bills	Unlimited	Unlimited	**6 Months (being max period available)**
Local Authorities	Unlimited (individual authority limit of £20m)	Unlimited (individual authority limit of £10m)	**3 Years**
The Norse Group (short-term deposit)	£15m	Nil	**1 Year**
The Norse Group (Long-term capital loans)	£15m	Nil	**Up to 7 years** (see notes below)
Property Funds	£10m in total	Nil	**Not fixed**
Ultra short dated bond funds	£5m in total	Nil	**3 years**
Corporate bonds	£5m in total	Nil	**3 years**
Corporate bond funds	£5m in total	Nil	**3 years**
UK Government Gilts / Gilt Funds	£5m in total	Nil	**3 years**

Notes:

- In addition to individual institutional lending limits, 'Group Limits' are used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total lending limit. For example, in the case of Lloyds and Bank of Scotland, the group lending limit for the Lloyds Banking Group is £60M.

- The maximum deposit period for UK Banks is based on the following tiered credit rating structure:

Long Term Credit Rating (Fitch or equivalent) assigned by at least one of the three credit rating agencies	Maximum Duration
AA-	Up to 3 years
A	Up to 2 years
A-	Up to 1 year

  Deposits may be placed with the Royal Bank of Scotland as a UK Part Nationalised Bank and Local Authorities may be made for periods of 2 and 3 years respectively.

- The Council will only use non-UK banks from countries with a minimum sovereign rating of AA+ The sovereign rating of AA+ must be assigned by one of the three credit rating agencies. No more than £30m will be placed with any individual non-UK country at any time.

- For the Norse Group, Independence Matters and Norfolk Pension Fund there is a maximum monetary limit of £10m per counterparty. Operationally funds are diversified further as agreed with the individual bodies.

- Long-term Norse loans are subject to appropriate due diligence and approval for inclusion in the County Council's capital programme. While strictly capital loans, their impact on cash balances is monitored as part of the County Council's treasury operations.

- The use of property funds, bonds and bond funds, gilts and gilt funds will be subject to appropriate due diligence.

- Property funds may be classed as a capital investment. If this is the case then they will be approved via the capital programme. If the fund is classed as revenue, then the IFRS 9 provisions coming in 2018-19 will be fully considered: unless the DCLG specifies otherwise, any surpluses or losses will be chargeable to the Council's general fund on an annual basis.

Treasury prudential indicators

A3.1 Investment treasury indicator and limit

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end, adjusted for an assumption that the Council will borrow in advance of known need.

Total principal funds invested for greater than 364/365 days:

Maximum principal sums invested > 364 / 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested > 364 / 365 days	£100m	£100m	£100m

This indicator assumes that borrowing will take place sufficient to maintain an efficient level of working capital, currently estimated to be between £60m and £70m. The number of days taken into account for this indicator will depend on the outcome of an on-going CIPFA consultation.

A3.2 Affordability prudential indicators

These prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

a. Ratio of financing costs to net revenue stream

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

%	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	5.7%	3.9%	4.3%	5.1%	6.7%

The estimates of financing costs include current commitments and the proposals in this budget report.

b. Incremental impact of capital investment decisions on council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Additional borrowing	30.279	56.105	87.528	37.114	14.214
Interest foregone1%	0.303	0.561	0.875		
Interest cost new borrowing 3%				1.113	0.426
MRP					
Incremental impact	**0.303**	**0.561**	**0.875**	**1.113**	**0.426**

Assumptions:
Additional capital expenditure will be funded from cash balances to 2018-19. After that, additional borrowing is likely to be required and the marginal cost of interest increases. Finally, due to the current application of the Councils MRP policy, no additional MRP charge is anticipated in the years listed in the table above.

c. **Incremental impact of capital investment decisions on the band D council tax**

£	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Council tax - band D	1.05	1.93	3.02	3.84	1.47

The figures in this table the impact on Band D properties Council Tax is based on the latest forecasts of the impact on Council Tax of additional spending in 2018-19.

A3.3 Treasury indicators for debt

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

- Upper limits on variable and fixed interest rate exposure. This identifies a maximum limits for variable and fixed interest rates based upon the debt position net of investments
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

£m	2018/19	2019/20	2020/21
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity structure of fixed interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		0%	15%
12 months to 2 years		0%	15%
2 years to 5 years		0%	45%
5 years to 10 years		0%	75%
10 years and above		0%	100%
Maturity structure of variable interest rate borrowing 2018/19			
		Lower	**Upper**
Under 12 months		0%	15%
12 months to 2 years		0%	15%
2 years to 5 years		0%	45%
5 years to 10 years		0%	75%
10 years and above		0%	100%

Capital loans

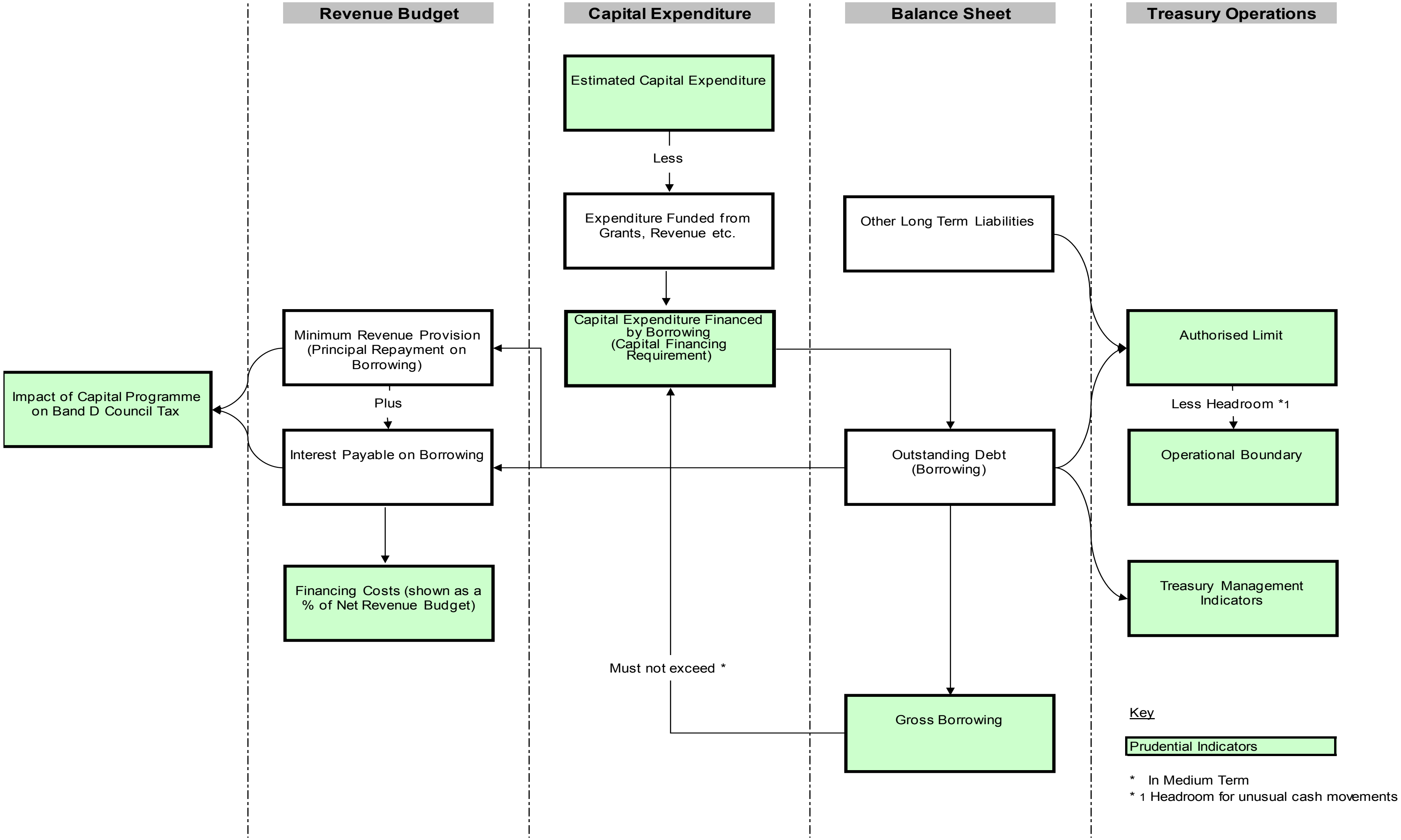
Capital loans are not classed as a treasury management activity but have an impact on cash flows, and interest received. Current capital loans are as follows:

