Norfolk County Council

Date: **Monday 20 February 2017**

Time: **10.00am**

Venue: **Council Chamber, County Hall, Norwich**

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Prayers

To Call the Roll

AGENDA

1. **Minutes**

   To confirm the minutes of the meeting of the Council held on 12 December 2016. (Page **5**)

2. **To receive any announcements from the Chairman**

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. It is recommended that you declare that interest but it is not a legal requirement.

   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 such an interest but can speak and vote on the matter.

4. **Norfolk County Council Revenue and Capital Budget 2017-20**

Briefing for all Councillors from the Executive Director of Finance and Commercial Services setting out the latest financial position for the Council including a revised Business Rates position as at 10 February 2017 and the recommendations of the Policy and Resources Committee held on 6 February 2017; (Page **22**)

- **Annexe 1 –** Strategic and Financial Planning 2017-18 to 2019-20 and Revenue Budget 2017-18 [updated from Policy and Resources Committee to reflect the final financial position and changes as detailed in the Executive Director's Briefing]; (Page **32**)
- **Annexe 2 –** County Council Budget 2017-18 to 2019-20: Statement on the Adequacy of Provisions and Reserves 2017-20 [updated from Policy and Resources Committee to reflect the final financial position and changes as detailed in the Executive Director's Briefing]; (Page **159**)
- **Annexe 3 –** County Council Budget 2017-18 to 2019-20: Robustness of Estimates [updated from Policy and Resources Committee to reflect the final financial position and changes as detailed in the Executive Director's Briefing]; (Page **187**)
- **Annexe 4 –** Capital Strategy and Programme 2017-20 [as presented to Policy and Resources Committee 06/02/17]; (Page **200**)

- **Annexe 5 –** Annual Investment and Treasury Strategy 2017-20 [as presented to Policy and Resources Committee 06/02/17]; (Page **246**)

5. **Recommendations from the Pensions Committee held on 7 January 2017 - Norfolk Pension Fund Governance: LGPS Investment Pooling Inter-Authority Agreement** (Page **266**)

6. **County Council Elections May 2017 – Appointment of County Returning Officer.**

The Representation of the People Act 1983 requires the County Council to appoint an officer of the Council to be the Returning Officer for elections of Councillors of the County.

For the period of the current Council, the post is held by the Head of Democratic Services who has in turn appointed District Council officers to discharge the functions on his behalf. This reflects the arrangement whereby the District Councils administer the elections on behalf of the County Council.

It is **RECOMMENDED** that the Council appoint the Head of Democratic Services to act as the Returning Officer for the County Council elections scheduled for May 2017 and for any subsequent County Council elections and by-elections.

Chris Walton
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Date Agenda Published: 10 February 2017

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IN TRAN communication for all

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Norfolk County Council

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Minutes of the Meeting Held on Monday 12 December 2016

Present:

Mr A Adams
Mr S Agnew
Mr S Askew
Mr M Baker
Mr R Bearman
Mr R Bird
Mr B Borrett
Dr A Boswell
Ms C Bowes
Mrs A Bradnock
Mr B Bremner
Mrs J Brociek-Coulton
Mr A Byrne
Mr M Carttiss
Mr M Castle
Mrs J Chamberlin
Mr J Childs
Mr S Clancy
Mr T Coke
Mrs H Cox
Mr D Crawford
Mr A Dearnley
Mrs M Dewsbury
Mr N Dixon
Mr J Dobson
Mr T East
Mr C Foulger
Mr T Garrod
Mr A Grey
Mrs S Gurney
Mr P Hacon
Mr B Hannah
Mr D Harrison
M Chenery of Horsbrugh
Mr H Humphrey
Mr B Iles
Mr T Jermy
Mr C Jordan
Mr J Joyce
Ms A Kemp
Mr J Law
Mrs J Leggett
Mr B Long
Mr I Mackie
Mr I Monson
Mr J Mooney
Ms E Morgan
Mr S Morphew
Mr G Nobbs
Mr R Parkinson-Hare
Mr J Perkins
Mr G Plant
Mr A Proctor
Mr D Ramsbotham
Mr W Richmond
Mr D Roper
Ms C Rumsby
Mr M Sands
Mr E Seward
Mr N Shaw
Mr R Smith
Mr P Smyth
Mr B Spratt
Mr B Stone
Mrs M Stone
Mr M Storey
Dr M Strong
Mrs A Thomas
Mr J Timewell
Miss J Virgo
Mrs C Walker
Mr J Ward
Mr B Watkins
Ms S Whitaker
Mr A White
Mr M Wilby
Mrs M Wilkinson

Present: 77

Mr J Ward, Vice Chairman, in the Chair.

Apologies for Absence:

Apologies for absence were received from Mr C Aldred, Mr D Collis, Ms E Corlett, Mr T FitzPatrick, Mr P Gilmour, Mr W Northam and Mr M Kiddle-Morris.

1 Minutes

1.1 The minutes of the Council meeting held on 17 October 2016 were confirmed as a correct record and signed by the Chairman.

1.2 The minutes of the extraordinary Council meeting held on 7 November 2016 were confirmed as a correct record and signed by the Chairman.

2 Chairman's Announcements

2.1 The Chairman welcomed Andrew Bunyan, the Interim Executive Director of Children's Services to his first meeting of Council.

2.2 The Chairman advised Council that all members had received an 'In Good Company' pledge card asking them to show their support by making a personal pledge to do something to make sure that no one in Norfolk spends a lonely day if they don't want to. He asked all members to spread the word in the areas that they represented and to make a personal pledge to help the campaign.

3 Declarations of Interest

3.1 Michael Chenery of Horsbrugh declared a non-pecuniary interest in item 7 (Report from the Norfolk Records Committee) as he was a Trustee of the Archive Heritage Development Foundation Trust.

4 Questions to Leader of the Council

4.1 Question from Mr G Nobbs

4.1.1 Mr Nobbs asked whether, following the departure of Michael Rosen and the speed at which his successor was appointed, the Leader could assure him that the normal procedures for recruiting a full time replacement Executive Director of Children's Services would be followed and that the post would be appointed by a panel of Members.

4.1.2 The Leader replied that they would.

4.2 Question from Mr T Coke

4.2.1 Mr Coke asked, with regard to the third motion on the agenda, whether the Leader had whipped his group or whether they had been given a free vote.