Capital loans	**Balance 1 April 2017**	Notes / status
	£m	
Infrastructure related loans		
GNGB/CIL support for NDR	39.728	This is loan repayment support rather than a loan, but treated as a long term debt in the financial statements.
NDR Radar Loan	2.194	Repayments start 2023 when previous radar would have been replaced
Local infrastructure Fund loan - Loddon	1.397	
LIF Loan - Little Plumstead	0.669	First house sold & first repayment triggered December 2017
Loans to Norse Group		
Norse Energy	10.000	Repayment due on 7th anniversary of loan
NPS Aviation Academy	6.250	Annual repayments start 2018
NEWS	0.636	Repayments up to date
Other NCC wholly owned companies		
Norfolk Energy Futures Ltd	0.921	NEFL is being wound up: the loan will be settled before 31 March 2018
Hethel Innovations	3.113	Repayments up to date
Other capital loans		
Mid Norfolk Railway Loan	0.007	
Total capital loans	**64.915**	

With the exception of Norfolk Energy Futures Ltd, interest and principal continues to be repaid in accordance with the individual loan agreements. The Council has agreed to wind up Norfolk Energy Futures Ltd during 2017-18 and the Companies Assets will be transferred to settle the debt.

Annex 6

DIAGRAMMATIC PRESENTATION OF PRUDENTIAL INDICATORS



Report title:	Recycling Norfolk's Disused Railways – a vision for a cycling and walking network for the County
Date of meeting:	29 January 2018
Responsible Chief Officer:	Tom McCabe – Executive Director, Community and Environmental Services

Strategic impact

Bringing disused railways, and other under-used parts of the transport network, back into full-use as cycling and walking routes will have significant benefits. Health, the rural economy, the environment and traffic congestion could all be improved through this action.

The Norfolk Cycling & Walking Strategy establishes the target of quadrupling the level of cycling and walking to work in Norfolk market towns by 2025 and sets out to make Norfolk a top cycling and walking destination for leisure and tourism by 2025. These ambitious targets will facilitate economic growth and will protect Norfolk's natural beauty. Cycling and walking routes have multiple benefits including health, mental-wellbeing, economy, increased biodiversity, alleviation of congestion and air quality improvements.

Fig. 1 Norfolk's former railway network

Executive summary

Disused railways and under-used parts of the road and public rights of way network exist in various locations across Norfolk. The proposal is to investigate, through an appropriately aimed feasibility exercise, the likely costs, timescales, land ownership issues, the business case and overall deliverability of bringing this disused railway infrastructure back into intensive use as an integrated cycling and walking network. Priority will be given to maximising opportunities to link existing and proposed residential areas with places of employment, education, retail and leisure. Such a network will be a significant selling point for Norfolk as a visitor destination.

Norfolk County Council is ideally placed to take this work forward having recently produced a Cycling & Walking Strategy. We have also appointed a Cycling & Walking Champion, and were successful in securing £1.5m of central government funding to promote walking and cycling in key growth areas of Norwich and Great Yarmouth. Norfolk is required by central government to produce a local cycling and walking infrastucture plan and £65k has been secured from the DfT to achieve this. Disused railways are a key element in delivering good cycling and walking infrastructure for Norfolk.

Norfolk County Council has a good recent track record of securing external funding for upgrading disused railway routes, an example being the Marriott's Way between Norwich and Thorpe Marriott with significant recent cycling improvements implemented, aimed specifically at commuters.

Norwich was one of eight urban areas in England to have secured funding from central government to improve the quality of cycling infrastructure across the Norwich cycle network. To date, c.£15m funding has been invested and there has been an increase in levels of cycling across Norwich by 40% since 2013.

It is proposed that feasibility work will focus on three disused railways, Weaver's Way (owned in part by Norfolk County Council), King's Lynn to Fakenham and King's Lynn to Hunstanton. A general feasibility study of the whole of the network will also be undertaken in parallel with this detailed work.

Recommendations:
It is recommended that:

1. **Officers investigate the feasibility of using disused railways and other underused parts of the transport system to improve cycling and walking links. The work will focus on connecting urban areas and market towns with places of employment, education, retail and leisure.**

2. **Three disused railways will be investigated as a pilot, Weaver's Way, King's Lynn to Fakenham and King's Lynn to Hunstanton with a small amount of initial physical work undertaken on Weaver's Way if (additional) external funding allows.**

Fig. 2 Disused railways in the west of the county

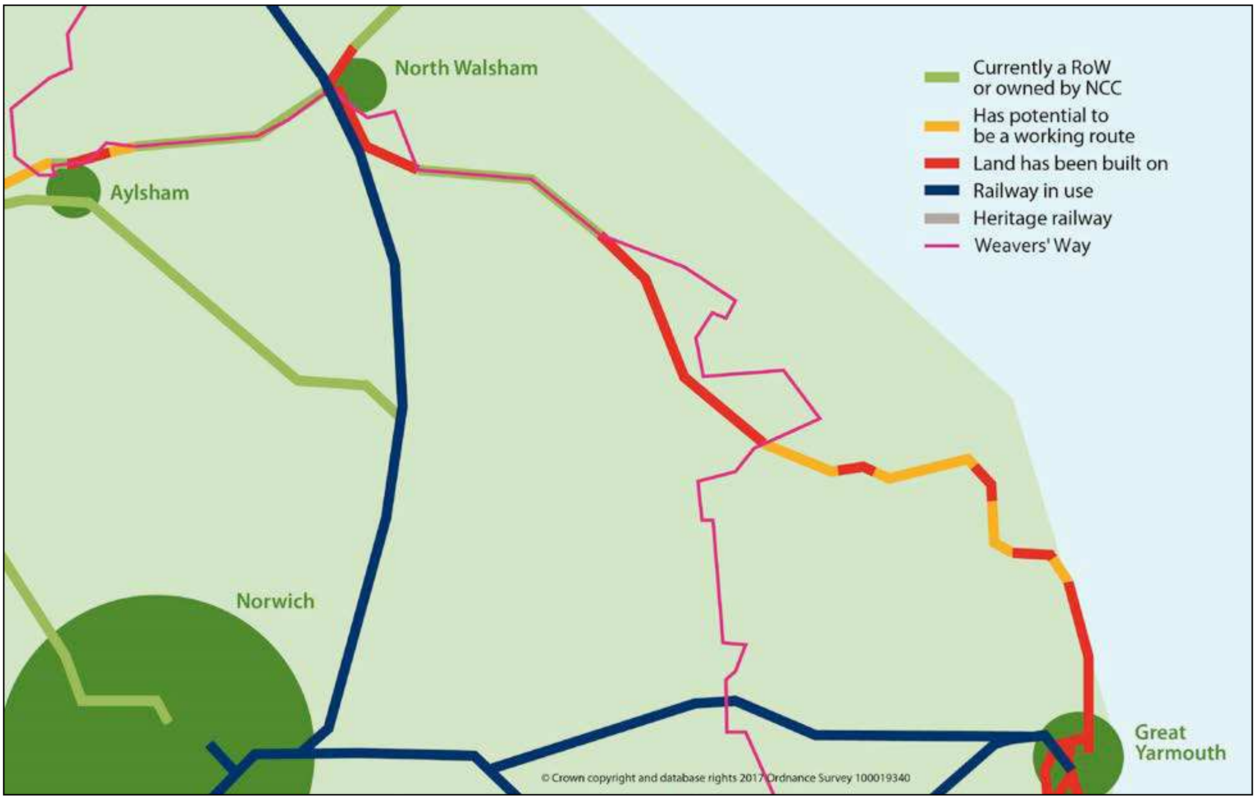


Fig. 3 Disused railways in the east of the county

1. Proposal

1.1. Having a coherent, easily accessible and safe network for cyclists and walkers will improve the health of Norfolk's population. This will:

- assist with moving from a health intervention model to a prevention model
- have a positive benefit for users' mental health
- provide health benefits for school-age children by offering safe, traffic free locations to cycle and walk
- assist with easing road congestion.

1.2. Reused railways have a number of other key functions:

- diverse and high-quality habitats
- green and biodiverse corridors that facilitate species moving through the landscape, helping to join important habitats together
- a focus for public enjoyment of green space
- through the long-term planning of the planting and cutting regimes for these paths the diversity of species across the County can be improved
- involve communities and local voluteer groups in the management of the routes:
- work on Marriott's Way, funded by the Heritage Lottery Fund, and by the Greater Norwich Growth Board (through the Community Infrastructure Levy) is exploring models for sustainable community involvement in decision making and helping to maintain the route. The intention is to roll out this model to the larger network.

1.3. It is proposed that this project is delivered on an incremental basis by carrying out feasibility studies on separate sections of the disused railway infrastructure and creating a short, medium and long term programme of bringing this infrastructure back into use. It is recommended that the first sections to be assessed are Weaver's Way, King's Lynn to Fakenham, and King's Lynn to Hunstanton (see Figs. 2 &3). At the same time a more general assessment of the whole network will be undertaken.

1.4. Creating a network of off-road cycling and walking trails will be a unique selling point for Norfolk as a visitor destination. Recent work on the Marriott's Way demonstrates the potential for upgrading former railways as cycling and walking routes. The potential for disused railways making a significant contribution to an area's tourism economy is also demonstrated through the popularity of single linear routes such as the Camel Trail in Cornwall and the Monsal Trail in the Peak District. The number of Marriott's Way users has gone up as a result of the improvements. The experience from Marriott's Way of carrying out the feasibility, bidding for, and obtaining funding is directly tranferrable to this work. Work on the Marriott's Way included exploration of economic and social benefits, what consents would be required, value for money and sought the approval of the local community regarding the proposals. Our proposal is that we will work with colleagues at UEA to help define the benefits and refine the business case with regard to value for money. Specifically they will assist with refining an economic and health economic model. This will be a prerequisite for making appropriate funding applications to central government and the New Anglia LEP. The scoping and refining of funding opportunities will be a central plank of the feasibility work.

1.5. This work aligns well with NCC's co-working with districts on their Green Infrastructure Plans, for instance with Greater Norwich Growth Board and with King's Lynn and West Norfolk Borough Council both of which rely on disused railways and on Norfolk Trails as green infrastructure corridors.

1.6. In the first instance, it is recommended that feasibility is undertaken on three disused railways:

- Weaver's Way – the section from Aylsham to Stalham consisting of a disused railway
- King's Lynn to Fakenham
- Kings Lynn to Hunstanton

These three sections are proposed because:

- the Weavers Way section is already in the ownership of Norfolk County Council – we have recently also applied for a grant from the Rural Development Programme for England to fund infrastructure improvements which will, if successful, be delivered over an 18 month programme
- initial research has already been undertaken on King's Lynn to Hunstanton and it is a key aim within the Borough Council of Kings Lynn and West Norfolks' Green Infrastructure Plan
- the landscapes that exist between King's Lynn and Fakenham are an exemplar of the Norfolk countryside
- all three routes represent a diverse section of the disused network and will provide the knowledge basis for how the network could be brought back into use to create an integrated walking and cycling network
- this initial work will provide a better indication of the costs required to undertake the appropriate feasibility across Norfolk as a whole.

2. Evidence

2.1. RURAL ECONOMY

Norfolk's visitor economy is worth more than £3.1bn per annum and employs 63,515 people, representing 47,518 full-time equivalent jobs. Several key assets contribute to the county's attractiveness including the coast, the Broads, countryside, wildlife, heritage, eating and drinking and shopping. The tourism market is competitive and Norfolk is in a good position to increase the numbers of visitors coming. This is a two-edged sword. We want to encourage visitors that add significantly to the economy whilst having a low impact on our overall costs. Both cyclists and walkers fit this criteria admirably. Both also have a low impact on the infrastructure and tend to spend proportionately more than some other types of tourist. In particular they spend locally, providing much needed support for SMEs. Assisting SMEs, and larger tourism businesses, through the provision of overall infrastructure related to visitor economy provides a key connection between business rates and infrastructure.

2.2. HEALTH

Recent work by Public Health England has shown that many people are even less active than had been previously feared. At the extreme there are people who walk less than 10 minutes per week. These people are at a significantly increased risk of contracting a number of diseases including, type 2 diabetes, heart disease, cancer and dementia. Public Health England recommend that everyone undertake moderate exercise for 150 minutes per week. Cycling and walking are easy to build into even the busiest working week. Whether for leisure, or, as a way of getting around.

2.3. COUNTRYSIDE

Norfolk is a beautiful natural place. This is a great asset; but it is also fragile. Having more people appreciate the Norfolk countryside will have a positive economic impact but requires appropriate infrastructure in order to manage the increasing numbers of residents and visitors.

2.4. GREEN CORRIDORS

Cycling and walking routes are great ways to travel and to see and appreciate the countryside. They can be very effective green corridors too if managed as biodiverse belts. Rare and endangered species including bats and bees currently use these corridors as ways of moving through the landscape. Norfolk Trails in some cases fulfil this. Marriott's Way, for instance, is a green finger reaching all the way through Norwich's northern suburbs into the heart of the City.

2.5. SCHOOLS

Encouraging more walking and cycling to schools is key to ensuring that children lead more active lives. A challenge to achieving this can be a lack of available walking/cycling routes.. A staged approach to active school travel is in line with government policy. Firstly, supporting more 5 – 10 year olds to walk, or in appropriate cases cycle, to school. Secondly, supporting more cycling and walking to secondary school through extending the available routes and examining other ways of facilitating 11 – 19 year olds being more active in their journeys.

2.6. FUNDING

There are a number of potential funding streams for this work including: developers (through Community Infrastructure Levy [CIL] and development obligations), the Department for Transport, EU Interreg, and the New Anglia

LEP.

2.7. Marriott's Way is a disused railway owned by Norfolk County Council, Norwich City Council and Broadland District Council. Marriott's Way counter data shows a recent trajectory of use, with almost 500,000 people per annum now using the Marriott's Way as a cycling and walking route. It is used for leisure cycling, with many families, in particular, choosing to cycle it due to the absence of traffic. Particularly notable in the analysis of this data is the Health Economic Impact Tools (HEAT) results. This analysis shows a total health economic benefit over ten years of £46m. The total investment in the Marriott's Way over the last decade is estimated at £3M, with the bulk of that in the last three years mainly from CIL funding and through the construction of a green bridge built as mitigation for the Northern Distributer Road severing the route just to the north of Taverham. This gives a benefit to cost ratio (BCR) of 15:1.

2.8. The direct economic benefit of the Marriott's Way can be determined through statistical methods based on survey and movement counters. An analysis has been undertaken using Natural England's Measure of Engagement with the Natural Environment (MENE) baseline economic estimate. MENE includes all visits to green space, including urban parks. It further includes visits of very short duration, such as dog walking, which are both numerous and unlikely to include an economic transaction. That gives a baseline figure of £6 per visit to the countryside. Using this as the measure the direct economic benefit of the Marriott's Way can be estimated as £2.9m per annum. This gives a further BCR of 9.7:1. Norfolk Trails are currently working on a more refined methodology for understanding the direct economic benefit of visits to the countryside. That work, still in its early stages, indicates a more significant baseline figure. In some cases that figure is as high as £33 per visit.

3. Financial Implications (see appendix 1)

3.1. This initial feasibility is forecast to cost £350,000 and take 12 months to complete. This work will include specific in-depth feasibility studies of at least three significant lengths of disused railway. It will also consist of a scope for bringing a county-wide network into new use.

3.2. The funding required is included in the proposed capital programme elsewhere in this agenda.

3.3. Evaluating, prioritising and costing the physical infrastructure improvements in two key areas, in the west and east of the County is the primary aim of the feasibility. These will then exist as 'shovel ready' projects ready for early implementation.

3.4. As noted in section 1, this initial work will also include UEA who are well placed to accurately scope the economic, health economic, and social benefits; and to come to a refined position on the proposal's value for money. Refining this benefit to cost ratio will be crucial in bidding for funding. This too will be a key aspect of the feasibility examining the external funding potential.

3.5. A key element of the work will be the exploration of constraints, this will necessitate undertaking environmental impact assessments and an exploration of necessary consents including, ownership, planning, landscape, biodiversity and historic environment to ensure deliverability.