4.2.2 The Leader replied that the Conservative Group did not have a whip.

4.3 Question from Mr B Watkins

4.3.1 Following the collapse of the joint Norfolk and Suffolk devolution deal, Mr Watkins asked what steps the leader proposed to take in order to find an alternative 'Devo 2' solution which would have the broad consent of District Councils, the business community and the general public of Norfolk.

4.3.2 The Leader responded that any future way forward would need to ensure that it was built from the bottom up rather than top down.

4.4 **Question from Mr R Bearman**

4.4.1 Mr Bearman said that despite growing evidence that global climate change was occurring at a much faster rate than previously realised, at the meeting of the Greater Norwich Development Partnership (GNDP) on 14th November a member of another authority argued that the region's climate change commitments should be downgraded in the new Greater Norwich Local Plan. He asked if the leader of the Council could guarantee that he and other Norwich representatives on the GNDP would do everything in their power to ensure action on climate change was at the heart of the local plan, including on the issues of housing standards, transport emissions and infrastructure.

4.4.2 The Leader replied that the Council needed to take notice of climate change, full stop.

4.5 **Question from Ms A Kemp**

4.5.1 Ms Kemp asked the Leader if he thought it was right that Norfolk County Council should give away its assets at a time when it was stopping core services such as school road crossing patrols. She asked if the decision of Policy and Resources Committee could be revisited carefully to make sure that the Council was putting money where it was needed.

4.5.2 The Leader replied that he was always careful to put money where it was needed.

4.6 **Question from Mr J Childs**

4.6.1 Mr Childs asked if the Leader would put the full weight of the Council behind Great Yarmouth's quest to get Universal Credit sorted out as it was causing problems within the borough. He said that some people from European countries were facing the threat of being deported as under the EU Act of 2006 they no longer had the right to reside in this Country.

4.6.2 The Leader responded that this was a detailed subject and asked if Mr Childs could write down his concerns and send them to him so that he could follow it through as there was an issue being highlighted regarding people feeling persecuted.

4.7 **Question from Mrs C Walker**

4.7.1 Mrs Walker asked the Leader who would have ownership of the budget and when the Council would have sight of it

4.7.2 The Leader responded that the relevant information was in the Council papers.

4.8 **Question from Mr D Ramsbotham**

4.8.1 Mr Ramsbotham said that he was sure that like him other Councillors would be disturbed to see that letters from the public to Officers and Members on important issues were being left unanswered. He asked if the Leader agreed that the Council should promote transparency and openness and not treat the electorate with contempt.

4.8.2 The Leader replied that he did agree and that all letters were responded to within agreed standards. He added the caveat that often it took time to obtain the relevant information and answers to questions raised by which time often further correspondence was received asking why a response hadn't been sent immediately.

4.8.3 By way of clarification Mr Ramsbotham said that he was not directing his question specifically at the Leader but at all Councillors and Officers.

4.9 **Question from Ms S Whitaker**

4.9.1 Ms Whitaker asked the Leader what action would be taken to rectify the areas of poor performance which had been highlighted in the recent damming Ofsted report on Children's Services

4.9.2 The Leader responded by saying there had been new appointments in the department and they were working extremely hard to try and reverse the poor performance highlighted in the Ofsted report.

4.10 **Question from Mr T Garrod**

4.10.1 Mr Garrod said that he was astounded to read in the EDP Cllr Bremner's comments regarding Council spending around investing in people. He asked if the Leader could comment on the story.

4.10.2 In response, the Leader asked the Managing Director to respond.

The Manging Director said that the County Council had 120 senior managers and was investing £900 each in their training and development. This was the first time in recent years that the County Council had invested in leadership development for senior managers, which was standard practice in large organisations. She said that money had already been budgeted for the training, which was introducing a more systematic approach to development to ensure that the County Council was meeting the development needs of individual members of staff.

4.11 **Question from Mr R Bird**

4.11.1 Mr Bird asked the Leader why there were 11 notices of motions originally on the agenda but that only 5 of them would be heard, particularly in light of the fact that the next ordinary Council meeting would be in April 2017. He asked what arrangements would be made for these motions to be heard.

4.11.2 In response the Leader said that this was a decision of the Chairman.

The Chairman replied that he had given consideration to how to make the meeting more manageable and that the decision to reduce the number of motions to be debated on the day had been taken in consultation with the group leaders.

4.12 **Question from Mr Bremner**

4.12.1 Mr Bremner asked the Leader a question regarding psychometric testing for staff and said that the reply from the last meeting stated "the programme will be subject to value for money evaluation". He asked what value for money testing had been undertaken before squandering £124,000 by the Managing Director which could have been spent on Looked after Children and vulnerable adults, and could the Leader explain the shock news that over £1 million was being spent in this way.

4.12.2 In reply the Leader said that Mr Bremner needed to look again at the budget that the Council passed in February 2016.

4.13 **Question from Mr P Smyth**

4.13.1 Mr Smyth said that at the budget meeting on 22nd February 2016 it was acknowledged that the late and final settlement by the Government on 10th February meant that an additional £7.7million allocated for over 2 years could not be dealt with at the February meeting. A process was outlined where the service committees would consider proposals and priorities for spending of this money for consideration by full Council on 25th July. He said that this didn't happen however there had been an announcement from P&R Committee regarding the efficiency plan referring to the fact the 'the administration is minded to propose' a different use of the money and a decision on funding would shift to the October meetings. He said that in doing so P&R committee had taken steps that he believed were beyond its remit.

Mr Smyth said that he believed that there had been another incident when P&R Committee had also acted outside its remit when £2.75 million of public health money was agreed to be moved without reference to the Communities Committee which was informed of it later on. He asked if the Leader would ask the Monitoring Officer to look at the review of the P&R Committee decision over the summer and whether it has breached the Constitution and its remit.

4.13.2 The Leader said that he did not believe that the P&R Committee had gone beyond the constitution and that he did not think they would be allowed to go beyond their remit but that he would ask the Monitoring Officer to look into this further.

4.13.3 In response Mr Smyth asked that in light of the fact that his original motion on the agenda related to the 2016/17 budget rather than 2017/18, his motion should now be considered.

4.13.4 In response the Leader said that the motion was pre-empting the budget for the next financial year.

5 Notice of Motions

5.1 The following motion was proposed by Ms A Kemp and seconded by Mr T East:

"This Council lost £34 million in extricating Norfolk from a costly and insufficiently scrutinised contract for an incinerator in South Lynn but unfortunately and ill-advisedly voted not to complete the Revell Enquiry so that lessons could be learnt to prevent a repetition of the same costly errors in the future.