3.6. Working with communities through appropriate enagement and promotion of the programe, raising awareness and enthusiasm in localities for the idea. Again evidence and case studies will be key to this.

3.7. Early successes and raising of Norfolk's cycling and walking profile nationally are key. Identifying delivery partners and funders will ensure that the work can be rolled out across Norfolk.

4. Issues, risks and innovation

4.1. Whilst the project will focus on infrastructure needed to develop the network, it will assess opportunities to assist other areas of service planning, including helping improve the health of Norfolk's population and providing access to education.

5. Background

5.1. The National Cycling and Walking Investment Strategy: https://www.gov.uk/government/publications/cycling-and-walking-investment-strategy

Norfolk Cycling and Walking Strategy: https://www.norfolk.gov.uk/roads-and-transport/alternative-ways-to-travel/cycling

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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Appendix 1:

Typical breakdown of feasibility costs

x3 Route specific feasibilities (Weavers Way, King's Lynn to Hunstanton, King's Lynn to Fakenham)

Feasibility design work outputs including:

£50,000 Feasibility drawings including: General Arrangement, composite existing utility and constraints, land plans, GI opportunities, entrance/exit links
Identification/assessment of structures
Site investigation/evaluation of surface options
Prioritisation of infrastructure improvements
Risk register
Cost estimate

Ecology assessments and consultations	£10,000
Land ownership searches/discussions	£10,000
Consultations/engagement with communities	£10,000
Strategic transport, environment and public health case	£15,000
Total	***£95,000 (x3)***

County wide scoping

Scoping work:	£30,000

Scoping outputs to include:
Development of potential County wide walking/cycling network comprising of disused railway network and underused parts of the transport network
Identification of key parts of network and the development short/medium and long term prioritisation of how network could be brought forward
Risk register
Cost estimate

Ecology assessments and consultations	£10,000
Land ownership searches/discussions	£10,000
Consultations	£5,000
Strategic transport, environment and public health case	£10,000
Total	***£65,000***

Total for all feasibility 2018/19	***£350,000***

Policy and Resources

Item No.16

Report title:	**Progress on the Council's Equality, Diversity & Inclusion Objectives 2017-2020**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Tom McCabe, Executive Director, Community and Environmental Services**

Strategic impact

The Council's Equality and Accessibility Objectives 2017-2020 assist delivery of the County Council Plan, by putting in place key building blocks to promote equality, diversity, accessibility and inclusion for Norfolk people.

Executive summary

This report summarises progress so far on the Council's Equality, Diversity and Inclusion Objectives 2017-2020, and emerging issues.

Policy and Resources Committee agreed five Equality, Diversity and Inclusion Objectives for the County Council on 27 March 2017. The objectives were based on evidence considered by elected members earlier in 2016, which set out key issues in the county (see Appendix 1 for details).

The objectives aim to put key building blocks in place, to ensure that as the Council transforms its services over the next three years through Norfolk Futures, it takes every opportunity to use its £1.4b budget and influence to promote equality, diversity and inclusion.

This particularly includes work to promote accessibility for disabled people in Norfolk, because this is essential to delivery of the Council's Promoting Independence strategy. People can only be independent if they can easily access local services and facilities by themselves without the help of others. Norfolk has an aging population, a higher number of disabled people than other parts of the country and increasing numbers of disabled young people.

The Objectives are attached at Appendix 2 for information.

Recommendations:

Policy & Resources Committee is recommended to:

1. **Revise the objectives to improve focus on promoting equality and inclusion across the workforce. As a result, it is recommended to revise Objective 5 as set out in Appendix 2.**

2. **Approve the revised Equality, Diversity & Inclusion Policy (Appendix 3).**

3. **Note that Norfolk County Council has been awarded the top level of Disability Confident Leader by the Department of Work and Pensions.**

Introduction

1. In October last year, the Council outlined proposals for how it will reshape itself to meet its challenges. In four years' time, the Council will continue to play a substantial role in Norfolk – including caring for the county's most vulnerable people, repairing roads and working with partners to attract jobs. However, the Council will be running services from fewer buildings; signposting people to support within their communities; and it will cut costs - through greater use of technology to serve people, in their own homes, day and night; and from commercial ventures.

2. The purpose of the Council's equality objectives is to support delivery of this transformation, by putting in place building blocks to promote equality, diversity and inclusion for Norfolk people.

3. Implicit within the objectives are the core British values of mutual respect for and tolerance of those with different cultures and beliefs.

The legal context

4. Local authorities have a statutory duty under the Equality Act 2010 to pay 'due regard' to the following when exercising public functions:

   - Eliminate discrimination, harassment and victimisation and other prohibited conduct;
   - Advance equality of opportunity for people with protected characteristics (Age; Disability; Race/ethnicity; Religion and belief; Sex or gender, including gender reassignment; Sexual orientation; Marriage and civil partnership; Pregnancy and maternity).
   - Foster good relations between people who share a relevant protected characteristic and people who do not share it.

5. The Act requires authorities to publish equality objectives that are proportionate, specific and measurable, and report annually on progress by the 31st January each year.

6. The Act is primary legislation and UK domestic law. The Government has stated that there will be no changes following exit from the EU.

Norfolk's diverse population

7. Norfolk is the fifth largest shire county in England, with 885,000 residents. Norfolk's diverse communities are interwoven into the county's history. Full details are set out in Appendix 4.

The profile of the workforce

8. Each year the Council reports on how representative the workforce is of the wider working age population. Although increases are being seen in the number of disabled and Black and Asian minority ethnic staff employed by the Council, these are incremental, and the overall proportion is still not in line with the labour market average. The picture is complex due to some under-reporting.

9. At the time of writing this report, work is ongoing to analyse the data on the workforce profile, to review the latest position and consider whether any actions for improvement are necessary. The outcome of this will be reported in due course for consideration.

Overview of progress on the equality objectives

10. With the exception of Objective 3 (*Implement final phase of the Children's Services Equality Plan 2015/18*) there are currently no delays or exceptions to report.

11. The delay in implementing Objective 3 primarily relates to a delay to publish an accessibly strategy for schools, a requirement of the Equality Act 2010. The authority's accessibility strategy for schools sets the context for individual school accessibility plans (a statutory responsibility for schools).

12. To address this delay, additional capacity has been provided to Children's Services, and work has commenced to prepare a new strategy. Plans are also in place to consult with disabled young people. It is expected that the revised strategy will be published in April this year.

Report on actions within the Objectives

Accessible Norfolk – Promoting independence

13. Norfolk's six independent Access Groups (chaired and attended by disabled people) have assisted in compiling a list of key barriers to the independence of disabled people in local communities in Norfolk. Some of these issues are not within the Council's gift to address – but many are.

14. Work is taking place to reality-check the findings with the broadest possible number of disabled adults and children, and identify which barriers to access are of particular relevance to Promoting Independence strategy.

15. Earlier this year, the Council was awarded 'Disability Confident Leader' status - the top of three levels of a DWP scheme to promote disability equality. The top level goes beyond workforce issues and looks at how the Council is using its influence to promote accessibility across the county.

Access audits of services

16. The Council's Equality, Diversity & Inclusion Objectives require the Council to assess and 'rate' existing levels of accessibility for disabled people across services, and set actions for improvement where necessary.

17. So far, ICT and HR have been assessed, and are working towards improvements. A schedule is being developed for services over the next four years, and progress on this work will be reported to relevant committees as appropriate. This work will enable the Council to publish information about the accessibility of different council sites online by 2019, to assist disabled service users, staff and visitors to plan ahead.

Work to promote accessible technology

18. Norfolk Futures will see the Council make much greater use of technology to serve people in their homes, at a time and place that suits them. Increasingly, digital inclusion will be a critical factor in the ability of disabled residents to live independently, access services and combat social isolation. Badly designed and implemented web technology can make it difficult or impossible for disabled people using assistive technologies like text-to-speech screen readers or magnification software to access web information and self-service.

19. In addition, other groups face issues. For example, Gypsy, Roma & Traveller (GRT) children are unlikely to have internet access or the right kit, yet school curriculums, paperwork and processes are increasingly technologically-based. This is a barrier because GRT young people experience some of the worst outcomes of any ethnic or social group in the country or Norfolk, including below average educational attainment, low literacy levels, and higher levels of special educational needs and disability.

20. In March 2018, the Council's Digital Innovation and Efficiency Committee will receive a paper on digital inclusion in Norfolk, which will set out principles for ensuring that accessibility for vulnerable groups is 'built in' to digital inclusion strategy, rather than regarded as an extra layer of usability for a minority of users.

21. In May 2017, for the first time, Norfolk County Council passed a stringent two-stage test of the accessibility of its website for disabled people, scoring 2 out of 3. The test was carried out by the independent Society of Information Technology Management (Socitm), which assesses and rates all UK local authority websites.

22. The test highlighted some complex issues for improvement – such as how to enhance accessibility for people with learning difficulties. Solutions are being explored.

A revised Equality, Diversity and Inclusion Policy

23. The Council's Equality, Diversity and Inclusion Objectives require the Council to review its equality policy, to better clarify members' and employees' responsibilities.

24. This work is now complete and a draft revised Equality, Diversity and Inclusion Policy is attached at Appendix 3 for consideration and approval.

Tackling hate incidents – particularly for people with care and support needs

25. On 2 November 2017, Norfolk County Council and Norfolk Constabulary launched a revised Multi-Agency Protocol on Hate Incident Reporting. The Protocol is supported by local minority communities and has been well publicised in local media.

26. The Protocol sets a consistent standard for tackling hate incidents across Norfolk, to make it easier for residents (particularly residents with care and support needs, their carers/workers and voluntary agencies) to report hate incidents.

27. Work will take place over the course of the year to brief relevant organisations about the Protocol and encourage as many as possible to participate.

Strengthened approach to promote equality, diversity and inclusion across the workforce

28. The Head of HR recommends that Norfolk County Council revise its objectives to improve focus on promoting equality and inclusion across the workforce.

29. It is therefore recommended to revise Objective 5 to fully reflect focus (see Appendix 2 for revised wording). Policy & Resources Committee is recommended to adopt this revised objective.

Next steps

30. A performance measure is being developed to enable Policy & Resources Committee to monitor progress on the Council's Equality, Diversity and Inclusion Objectives during the course of the year.

Officer Contact

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Appendix 1

Evidence base for Objectives

The Equality, Diversity and Inclusion Objectives are based on the following background evidence:

	Objective	Reason
1.	Accessibility for disabled and older people	• Work to promote accessibility for disabled people in Norfolk is essential to delivery of Promoting Independence strategy – people can only be independent if they can easily access services and facilities by themselves without the help of others. • Norfolk has an aging population, a higher number of disabled people than other parts of the country and increasing numbers of disabled young people.
2.	Tackling hate incidents, particularly those affecting people with care and support needs	• There has been an increase in community tension and hate incidents affecting minority communities following the EU referendum. • An audit of the effectiveness of partnership working on hate incident reporting in 2016 highlighted opportunities for better integrating hate incident reporting into safeguarding practice.
3.	Delivering the final phase of the Children's Services Equality Plan 2015/18	The voice of young people should inform equality strategy in Children's. Also need to enhance intelligence on the extent to which outcomes for young people differ according to ethnicity.
4.	Ensure that Promoting Independence strategy reflects the needs of all	Promoting independence strategy will impact on everyone in Norfolk. Intelligence from local minority communities should inform ongoing service design.
5.	Build an organisational culture that respects and values difference in Norfolk County Council	Norfolk County Council is committed to providing equality of opportunity for Norfolk's people and communities. We respect and value difference in the county and across our workforce, and we want everyone to feel included and able to play their part in making Norfolk a great place to live, work and visit. We need to ensure that as a major employer and public body in the county we reflect the approach we champion.

Appendix 2

Equality, Diversity and Inclusion Objectives 2017-2020:

Objective 1: Integrate accessibility for disabled people across core service transformation initiatives

(a) To deliver this objective, the Council will assess and 'rate' existing levels of accessibility across services, and set realistic targets, enabling an evidence-led approach to delivering accessibility improvements. This will include publishing access statements for disabled people on our internet about our different premises and locations.

(b) We will also undertake an annual review of the latest guidance on accessibility across priority areas, to explore innovations to achieve a more accessible Norfolk. As part of this, we will engage with disability-led access groups in Norfolk and strategic partners, to explore how Norfolk could better incorporate accessibility into service planning and design (e.g. through emerging technology or consistent design principles).

Sponsor: Executive Director for Community & Environmental Services

Objective 2: Strengthen hate incident recording and reporting protocols and better integrate these within safeguarding practice, to safeguard vulnerable people in Norfolk from hate incidents

(a) In 2016, the Council worked with Norfolk Constabulary, district councils and health bodies to undertake an audit of the effectiveness of partnership working on hate incident reporting.

(b) The audit highlighted opportunities for strengthening existing practice, to safeguard older and disabled people, Black, Asian and minority ethnic people, lesbian, gay bisexual and transgender people and people from minority faith groups from hate incidents.

(c) This included revising the existing Multi-Agency Protocol on Hate Incident Reporting in Norfolk, ensuring that hate incident reporting protocols were embedded within safeguarding practice, clarifying arrangements for third party reporting, and delivering learning and development for staff on hate incident reporting.

(d) To deliver this objective, we will implement the audit recommendations, and monitor impact after 18 months to confirm that all the recommendations have been actioned.

Sponsor: Executive Director of Adult Social Care

Objective 3: Implement the final phase of the Children's Services Equality Plan 2015/16 - 2017/18 in accordance with agreed timescales

(a) To deliver this objective, we will develop and extend our evidence and data base to improve analysis and highlight differences in relation to outcomes for particular groups of children and young people in Norfolk, reporting annually to Children's Services Committee.

(b) We will also implement the film we co-produced with 50 young people from diverse backgrounds in Norfolk across all staff in Children's Services (and other departments/ partnerships as appropriate) to make sure that work with young people with protected characteristics is influenced by the voice of the child.

(c) We will develop an Accessibility Strategy for schools.

(d) We will also hold a Children's Services equality conference for members, staff and partners, co-hosted and planned with young people, to consider key issues such as the fact that the average age of perpetrators of hate incidents in Norfolk is 15, hear best practice, inform strategy development and sustain a collective vision on equality for children and young people.

Sponsor: Executive Director for Children's Services

Objective 4: Ensure that Promoting Independence strategy reflects the needs of all

To deliver this objective we will work with service users from a diverse range of backgrounds, including those who are Black, Asian and minority ethnic, lesbian, gay, bisexual, transgender and intersex, and from minority faith groups, to ensure that our Promoting Independence strategy is inclusive.

Sponsor: Executive Director of Adult Social Care

REVISED Objective 5: Build an organisational culture that respects and values difference in Norfolk County Council

To deliver this objective we will:

(a) Revise the Council's equality policy, to ensure that staff understand their responsibilities to respect and value difference in the county and across the workforce, and to include everyone in making Norfolk a great place to live, work and visit.
(b) Review all HR policies to ensure they reflect and promote equality and accessibility, and inform a culture that respects and values difference.
(c) Review the resources available to members, managers and staff to assist them to apply the policy, and improve our learning and development offer regarding a culture that respects and values difference.
(d) Review current data on workforce diversity and consider how we might improve collection, target setting and reporting.

(e) Review opportunities for benchmarking our progress on equality and inclusion across the workforce, such as Stonewall's equality index, and identify appropriate actions.
(f) Develop our communication and promotional plan to support embedding the revised Equality, Diversity and Inclusion Policy.

Sponsor: Head of Human Resources

~~Objective 5: Ensure that staff understand their responsibilities under the Equality Act 2010 and that staff and elected members have the right resources in place to promote accessibility and equality~~

~~To deliver this objective we will revise the Council's Equality and Accessibility Policy, to ensure that staff understand their responsibilities, and review the resources available to managers, staff and members to assist them in promoting accessibility and equality across the workforce. We will also work with the member training advisory group to run three member workshops each year on relevant equality/accessibility issues, to include effective communication with Deaf and hearing impaired people~~

Appendix 3

Norfolk County Council

Draft Equality, Diversity & Inclusion Policy

Introduction

1. Norfolk County Council is committed to providing equality of opportunity for Norfolk's people and communities. We respect and value difference in the county and across our workforce, and we want everyone to feel included and able to play their part in making Norfolk a great place to live, work and visit.