This Council therefore recognises that the right option and legacy to leave to the new Council in May is a Council committed and resourced to deliver as priority an amendment to the Council's Waste Plan to embed its commitment to eliminate all forms of waste treatment involving Incineration on the Willows site."

5.1.1 Ms Kemp proposed an alteration to the motion that the last sentence be amended to take out the words 'on the Willows site' to read, '…to eliminate all forms of waste treatment involving incineration *anywhere in Norfolk'*. Council did not give consent to the alteration to the motion and so the debate was on the original motion.

5.1.2 Following debate, and upon being put to the vote, with 30 votes in favour and 43 votes against the motion was **LOST**.

5.2 The following motion was proposed by Mr T Coke and seconded by Mr Bird:

Following the motion agreed by Council in July 2015 which stated:

"That this Council reviews the governance options set out under the Cities and Local Government Devolution Bill, at both county and district levels, with a view to identifying significant savings, improving efficiency, democracy and accountability" and further to the Secretary of State's decision to abandon Devolution for Norfolk and Suffolk last month and in consideration of the report recently sent to members, to move the process to the next stage:

'This council resolves to ask officers to prepare detailed options with a view to submitting proposals to the Secretary of State for an alternative governance structure for Norfolk. Officers will provide a breakdown of the savings, efficiencies and implementation costs that each option would provide in a coherent business plan.

The governance structure options will include but will not be limited to:
- Current two tier system
- Single unitary council
- 2 unitary councils
- 3 unitary councils"

5.2.1 Following debate, and upon being put to a vote with only 9 votes in favour, the motion was **LOST**.

5.3 The following motion was proposed by Mr R Bearman and seconded by Dr A Boswell:

"**Reducing single-use plastic (SUP) use in Norfolk**
According to recent research, eight million metric tons of plastic waste ends up in the world's oceans each year, endangering marine life. There is also a growing understanding of the risks posed to human health by toxic chemicals present in plastics.

Seven months after the introduction of the 5p bag charge, use of single-use plastic bags had already dropped by 85%, while the TV programme Hugh's War on Waste has raised public awareness of the problems of our throwaway culture. It is time for us to take a lead on this issue.

This Council RESOLVES to:

1. request officers to develop a robust strategy to move towards making Norfolk County Council workplaces 'single-use-plastic-free' by the end of 2017 and encourage other institutions, businesses and citizens to adopt similar measures;

2. end the sale and provision of SUP products such as bottles, cups, cutlery and drinking straws in council buildings by the end of 2017, by using reusable or fully recyclable alternatives.

3. investigate the possibility of requiring pop-up food and drink vendors at council events to avoid SUPs as a condition of their contract; and to replace with reusable or fully recyclable alternatives.

4. work with tenants in commercial properties owned by Norfolk County Council to encourage the phasing out of SUP cups, bottles, cutlery and straws, by using reusable or fully recyclable alternatives."

5.3.1 Mr Wilby proposed the following amendment, which was agreed by the proposer and became the substantive motion:

"To delete the final sentence of paragraph two, starting "It is time…"

And then, after 'This Council Resolves', to add:

"…to ask the Norfolk Waste Partnership to research the Reduction of single-use plastic in Norfolk. This should include the following proposals for consideration:"

The four resolutions then come underneath."

5.3.2 Following debate, and upon being put to a vote, the motion was **CARRIED** unanimously.

5.4 The following motion was proposed by Mr M Wilby and seconded by Mrs A Thomas:

"This Council recognises the vital importance of improving our transport infrastructure and that this will help to deliver the new jobs and economic growth that is needed in the years ahead.
This Council also recognises the importance of giving a clear message of its infrastructure priorities to the government and its agencies, and so ensure that there is universal recognition of their importance to the people of Norfolk. We need to consistently project this clear message and build and maintain the necessary momentum until we have eliminated this infrastructure deficit.
Therefore, the council agrees the following projects as its priorities for the coming years:

- Norwich western link

- Long Stratton bypass
- Great Yarmouth 3rd River Crossing

In addition, this Council notes the commitment of government to various A47 improvements, but is concerned that Highways England will not make any substantial start on construction until 2020.

The Council therefore urges government to commit to:

- timely improvement of all the A47 (from Peterborough to Lowestoft)
- a full dual carriageway standard, with appropriate grade separated junctions.
- in particular, early government confirmation of the Acle Straight and Tilney to East Winch dualling projects."

5.4.1 In proposing the motion Mr Wilby proposed an amendment to the first sentence to delete the word 'transport' and replace it with 'road' so that it read "This Council recognises the vital importance of improving our *road* infrastructure …"

5.4.2 Following debate, and upon being put to a vote, with 3 votes against, the amended motion was **CARRIED**.

5.5 The following motion was proposed by Mr J Dobson and seconded by Dr Boswell:

"Consequent upon the Council's decision at its last routine meeting not to resurrect the abandoned Revell Inquiry into the Incinerator Project fiasco (£34m loss of tax payers' money) and to avoid further accusations of a cover-up, this Council needs to provide for the benefit of Norfolk taxpayers a formal, final statement in order to bring closure on the subject within its municipal term. We therefore have only until April 2017 to finalise the matter. This motion comprises a text for Council's approval or otherwise, which goes as far as is possible in the present circumstances to indicate where the key processes are recorded and can be publicly accessed by which the flawed decision to sign the contract was made, outline what in consequence of the major lessons learned has already been changed, and propose a final piece of work on the apparently unsatisfactory audit and risk aspects of the matter.

The decision to proceed with the contract to build and operate an industrial-scale, mass-burn incinerator immediately upwind of King's Lynn to dispose of Norfolk's residual household waste was taken by the Cabinet at a time when the Council operated under a "Strong Leader and Cabinet" form of governance. The Cabinet took the decision despite the fact that planning permission for the Project had not been received, the credits of £169m were not necessarily secure and substantial penalties were enforceable if planning permission was not received within the laid-down time-scale. The circumstances of the complex and prolonged series of meetings held at the time are all reported in detail on the Council web site and the names of those Councillors and officers involved, in particular the then Council Leader, the Portfolio holder and Director of ETD, to whom authority to proceed with the final implementation stages of the contract had been delegated, are included. By way of avoiding any recurrence of such a major disaster in future, early in the term of the present Council, it was decided, in major measure because of many of the processes and individual behaviours evidenced during the implementation stages of the project, that the "Strong Leader and Cabinet" system, should be changed immediately to a "Committee" system of governance, whereby individual Councillors cannot make decisions on their own and there is no Cabinet. Under this changed system matters of major policy have to be decided on by full Council. This should go a long way to ensure that the publicly damaging criticisms of "democratic deficit" in the Incinerator Project pronounced at the time cannot be repeated in future large-scale procurement projects, nor can such projects be undertaken without full Council involvement and hopefully a less disastrous outcome.