2. We do not tolerate unlawful discrimination, harassment or victimisation in service delivery or employment on the grounds of any protected characteristic:
   - Age
   - Disability
   - Race/ethnicity
   - Religion or belief
   - Sex or gender, including gender reassignment
   - Sexual orientation
   - Marriage or civil partnership
   - Pregnancy or maternity.

3. We will not treat anyone less favourably than any other, on the grounds of any protected characteristic, except when such treatment is within the law and determined by lawful requirements.

4. In adopting the aims of this policy, we will:
   - Promote equality of opportunity between people who share a protected characteristic and people who do not share it
   - Eliminate unlawful discrimination, harassment and bullying
   - Promote understanding, tackle prejudice and foster positive relations between different communities
   - Make reasonable adjustments for disabled people
   - Take steps to remove barriers or inequalities that may already exist
   - Promote a workforce culture that values and respects difference
   - Engage with local communities fairly and proportionately
   - Encourage people who share a protected characteristic to participate in public life or in any other activity in which participation is disproportionately low.

Accessibility and universal design

5. We are committed to providing public services and a workforce environment that can be accessed, understood and used to the greatest extent possible by all people regardless of their ability or disability.

6. When reviewing or redesigning our public services or workforce environment (or any building, product or service in that environment, such as premises, technology, information, communication and culture) we will be guided by the following:

   (a) Provide the same means of use to enable access for all users: identical whenever possible; equivalent when not

   (b) Avoid segregating or stigmatizing any users

   (c) Provisions for privacy, security and safety shall be equally available to all users

   (d) Ensure dignity in use for all users.

Reasonable adjustments for disabled people

7. Where something the Council does places a disabled person[i] at a substantial disadvantage compared to a non-disabled person, we will take all reasonable steps to try to avoid that disadvantage. This may mean changing the way we work, providing extra equipment or removing physical or other barriers.

Discharging our responsibilities under the Public Sector Equality Duty

8. When exercising our public functions, we will have due regard to the Public Sector Equality Duty.[ii]

9. At least every four years, we will publish one or more equality objectives.

10. We will maintain and publish annual information which shows our compliance with the Public Sector Equality Duty.

Equality impact assessments

11. Equality assessments should be undertaken at the design stage of planning and commissioning, to enable equality and accessibility to be routinely considered.

12. In particular, as part of the assessment, guidance should be sought on the minimum and maximum access considerations that could be applied to any given initiative – to enable decision-makers to consider the most reasonable approach in the circumstances, taking all relevant factors into account - such as available resources; demand and future proofing.

13. It will not always be possible to adopt the course of action that will best promote accessibility for all. However, equality assessments enable informed decisions to be made, that take into account every opportunity to minimise disadvantage.

14. Guidance on equality assessments is available here.

Staff professional development

15. All new staff undertake induction training which includes a module on behaviour and conduct expectations (standards at work). They are also encouraged to complete the four e-learning modules below on equality within their first six months in post (and existing staff every two years):

   - The Equality Act 2010

- Equality in the Workplace
- Implementing reasonable adjustments
- Reporting hate incidents.

16. You can access these modules via Learning Hub.

Who this policy affects

17. This policy affects elected members and all workers including employees, consultants, temporary workers, agency staff and other third parties working on behalf of Norfolk County Council. It also applies to suppliers, sub-contractors and agencies in our supply chain.

This policy applies to (but is not limited to) the planning, design, operation, construction and delivery of services, the provision of goods, facilities and services, exercising of public functions, recruitment and selection, conditions of service, benefits, facilities and pay, training and development, opportunities for promotion, conduct at work, employment policy, procedures and guidance, and termination of employment.

18. We expect all staff to take responsibility for familiarising themselves with this policy and conducting themselves in an appropriate manner. Staff are expected to engage proactively in the implementation of this policy.

Relevant legislation

19. In implementing this policy we will have regard to our legal obligations under relevant legislation, including the Equality Act 2010 and Public Sector Equality Duty.

Relevant NCC policies

20. The following HR policies provide further guidance about implementing equality, diversity and inclusion in the workplace:
    - Equality in Employment Policy P305
    - Transgender Policy and Procedure P305a
    - Employing People with Disabilities Guidance G312d
    - Bullying and Harassment Policy (currently being updated).

Communication

21. This policy will be made available via Norfolk County Council's website and intranet.

Review

22. We will review the terms of this policy and any associated codes of practice and guidance in 2021.

Complaints

23. We regard any breach of this policy as a serious matter to be dealt with through agreed procedures and this may result in disciplinary action.

24. We encourage anyone who has a complaint concerning a breach of this policy to bring this to the County Council. See the County Council's Grievance guidance and policy

Further Information

25. For further information on this policy contact: equalities@norfolk.gov.uk

Appendix 4

Norfolk’s diverse population

1. Norfolk is the fifth largest shire county in England, with 885,000 residents. Norfolk’s diverse communities are interwoven into the county’s history.

2. There are similar numbers of men and women living in Norfolk – 49% and 51% respectively - which is in line with national proportions. Currently, Norfolk’s population (by five year age group) is made up of slightly more males in the younger age groups, until a gender parity is reached around age 30. From this point onwards, there are slightly more females in each age group, becoming more apparent for those aged 80 and over.

3. At present there is no official estimate of the transgender population. However, a Home Office-funded study in 2009 suggested that the number of people living in the UK with some degree of gender variance was (at the time) between 300,000 to 500,000. Although the numbers appear small, it is important to recognise that evidence shows that transgender people may be particularly vulnerable to bullying, discriminatory treatment and harassment.

4. Disabled people make up a considerable proportion of the Norfolk population, higher than the regional or national average, and the number of disabled young people is increasing.

5. Over 20% of residents have a disability or limiting long-term illness. There is a link between age and disability, and it is well documented that there are more people in Norfolk over 65+ years of age (around 24%) compared with the region (19%) and country (18%) as a whole. The proportion of Norfolk’s population aged 65 and over is projected to increase by around 18% over the next ten years (an increase of around 36,600 people).

6. The majority of Norfolk’s population is White British (92.9%), with an estimated 7% from a Black, Asian or minority ethnic (BAME) background.

7. Some of Norfolk’s Black African, Black Caribbean and Indian communities can trace back their roots in the county for over four hundred years. The first Black Mayor in England was from Norfolk, and elected in Thetford in 1904.

8. There are around 9,300 BAME young people aged 17 years or under in Norfolk. Around 130 languages are spoken as a first language other than English by Norfolk school children.

9. Over the last five years, the Council has worked with nearly 100 young people from different diverse backgrounds in Norfolk (disabled, BAME, LGBT, and young people from different faiths) to identify and track inequalities facing young people in Norfolk today. Young people are optimistic about the direction of travel on equality in Norfolk, but have emphasised how critical it is for local authorities to continue to promote understanding and address bullying in all its forms.

10. Minority faiths in Norfolk represent just under 2% of the population. There are many minority faiths and multi-faith initiatives in Norfolk, which includes several mosques and Islamic centres, Jewish communities, a Sikh temple and numerous Buddhist groups. The Ihsan Mosque in Norwich was the first mosque in the country to be established by British converts to Islam.

11. It is estimated that around 6% of the population is lesbian, gay or bisexual. There is a growing recognition of issues affecting Intersex people. Intersex people are born with a physical sex anatomy that doesn't fit medical norms for female or male bodies. It has been estimated that one in 2,000 people worldwide are born with ambiguous sex anatomy.

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[i] The definition of disability is set out in the Equality Act 2010, Part 6:
'A physical or mental impairment which has a substantial and long term effect on a person's ability to carry out normal day to day activities'.

A person must meet all elements of this definition in order to satisfy the requirements of the Equality Act 2010 and trigger the duty to make reasonable adjustments.

[ii] <u>Public sector equality duty:</u>
A local authority must, in the exercise of its functions, have due regard to the need to—

1. Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
2. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
3. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Policy and Resources Committee

Item No 17

Report title:	**Bullying and Harassment Cases**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Wendy Thomson, Managing Director**

Strategic impact

At the County Council meeting on 11 December 2017 it was resolved that a report be made to the next meeting of the Policy and Resources Committee on the number of bullying and harassment claims that have been made in the last two years, any action or learning points that have arisen and if any changes are required to the Council's procedures.