The crucial issue of audit and risk surrounding the failed contract, however, has not been pronounced upon and requires further examination. We have time to do this and inform the public before the Council stands down. The issue primarily concerns the actions of the relevant senior officers comprising the Chief Officers Group at the time (all since gone). The function of corporate risk on the Council at the time was in the "ownership" of the Chief Officers Group. We have since learned from a National Audit Office report that the Council was officially advised by DEFRA at the time that the time-scale allowed for securing planning permission was too short, given the draconian penalties for not achieving it. What we now need is a report from the Managing Director (who was not in post then) to explain why the Chief Officers at the time had apparently ignored the warning and continued to advise that the project should go ahead. We also need to know whether the measures which have since been taken to ensure that the Chief Officer Group's successor body would heed such a warning in future are adequate; also how and why the Audit Committee, its staff, as well as the Council's external auditor, did not see fit to pass any criticism in their annual reports on the processes involved or those members/officers exercising the relevant functions at the time. This should be presented to the Council in time for its (final) 10 April 2017 meeting."

5.5.1 Mr East proposed the following amendment, which was agreed by the proposer and became the substantive motion:

5.5.2 To delete the final paragraph from "What we need now.." to add " I am asking you to support a request to the Managing Director to write a short report to explain how our risk function on the Council could witness this disastrous loss, but still maintain that the function is fit for purpose."

5.5.3 Following debate, and upon being put to a vote, with 22 votes in favour and 49 votes against, the motion was **LOST**.

6 Recommendations from Service Committees

6.1 **Policy & Resources – 31 October / 28 November 2016**

6.1.1 Mr C Jordan, Chair of Policy & Resources Committee, moved the recommendations in the report.

Council **RESOLVED** to:

6.2.1 **Finance Monitoring Period 5, August 2016**

- **Agree** additions of £4.710m to the 2016-17 capital programme for ICT projects, library books and capital project support, as set out in Appendix A to this report.

6.2.2 **Finance Monitoring Report Period 6 September 2016**

1. To note the period 6 forecast Revenue overspend of £20.746m (Period 5 £21.393m);
2. **Approve** reserves use in 2016-17 as set out in Appendix 1, paragraph 3.6, table 3d, or as explained in paragraphs 3.11 to 3.15 of the report that can be found at Appendix B to this report:
   a. Adult Social Services £0.651m
   b. Community and Environmental Services £6.987m
   c. Finance and Property £0.115m

   (note only the Adult Social Services proposed use of reserves will reduce the forecast overspend as the proposed use by other services is already reflected in the forecast)
1. To note the forecast General Balances at 31 March 2017 of £19.252m, before taking into account any over/under spends;
2. To note the forecast financial information in respect of Resources and Finance budgets which are the responsibility of this Committee, as set out in Appendix 2;
3. To note the revised expenditure and funding of the 2016-20 capital programme as set out in Appendix 3 of the report;
4. To 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 Capital Annex 2.

6.2.3 **Mid-Year Treasury Management Monitoring Report 2016-17**

- **Agree** the Mid-Year Treasury Management Monitoring Report 2016-17 detailed in Appendix C to the report.

6.2.4 **Appointment of Directors in NCC related Companies – Supplement**

1. **confirm** the Directors of Norse Care Limited and Norse Care Services Limited as set out in Table 1 at Appendix D of the report.
2. **Appoint** Joel Hull as a Director of Norfolk Energy Futures Limited, replacing Paul Borrett.
3. **Agree** to the Director appointments in respect of Norfolk Safety CIC as set out in Table 3 at Appendix D of the report.

6.2.5 **Recommendations from the Constitution Advisory Group**

Agree the recommendations contained in the report at Appendix E subject to the addition of the following posts in whose appointment members are formally involved:

Head of Law
Head of Democratic Services
Head of ICT and Information Management
Head of Programme Management Office
Head of Procurement

7 Reports from Service Committees (Questions to Chairs)

7.1 **Report of the Policy and Resources Committee meetings held on 31 October and 28 November 2016.**

Mr Jordan, Chair of Policy and Resources Committee, moved the report.

7.1.1 **Question from Mr S Morphew**

Mr Morphew asked the Chair when the Council would get an update on devolution and also to confirm whether he needed a fresh mandate from Council to proceed with any future discussions.

The Chair replied that he was currently looking at devolution going forward and he would talk to different group leaders as information came in. He said that he had requested a meeting with the Secretary of State to discuss how devolution could now move forward and wanted to do this before asking Council for a fresh mandate.

7.1.2 **Question from Ms S Whitaker**

Ms Whitaker said that the Chancellor's Autumn statement had not mentioned an increase in funding for the NHS or Adult Social Care and outlined that Members of Parliament were currently discussing whether to allow Local Authorities to raise the cap on the social care precept of 2%. She asked whether the Leader would support this and do all within his power to campaign for this to happen.

The Chair replied that he was aware that the Chair of Adult Social Care had sent a letter to the Government lobbying for funding for adult social care. This was a national issue and it would be raised at a national level.

7.1.3 **Question from Mr G Nobbs**

Mr Nobbs referred to paragraph 17 of the report relating to the disposal and acquisition of assets. He said that the Council had many premises that were let at a less than commercial rent to give support to certain organisations. As he understood it the proposal was to regularise this arrangement to charge a commercial rent for everyone and that organisations could apply for a grant. He said that Council needed to consider this as to charge certain organisations a commercial rent without any guarantee that they would have a grant to make up for it would mean that we could cause them a great deal of distress.

The Chair replied that Policy and Resources Committee were in charge of properties and determining their value, not the allocation of grants to the organisations that rented the properties. He said that the County Council were custodians of the properties and needed to ensure that they received the best commercial value rent for properties. Organisations would not lose out as they would still be able to apply for a grant from the relevant Committee to subsidise any potential changes in cost.