Executive summary

Following the recent high profile sexual harassment cases that have come into the public domain, the County Council has examined its own position in respect of the behaviours that are required of employees and are being demonstrated in the workplace; the number of cases, and how these are being managed and supported. Analysis of all cases that have been raised by employees, both formally and informally have been completed, and consideration given to the information and guidance available to support any employee who feels that they have been subject to inappropriate behaviour or comment and our expectations of managers to respond appropriately to concerns raised.

The Policy and Resources Committee is asked to note:

1. **the available evidence on the number of cases**
2. **the re-introduction of the Bullying and Harassment policy as a standalone policy to reinforce its importance, together with aligned employee and management support, to enable any issues to be raised and resolved effectively**

1. Introduction

This paper sets out the number of bullying and harassment claims, re-informs the definition and sets out actions to continue to embed best practice on how we manage behaviour in the workplace.

2. Definition of Bullying and Harassment

The ACAS code of conduct defines bullying and harassment as any unwanted behaviour that makes someone feel intimidated, degraded, humiliated or offended. It is not necessarily always obvious or apparent to others, and may happen in the workplace without an employer's awareness.

Bullying or harassment can be between two individuals or it may involve groups of people. It might be obvious or it might be insidious. It may be persistent or an isolated incident. It can also occur in written communications, by phone or through email, not just face-to-face.

Examples of bullying / harassing behaviour could include:

- spreading malicious rumours, or insulting someone
- exclusion or victimisation
- unfair treatment
- Deliberately undermining a competent worker by constant criticism.

Under the Equality Act 2010, harassment is unwanted conduct which is related to one of the following: age, disability, gender reassignment, race, religion or belief, sex and sexual orientation and is therefore unlawful.

People do not always feel able or confident enough to complain, particularly if the harasser is a manager or senior member of staff. Sometimes they will simply resign.

In accordance with the ACAS definition, it is therefore very important for employers to ensure that staff are aware of options available to them to deal with potential bullying or harassment, and that these remain confidential.

3. Data Analysis

Reassuringly there is no evidence of a systemic problem of sexual harassment in the County Council or one of bullying or harassment generally. Detailed analysis has been carried out of all disciplinary and grievance cases over the previous two years.

Of the cases analysed, only 1 case had an element of sexual harassment within the complaint. Recognising that employees may not wish or feel able to raise a formal complaint, we have also looked back at the records kept of informal complaints (where an employee has raised an issue but not wished to pursue this through to a formal complaint), and a further two allegations were identified. An examination has also been made of the support provided by the Well-Being team since 2013 and no instances of sexual harassment have been recorded. This has supported the conclusion that there is no underlying systemic issue with the behaviours being exhibited by County Council employees in respect of sexual harassment.

In terms of other cases relating to bullying and harassment more generally, there were 9 claims over the last 2 years of which:

- 2 ended in dismissal
- 5 resulted in informal management advice
- 2 were unfounded
- All but one of the cases related to claims from an employee about their manager.

Over the same period, the well-being team supported 7 individuals.

The few calls received by our employee advice line (HR Direct) related to general queries (with the exception of 1 case that has already been referred to above).

4. Policy

Given the context and evidence available, the decision was made in May 2016 to amalgamate the Bullying and Harassment Policy and Procedure with the Grievance Procedure as the procedure to deal with concerns in the event of a complaint were similar. At the time, this was felt to be clearer for employees and was an agreed approach with Unison.

However, in the light of the recent high-profile cases we have reviewed this approach as there is a perceived loss of focus on the behaviours required of employees and the sensitivity required to handle these potentially very difficult situations. We wish to be very clear about what constitutes acceptable, and therefore unacceptable, behaviour.

Analysis undertaken by ACAS continues to indicate that bullying and harassment is an issue within UK workplaces. The intensification of work, restructures and organisational change, rapid and radical management led change driven by cost and productivity considerations are all factors that can contribute to instances of inappropriate behaviour and potentially lead to bullying or harassment. The continuing impact of financial pressures therefore also reinforces the need to be explicit about expected behaviours and to provide information and support mechanisms where there is felt to be an issue.

5. Actions

Whilst many of the individual components recommended by ACAS as being required by employers are in place, we can further improve how we provide information, advice and guidance. As a result,

1. We have updated our intranet site (PeopleNet) to include a new section on Bullying and Harassment which summarises all the support that can be accessed (see section 5)
2. We aim to reintroduce our previous Bullying and Harassment Policy by the end of January 2018 which will reflect the latest ACAS guidance, including:
   - a statement of commitment from senior members and managers
   - a clear statement that bullying and harassment is unlawful, will not be tolerated and that decisions should not be taken on the basis of whether someone submitted to or rejected a particular instance of harassment
   - examples of unacceptable behaviour
   - a statement that bullying and harassment will be treated as disciplinary offences
   - responsibilities of supervisors and managers
   - confidentiality of any complainant
   - reference to the grievance procedures (formal and informal) / investigation procedures / disciplinary procedures, including timescales for action
   - protection from victimisation
   - how the policy is to be implemented, reviewed and monitored.
   - support arrangements in place

   There will also be:
   - clear guidance on what is expected from employees in terms of acceptable behaviour.
   - promotion of the support available to employees who feel they have been subject to inappropriate behaviour or comments.
   - clear guidance for managers (including training) to respond appropriately to concerns raised.

3. We are refreshing our values and core behaviours for all employees. This will be launched in April 2018 and reinforced within our Performance Development Framework and Standards of Conduct and Behaviour Policy.

4. We are proposing to broaden the scope of the current Equalities and Accessibility plan as a refreshed Equalities, Diversity and Inclusion Policy to ensure that appropriate respect for colleagues is clearly articulated as an expectation on all employees. This refreshed plan and objectives is also tabled at this P&R Committee.

Unison have been consulted on the changes and have endorsed the approach being taken.

6. Financial Implications

There are no additional costs associated with this report.

7. Issues, risks and innovation

Bullying and Harassment is not only unacceptable on moral and legal grounds but may if unchecked or badly handled, create serious problems for the organisation. These may include:

- Poor morale and poor employee relations
- Loss of respect for managers and supervisors
- Poor performance
- Lost productivity
- Absence
- Resignations
- Damage to our reputation
- Tribunal and other court cases and payment of unlimited compensation

8. Background

Background Papers:

Health Safety and Well-being mid-year report describes the uptake of the available support by employees who feel they have been subjected to bullying and/or harassment.

New section on People Net called Bullying and Harassment. The details are summarised below:

All employees have the right to work in an environment free from bullying and harassment. The dignity and rights of each individual should be recognised and protected. Bullying and harassment is not acceptable to Norfolk County Council.

Allegations of bullying and harassment made in good faith will be treated seriously and confidentially. Such allegations are dealt with under the grievance procedure.

NCC is committed to using restorative approaches to help build respect and responsibility. It seeks to achieve resolution by challenging behaviour and building, maintaining and repairing relationships.

Information and support available

- Harassment Support Officers (HSO)

  HSO's are available to offer support and guidance to any member of staff who feels they have been harassed. HSO's will not offer representation but can provide advice or may suggest ways to facilitate restoration of amicable working arrangements

- Norfolk Support Line (NSL)

  NSL is a confidential counselling service and can be contacted. The service is provided by an external counselling organisation with telephone and face-to-face counselling available.

- HR Direct

- Departmental Senior Managers#

- Trade Union Representatives

- The Chaplain

Officer Contact

If you have any questions about matters contained in this paper please get in touch with: Sarah Shirtcliff, Head of HR

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Policy and Resources Committee

ITEM 18

Report title:	**Determination of Admission Arrangements – 2019/20**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Simon George** **Executive Director of Finance and Commercial Services**

Strategic impact

Norfolk County Council (NCC) has a statutory duty to determine a co-ordinated scheme and timetable for administering around 29,000 applications for mainstream school places each year.

NCC as admissions authority for all Community and Voluntary Controlled (VC) schools must also determine the admission policy detailing how applications for these schools will be prioritised (currently 166 schools - approximately 40% of all mainstream schools).