Mr Nobbs said that at the moment no organisation, getting a reduced subsidised rent from the Council should be told that they would have to pay a commercial rent before they had been given a guarantee that the loss of income would be made up for them by the Council.

In response the Chair said it was a commercial decision and that organisations would be able to apply for a grant to pay for the commercial rent.

7.1.4 **Question from Mr T Jermy**

Mr Jermy said that when the Chair was Cabinet Member for Efficiency, a school was closed in his division and a free school was prevented from moving into the Sixth Form block until the Secretary of State intervened and forced the Chair to rent it to them. He asked if the Council would have similar issues with this policy.

The Chair responded by saying that the people of Norfolk were entitled to a commercial rent on properties that they owned.

7.1.5 Council **RESOLVED** to note the report.

7.2 **Report of the Adult Social Care Committee meetings held on 10 October and 7 November 2016.**

Mr B Borrett, Chair of Adult Social Care Committee moved the report.

7.2.1 **Question from Mr B Watkins**

Mr Watkins asked the Chair if he would agree that chronic underfunding was a matter for the Government to address rather than passing the problem through to local Councils to deal with through increases in Council tax.

The Chair responded that there was no easy solution to the problem. The Committee had supported a 2% increase in Council tax to fund adult social care previously however he did not want to pre-empt the will of the Committee to support an increase of Council tax by a larger amount to fund adult social care. He reiterated that the Committee had asked the Chair to write to the Secretary of State regarding financial sustainability for the delivery of adult social care in Norfolk prior to the announcement of the Autumn Settlement and he had been disappointed that there had been no further money allocated in the budget. He said that the Committee would need to discuss this and form an opinion when they next met.

7.2.2 **Question from Mr M Sands**

Mr Sands said that his recollection of the motion put forward to the Adult Social Care Committee was that the Council would send a deputation to lobby Norfolk MPs to apply pressure on the Minister to put in extra funding. He asked the Chair if he now needed to 'add teeth' to the letter by making this deputation.

The Chair responded that he was happy to raise the issue to be discussed at the next meeting of the Committee.

7.2.3 **Question from Mrs C Walker**

Mrs Walker said that wardens and residents were currently being consulted on their future as part of the budget consultations. She asked the Chair if consideration could be given to look again at the issue of funding wardens who support vulnerable people to live independently.

The Chair replied that the budget for the Adult Social Care Committee was increasing overall however the department was being faced with increased demands which was why the Committee was looking at an overspend. This was a complex area as the County Council no longer received the money to pay for these services as it was now allocated to the District Councils to give to Housing Authorities. The Committee had decided on the budget areas for consultation and would need to make a decision and decide on the most appropriate way to balance the budget.

7.2.4 **Question from Mr P Smyth**

Mr Smyth raised an issue regarding empty respite beds that were available in care homes in Swaffham which he believed were being paid for by the County Council.

The Chair asked Mr Smyth to email him the exact details and he would look into the issue further.

7.2.5 **Question from Ms S Whitaker**

Ms Whitaker asked the Chair if he had identified any areas of good practice across the Country that could be applicable to Norfolk when he attended the Social Services Conference in Manchester.

The Chair replied that there were a number of areas of interest that he had identified and he would discuss them with group leads on the Committee to consider whether to take them forward in Norfolk. He stressed that the pressures facing Norfolk were similar to those faced in other local authorities across the Country.

7.2.6 Council **RESOLVED** to note the report.

7.3 **Report of the Children's Services Committee meetings held on 18 October and 15 November 2016**

Mr R Smith, Chair of Children's Services Committee moved the report.

7.3.1 **Question from Ms A Kemp**

Ms Kemp asked whether the Children's Services Improvement Plan would be sent to all members of the Council.

The Chair replied that the Improvement Plan had been considered by the Children's Services Committee on 15th November and was publically available on the Council's website in the papers for the meeting. Children's Services would receive a monitoring visit from Ofsted in March 2017 and it was important that the Council rose to the challenge to address and review the issues in the Improvement Plan.

7.3.2 **Question from Mrs J Leggett**

Mrs Leggett said that it had been a while since Barnados had arrived to work with Children's Services in Norfolk. She said that she was aware that the relationship was being developed and asked if the Chair could tell her how far it had developed as she believed that it was a key part of the Children's Services improvement journey.

The Chair replied that it was a key part of the Government's requirement for the

Council that it linked to a national charity to co-ordinate processes within Children's Services in order to improve leaving care and care leavers in particular. He said that there had been a slight increase in the number of looked after children for which there was no apparent pattern but related to large numbers of sibling groups that had been taken into care recently.

7.3.3 **Question from Mr Nobbs**

Mr Nobbs asked if the Chair could explain the precise circumstances of Mr Michael Rosen's resignation and whether the Leader of the Council's television interview the day before had influenced the decision in any way.

The Chair replied that it had been Mr Rosen's decision to resign and the normal resignation costs would apply. He was pleased that Andrew Bunyan had been appointed on an interim basis and had been able to take up the post so quickly.

7.3.4 **Question from Mr D Ramsbotham.**

Mr Ramsbotham said that many parents in Norfolk were angry and dismayed that the wellbeing and the lives of their children were being put at risk by the withdrawal of school crossing patrols across the county. He asked if the Chairman agreed that a child's life was worth a lot more than £150,000 and would he do all he could to retain this service in its entirety by persuading this Council to divert the necessary finance from other sources – for example from the Parish Partnership Scheme.

The Chair replied that he was aware of the controversy around this issue, which had been agreed in the budget in February when the Council had agreed to look at those areas were the service was essential. He said that there were 38 sites where the threshold of the number of cars and number of children crossing had not been met and these areas were subject to public consultation. He said that it was within the power of the Children's Services Committee to look at this issue within the budget and make a decision.

7.3.5 **Question from Mr E Seward**

Mr Seward asked whether in areas where it was proposed that school crossing patrols cease, schools would be allowed to fund the service themselves. He asked if the Chair would give consideration to other sources of funding should the school wish to continue the crossing through other means such as Parish Councils or Parent Teacher Associations etc.

The Chair replied that this would need to be a decision of the Committee but he could look at it. Only the County Council could employ school crossing patrol staff and would need to still be responsible for supervision, recruitment and security checks.

7.3.6 Council **RESOLVED** to note the report.

7.4 **Report of the Communities Committee meetings held on 19 October and 16 November 2016**

Mrs M Dewsbury, Chair of Communities Committee, moved the report.

7.4.1 Council **RESOLVED** to note the report.

7.5 **Report of the Environment, Development and Transport Committee meetings held on 14 October and 11 November 2016.**

Mr M Wilby, Chair of EDT Committee moved the report.

7.5.1 **Question from Mr R Bird**

Mr Bird asked for clarification on paragraph 5.2 of the report that the Committee agreed to recommend Option C but that this was ultimately agreed was 5%.

The Chair clarified that this was correct.

7.5.2 **Question from Mrs C Walker**

Mrs Walker clarified that in the report of the meeting held on 11th November the parking problems referred to in paragraph 1.1 where in fact in 'Sussex Road' and not 'Magdalen Way'.

7.5.3 **Question from Dr M Strong**

Dr Strong asked the Chair to agree the following amendments to the report with reference to the Broadband, Mobile Phones and Digital working group:

"Asked the ~~better~~ Broadband, Mobile Phone and Digital ~~for Norfolk~~ working group if not enough progress had been made by January, to write a letter to the Minister requesting intervention in technology going in to help improve Norfolk's ~~access to Superfast Broadband~~ mobile phone coverage ~~signals~~.

This amendment was agreed by the Chair.

7.5.4 **Question from Mr A Grey**

Mr Grey asked if the Chair could make it a priority to put pressure on the Government and the Environment Agency to look at the sea defences for the County of Norfolk and ensure that we were doing all that we could to protect the coastline.

The Chair replied that work was being undertaken with all the relevant authorities regarding coastal erosion and he was happy to support the District Councils in this role.

7.5.5 **Question from Mr Long**

Mr Long raised a query regarding the local levy for the Regional flood and Coastal Committees and said that he had always argued for a larger increase than 2% as money put into the levy could bring back further funding. To limit the increase to 2% was, in his opinion, not helpful.

In response the Chair said that it was the will of the Committee that this be set at 2% but that this had been revised to 5% and everyone was happy with this outcome.

7.5.6 Council **RESOLVED** to note the report.

7.6 **Report of the Economic Development Sub-Committee meeting held on 24 November 2016**

7.6.1 Council **RESOLVED** to note the report.

Other Committees

7.7 **Report of the Norfolk Health Overview and Scrutiny Committee meeting held on 13 October 2016.**

Mr M Carttiss moved the report.

7.7.1 **Question from Ms Whitaker**

Ms Whitaker asked whether the Chairman had any update on the alternative arrangements proposed for patients following the closure of the Henderson re-ablement unit.

The Chairman replied that the Democratic Support and Scrutiny Team Manager would be able to provide further information if she contacted her directly.

7.7.2 Council **RESOLVED** to note the report.

7.8 **Report of the Planning (Regulatory) Committee meeting held on 21 October 2016**

Mr M Sands moved the report. Council **RESOLVED** to note the report.

7.9 **Reports of the Personnel Committee meetings held on 21 October 2016 and 5 December 2016.**

Mr C Jordan moved the reports. Council **RESOLVED** to note the reports.

7.10 **Report of the Norfolk Joint Museums Committee meeting held on 28 October 2016**

Mr J Ward moved the report. Council **RESOLVED** to note the report.

7.11 **Report of the Norfolk Records Committee meeting held on 28 October 2016.**

M Chenery of Horsbrugh, Vice-Chair, moved the report. Council **RESOLVED** to note the report.

8 Senior Management Arrangements

8.1 Council received the report by the Managing Director setting out the context and detailed proposals for new senior management arrangements for the corporate strategy, support and finance functions following recommendations made by an external review.

8.2 In introducing the report the Managing Director said it set out the rationale for the new senior management arrangements and was part of an ongoing review in the organisation to ensure that it was fit for purpose to support the Council to function effectively within reduced resources. The report followed previous reports in October 2014, proposing a reduced management structure, and in July 2016, when Council agreed to the deletion of the post of Executive Director of Resources. The Managing Director said that there were no additional posts in the proposed structure and assured members that the Policy and Resources budget proposals from February 2016 would be met in full when the reorganisation was completed.

8.3 Following the debate and upon being put to the vote (49 in favour and 18 against) Council **RESOLVED** to **approve** the new senior management arrangements outlined in the report.

9 Appointment of Independent Persons

9.1 The report by the Head of Law and Monitoring Officer was received. The report set out the requirement for the appointment of Independent Persons and asked Council to approve the recommendation of the Interview Panel to appoint Stephen Jones and Alan Squirrell to be the Council's Independent Persons.

9.2 Council **RESOLVED** to

- approve the recommendation of the Interview Panel to appoint Stephen Jones and Alan Squirrell to be the Council's Independent Persons

10 Appointments to Committees, Sub-Committees and Joint Committees (Standard Item).

There were none.

11 To answer questions under Rule 8.3 of the Council Procedure Rules

There were none.

The meeting concluded at 1.25pm

Chairman

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NORFOLK COUNTY COUNCIL

20 February 2017
Item No 4

Norfolk County Council Revenue and Capital Budget 2017-20

To enable Members to reach agreement about the Council's Revenue and Capital Budget 2017-20, there are a suite of reports contained here which cover the following:

- **Briefing for all Councillors from the Executive Director of Finance and Commercial Services** setting out the latest financial position for the Council including a revised Business Rates position as at 10 February 2017;
- **Annexe 1 –** Strategic and Financial Planning 2017-18 to 2019-20 and Revenue Budget 2017-18 [updated from Policy and Resources Committee to reflect the final financial position and changes as detailed in the Executive Director's Briefing];
- **Annexe 2 –** County Council Budget 2017-18 to 2019-20: Statement on the Adequacy of Provisions and Reserves 2017-20 [updated from Policy and Resources Committee to reflect the final financial position and changes as detailed in the Executive Director's Briefing];
- **Annexe 3 –** County Council Budget 2017-18 to 2019-20: Robustness of Estimates [updated from Policy and Resources Committee to reflect the final financial position and changes as detailed in the Executive Director's Briefing];
- **Annexe 4 –** Capital Strategy and Programme 2017-20 [as presented to Policy and Resources Committee 06/02/17];
- **Annexe 5 –** Annual Investment and Treasury Strategy 2017-20 [as presented to Policy and Resources Committee 06/02/17];

The Policy and Resources Committee on 6 February 2017 received the above reports relating to the Council's Revenue and Capital Budget for 2017-20. As set out above, a number of these reports have been updated to reflect final changes arising after the Policy and Resources papers were prepared, and to reflect changes requested by the Committee. The original versions of all reports are available on the Council's website[1].