The admission authority for each Academy, Foundation and Voluntary Aided School (the trust for Academies and the governing body for all other own admission authority schools) must determine the policy for their school.

All admission authorities must determine their arrangements for the academic year 2019/20 by 28 February 2018.

Executive summary

Following the consultation process, there are no changes proposed to Norfolk's co-ordinated admissions scheme and timetable for the school year 2019/20.

This paper, as appended, was presented to Children's Services Committee on 16 January 2018 and recommended for approval.

Background

Children's Services Committee, 24 January 2017, Item 13:- admission arrangements for 2018/19.

Full details of existing admission arrangements and policies for all Norfolk schools: - www.norfolk.gov.uk/admissions -

Norfolk's proposed 2019/20 arrangements: https://www.norfolk.gov.uk/education-and-learning/schools/school-admissions/norfolk-admission-arrangements-consultation-2019-20

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

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Report title:	**Determination of Admission Arrangements – 2019/20**
Date of meeting:	**16 January 2018**
Responsible Chief Officer:	**Sara Tough** **Executive Director of Children's Services**

Strategic impact

Norfolk County Council (NCC) has a statutory duty to determine a co-ordinated scheme and timetable for administering around 29,000 applications for mainstream school places each year.

NCC as admissions authority for all Community and Voluntary Controlled (VC) schools must also determine the admission policy detailing how applications for these schools will be prioritised (currently 166 schools - approximately 40% of all mainstream schools).

The admission authority for each Academy, Foundation and Voluntary Aided School (the trust for Academies and the governing body for all other own admission authority schools) must determine the policy for their school.

All admission authorities must determine their arrangements for the academic year 2019/20 by 28 February 2018.

Executive summary

This report summarises the statutory consultation outcomes and proposes no changes to Norfolk's admissions co-ordination scheme and timetable for the academic year 2019/20.

The co-ordination scheme details the process and timetable for administering the formal admission rounds (Reception, Junior transfer and Secondary transfer) for all mainstream schools in Norfolk including Academies and Free Schools. Whilst no longer a statutory duty, NCC also continues to co-ordinate in-year admissions and the scheme details how in-year applications are administered.

No changes are proposed to the admissions policy for Community and VC schools for 2019/20.

A separate statutory process deals with the placement of pupils with Education, Health and Care Plans.

Recommendations:

- **Local Authority admissions co-ordination:**
  The co-ordination schemes and timetables including in-year co-ordination are approved for 2019/20.

Admission arrangements for Community and VC schools:
That no changes are made to the current (2018/19) policies for 2019/20.

1. Proposals

1.1 Each year NCC is required to determine the admissions co-ordination scheme for all schools and to determine the admissions policy for all Community and VC schools as the admission authority for these schools.

1.2 The co-ordination scheme has been developed following annual consultations over a number of years and no changes are proposed for 2019/20. The proposed schemes and timetable meet the requirements imposed by the School Admissions Code and associated legislation to ensure a fair and consistent process for parents.

1.3 No issues were raised in the 2018/19 consultation so the current admission policies for Community and VC schools are proposed for 2019/20.

1.4 As required by legislation admissions consultation must run for at least six weeks. The consultation opened on 23 November and closed on 4 January 2018.

1.5 The consultation was highlighted on NCC's website under "current consultations" and in the school admissions section of the website.

1.6 As schools and governing bodies are key consultees a school management information sheet was sent to all Headteachers and Chairs of governing bodies on 10 November 2017 inviting them to respond with an online survey offered for convenience. Schools were also strongly encouraged to actively promote the consultation with parents via newsletters and websites.

1.7 Last year's committee report highlighted an anticipated DfE consultation proposing changes to the statutory school admissions code. This has still not yet been undertaken but the DfE indicate the review is ongoing.

1.8 Any statutory changes to the code could still impact on the proposed 2019/20 arrangements but any guidance to admission authorities seeking changes to admission policies would not apply before 2020/21.

1.9 As no changes are proposed for 2019/20 the response rate has been very low with 12 responses received. All respondents support the proposed arrangements for the admissions rounds, in year co-ordination and the timetable.

1.10 The statutory timescale for consulting on and determining arrangements and the limited scope for introducing changes may discourage parents and school leaders from engaging in the consultation. Discussions with colleagues from both the Eastern Region and the Department for Education (DfE) Admissions team confirm this remains a common feature of this statutory process. The DfE does receive a significant response when consulting on proposals to change the statutory school admissions code particularly when high profile proposals are consulted on.

2. Evidence

2.1 From the very limited consultation response there is support for the existing co-ordination arrangements and the admissions policy for Community and VC schools.

2.2 Parents who are refused admission are entitled to appeal to independent admission appeals panels. Since 2010 appeal panels have been required to consider the legality of admission arrangements as part of this process. Our arrangements have not been referred by appeal panels to the Office of the Schools Adjudicator (OSA) as part of this regular review.

2.3 Additionally parents can refer our determined arrangements to the OSA. This has not occurred since 2014 when our arrangements were confirmed as compliant.

2.4 Parents dissatisfied with the outcome of their appeal can refer concerns to the Local Government Ombudsman but again no concerns have been expressed regarding the co-ordination scheme or admissions policies.

2.5 The vast majority of parents gain a place at a preferred school (2017 DfE data extract).

Admission Round	Nfk. – 1st preferences met	Nfk. 1st.-3rd preferences met	Regional 1st preferences met	National 1st preferences met
Reception	93.0%	97.6%	90.8%	90.0%
Secondary transfer	95.0%%	98.4%	86.9%	83.5%

3. Financial Implications

3.1 The admissions function is funded from the Dedicated Schools Grant and all costs associated with the function are covered by this grant. The proposed admission arrangements do not add to the current costs.

4. Issues, risks and innovation

4.1 The School Admissions Code sets out statutory requirements to ensure a fair and equitable process for all families seeking a mainstream school place. The co-ordination scheme follows the model scheme set out in the School Admissions Code and admission policies for Community and Voluntary Controlled Schools have been developed to fully comply with the School Admissions Code.

4.2 NCC is under a statutory duty to determine admission arrangements by 28 February each year. If this cannot be determined the Secretary of State has the power to impose a co-ordination scheme.

5. Background

Children's Services Committee, 24 January 2017, Item 13:- admission arrangements for 2018/19.

Full details of existing admission arrangements and policies for all Norfolk schools: - www.norfolk.gov.uk/admissions -

Norfolk's proposed 2019/20 arrangements: https://www.norfolk.gov.uk/education-and-learning/schools/school-admissions/norfolk-admission-arrangements-consultation-2019-20

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:

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Policy and Resources Committee

Item No 19

Report title:	**Notifications of Exemptions Under Contract Standing Orders**
Date of meeting:	**29 January 2018**
Responsible Chief Officer:	**Simon George, Executive Director of Finance**

Brief outline of the paper:

Under the Council's Contract Standing Orders, paragraph 9.11, the Head of Procurement and the Head of Law have the authority to approve the letting of a contract without competition or the negotiation of a contract with one or more suppliers without prior advertisement, subject to the relevant law. Exemptions resulting in the letting of contracts valued at more than £100,000 must be made in consultation with the Chairman of Policy and Resources Committee.

Under paragraph 9.12 an exemption under 9.11 outlined above, relating to the award of a contract valued in excess of £250,000 is to be notified to the Policy and Resources Committee.

The report sets out the exemptions that have been made up to 2 January 2018 under paragraph 9.11 of Contract Standing Orders and that are over £250,000 and therefore need to be notified to the Policy and Resources Committee.

Key decisions/recommendations that Committee need to make:

Recommendations:

As required by paragraph 9.12 of the Council's Contract Standing Orders, Policy and Resources Committee is asked to note the exemptions that have been granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that are over £250,000.

Supplier	Value, term and ref	Short description of Contract and Reason for Exemption	Date seen by the Chairman of Policy and Resources Committee
Magdalene Group	£300,000 – 1st December 2017 to 1 December 2020 (EX562-17)	**Clinical Commissioning Team, Children's Services.** Improvement services and support for children and young people with concerns of Child Sexual Exploitation.	18 December 2017

		The exemption from tendering was on the grounds of urgency. A three-year term was considered appropriate (unusually where urgency is the main justification) in order to give greater stability to the service.	

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, e.g. equality impact assessment, please get in touch with:

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