[1] http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/524/Committee/21/SelectedTab/Documents/Default.aspx

RECOMMENDATIONS

The County Council is recommended to:

<u>From the Strategic and Financial Planning 2017-18 to 2019-20 and Revenue Budget 2017-18 report (Annexe 1):</u>

1) Note the statements regarding the robustness of budget estimates, and risks to the 2017-18 budget, set out in section 6 and the separate report on the Robustness of Estimates elsewhere on the agenda.

2) Note the feedback from Service Committees including the proposals for additional savings, and the further changes required to deliver a balanced budget.

3) 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;
    - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

4) Agree:

    a) An overall County Council Net Revenue Budget of £358.812m for 2017-18, including budget increases of £93.688m and budget decreases of £73.836m as set out in Table 11 of this report, and the actions required to deliver the proposed savings.

    b) The budget proposals set out for 2018-19 to 2019-20, including authorising Chief Officers to take the action required to deliver budget savings for 2018-19 to 2019-20 as appropriate.

    c) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2018-19 to 2019-20 are developed and brought back to Members during 2017-18.

    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 2017-18 budget will include a general Council Tax increase of 1.8% and a precept of 3% for Adult Social Care, an overall increase of 4.8% (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 for CPI in line with Government assumptions as set out in the Spending Review 2015, plus an increase of 3% for Adult Social Care in 2018-19 but 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 2017-18 Budget, to make payments, to raise and repay loans, and to invest funds.

f) That allocations of Transition Grant and Rural Services Delivery Grant totalling £4.561m and held in the 2016-17 Budget to address business risk, be carried forward and used to help ameliorate the level of savings required in 2017-18.

g) To agree the Medium Term Financial Strategy 2017-20 as set out in Appendix I, including the two policy objectives to be achieved:

i) Revenue: To identify further funding or savings for 2018-19 and 2019-20 to produce a balanced budget in all years 2017-20 in accordance with the timetable set out in the Revenue Budget report (Appendix E).
ii) Capital: To support the proposed long-term strategy to invest in the Council's assets while minimising the impact on the revenue budget.

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

From the County Council Budget 2017-18 to 2019-20: Statement on the Adequacy of Provisions and Reserves 2017-20 report (Annexe 2):

5) Agree to:

a) Note the planned reduction in non-schools earmarked and general reserves of 46.9% over three years, from £87.569m (March 2016) to £46.527m (March 2020) (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 D:

i) for 2017-18, a minimum level of General Balances of £19.252m, and
ii) a forecast minimum level for planning purposes of

- 2018-19, £22.978m; and
- 2019-20, £23.568m.

as part of the consideration of the budget plans for 2017-20, 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;

e) Agree that the Executive Director of Finance and Commercial Services further reviews the level of the Council's Reserves and Provisions as part of closing the 2016-17 accounts in June 2017. This review will seek to identify £5.813m of earmarked reserves that can be released in 2017-18 to support the Children's Services budget. In the event that sufficient funding from reserves cannot be found, the Executive Director of Finance and Commercial Services will consider the need for additional in-year savings to be sought across the organisation to support the Children's budget.

From the County Council Budget 2017-18 to 2019-20: Robustness of Estimates report (Annexe 3):

6) Agree the level of risk and set of assumptions set out in this report, which underpin the revenue and capital budget decisions and planning for 2017-20.

From the Capital Strategy and Programme 2017-20 report (Annexe 4):

7) Agree the proposed 2017-20 capital programme of £361.888m, including the new and extended capital schemes outlined in Appendix B;

8) Agree the Capital Strategy at Appendix D as a framework for the prioritisation and continued development of the Council's capital programme;

9) Agree the Minimum Revenue Provision statement attached at Appendix E;

10) Agree the Prudential Indicators in Appendix F;

11) Note capital grant settlements summarised in Section 4;

12) Note the estimated capital receipts to be generated over the next three years and beyond to support those schemes not funded from other sources, as set out in Table 6.

From the Annual Investment and Treasury Strategy 2017-20 report (Annexe 5)

13) Agree the Annual Investment and Treasury Strategy for 2017-18, including the treasury management Prudential Indicators detailed in Section 8.

BRIEFING FOR COUNCILLORS FROM THE EXECUTIVE DIRECTOR OF FINANCE AND COMMERCIAL SERVICES

1. Revenue Budget 2017-18

1.1. Since the preparation of the budget reports for the Policy and Resources Committee meeting on 6 February 2017, updated information has been received from District Councils in respect of their Business Rates positions. It has also been confirmed that the debate on the 2017-18 settlement will not take place until after Parliament returns from recess on 20 February 2017 (the debate is now expected to take place 22 February). The precise date for publication of final details of the Local Government Finance Settlement 2017-18 by the Department for Communities and Local Government (DCLG) has therefore not been set. For the purposes of setting the 2017-18 Budget it has been assumed that there will be no substantive changes between the provisional and final settlement allocations.

1.2. As set out in the covering note, the Revenue Budget and some of the other technical reports considered by Policy and Resources Committee have been updated to reflect key changes, as well as a recommendation from the Policy and Resources Committee to amend the savings proposals for Adults in 2017-18. The financial impacts of all changes for 2017-18 are set out in Table 3 below, and include:

- Changes recommended by Policy and Resources Committee;
- Confirmation of the final Business Rates (NNDR1) position received from District Councils;
- New proposals that income available from the final Business Rates forecasts be used to mitigate existing budget pressures which have been identified as follows:
    - Waste pressures relating to revised waste tonnages estimates;
    - An increase in the Environment Agency levy; and
    - A budget pressure relating to the 25% payment share of the County Council's portion of Council Tax returned to District Councils based on final figures from Districts.
- A reduction to the savings proposed for Environment, Development and Transport (EDT) Committee which is required because the Policy and Resources Committee papers did not correctly reflect the savings as recommended by EDT Committee. This has been offset by increasing the value of the saving to be found from earmarked reserves in early 2017.

1.3. In addition, the County Council budget papers have been updated to reflect final inflation estimates for future years.

2. Consultation outcomes

2.1. At the time of preparing reports to Policy and Resources Committee, a consultation relating to proposals to reduce the amount of money automatically disregarded for disability related expenditure within our financial assessments was ongoing. This consultation closed on Thursday, 9 February 2017. Details of the outcomes of this consultation, and the associated equality and rural impact assessment, are provided within the amended Revenue Budget report and updated appendices. The Medium Term Financial Strategy has also been amended to include reference to the third public consultation.

2.2. The Revenue Budget report has also been updated with a summary of the final outcomes of the consultation on Council Tax.

2.3. **In approving the budget recommendations above, Members should have particular regard to the findings of the consultation and proposed mitigating actions in the Equality Impact Assessment on the proposal to reduce the disregard in respect of Disability Related Expenditure, noting that these have not previously been considered by any Council Committee.**

3. Final Local Government Finance Settlement

3.1. The Final Local Government Settlement 2017-18 has not yet been debated by Parliament. It is anticipated that the debate will now occur on 22 February, after the return from the parliamentary recess (i.e. after 20 February 2017). A date for publication of the Final Settlement by DCLG has also not been confirmed. The 2017-18 budget reports for County Council assume that there will be no change between the Provisional and Final Settlement figures. Any change in the Final Settlement figures will be reported to Council and would need to be addressed through the use of general reserves where appropriate.

3.2. Table 1 below shows the provisional figures for the Settlement Funding Assessment. The provisional Settlement Funding Assessment for 2017-18 is £222.693m, a reduction of £27.689m when compared to the 2016-17 allocation.

Table 1: Final Local Government Finance Settlement 2017-18

	2017-18 Provisional
	£m
Settlement Funding Assessment Changes:	
Settlement Funding Assessment	**222.693**
Received through:	
Revenue Support Grant	77.926
Business Rates Baseline	144.767
via Top-up	*119.351*
Retained rates	*25.416*

4. NNDR1 Forecast of Business Rates

4.1. District Councils have now provided updated Business Rates figures, which result in an overall increase in Business Rates income of £0.896m when compared to the provisional figures reported to Policy and Resources Committee. The movement represents an increase in the County Council's share of Business Rates, notified to the County Council by Districts up to 10 February 2017. The main reason for the change is that district councils' reductions in forecast Business Rates have been more than offset by an increase in the government allocation for the Business Rates top-up element of the Settlement Funding Assessment (SFA). Budget planning originally assumed that this increase would be fully absorbed by reductions in the district forecasts, and this means that although there have been some reductions in the locally retained amounts of Business Rates, the total income from Business Rates is more than had been originally forecast.

4.2. The latest forecast position based on the NNDR1 returns is therefore an increase in forecast income of £0.896m, as set out in Table 2.

Table 2: Business Rates

	2017-18 Forecast (P&R Papers)	**2017-18 Final Forecast (NNDR1)**	**Change**
	£m	**£m**	**£m**
Business Rates – retained	-26.656	-25.688	+0.968
Business Rates – Section 31 Grant	-3.243	-3.717	-0.474
Business Rates – top-up	-117.961	-119.351	-1.390
Total Business Rates forecast	**-147.860**	**-148.756**	**-0.896**

5. 2017-18 Budget Position

5.1. Policy and Resources Committee considered the proposed 2017-18 Budget 6 February 2017. The budget was recommended to County Council by the Committee subject to the delay of the proposed saving ASC021 (recommissioning of information advice and advocacy services) to transfer the planned saving of £0.063m from 2017-18 to 2018-19. The delay of this saving to be funded by reducing inflationary pressures within the Adult Social Care Committee's budget. This change is reflected within the budget papers presented to County Council.

5.2. The following table sets out details of all changes from the budget report presented to Policy and Resources Committee. There is no change to the overall net budget (Council Tax) position.

Table 3: Budget changes compared to Policy and Resources proposals

	2017-18	2018-19	2019-20
	£m	£m	£m
Net Budget reported to Policy and Resources Committee 6 February 2017	358.812	389.161	417.079
Net change carried forward from previous year	0.000	0.000	0.499
Additional Business Rates income – based on final NNDR1 returns	-0.896	0.000	0.000
P&R Committee recommendation: Delay saving ASC021 – recommissioning of information advice and advocacy services – to 2018-19	0.063	-0.063	0.000
P&R Committee recommendation: Reduce Adult Social Care inflation pressure to offset removal of saving ASC021	-0.063	0.000	0.000
Align to EDT Committee budget report: Delay saving EDT032 – Waste strategy – to 2018-19	0.100	-0.100	0.000
Align to EDT Committee budget report: Increase to saving EDT040 – Waste efficiencies (to reflect a one-off capital saving in 2017-18)	-0.030	0.030	0.000
Further adjustments proposed			
Increase budgets for waste pressure based on review of waste volumes and tonnage	0.834	0.000	0.000
Environment Agency – increase pressure to reflect notification of provisional levy amount	0.038	0.000	0.000
Adjustment to budget pressure for Second Homes Council Tax payments to Districts	0.033	0.000	0.000
Increase saving P&R081 to offset EDT savings changes and balance of additional pressures (EA levy and second homes)	-0.079	0.079	0.000
Final inflation for County Council	0.000	0.552	0.310
Total change in Net Budget (cumulative)	**0.000**	**0.499**	**0.809**
Net Budget for agreement by County Council 20 February 2017	**358.812**	**389.660**	**417.888**
Forecast budget deficit	**0.000**	**16.125**	**18.890**

5.3. The variations arising from these changes, and the latest Business Rates forecasts, are reflected in Table 4 below.

Table 4: 2017-18 Revenue Budget

	2016-17 Base Budget £m	Budget increase incl. costs & Funding decreases £m	Budget decrease incl. savings & Funding increases £m	2017-18 Recommended Budget £m
Children's Services	167.292	16.638	-6.579	177.351
Adult Social Care	246.852	35.649	-21.048	261.453
Environment Development and Transport	150.819	1.446	-11.683	140.583
Communities	47.683	3.172	-2.058	48.798
Policy and Resources	-273.687	36.783	-32.467	-269.372
TOTAL	**338.960**	**93.688**	**-73.836**	**358.812**

5.4. This final financial position is reflected in the updated technical budget reports elsewhere on this agenda.

Simon George
Executive Director of Finance and Commercial Services

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Report title:	Strategic and Financial planning 2017-18 to 2019-20 and Revenue Budget 2017-18
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 2017-18 to 2019-20 and provides the detailed financial information to support the Policy and Resources Committee's Revenue Budget and Council Tax recommendations. It sets out the background to consideration of the 2017-18 Revenue Budget, initial growth and savings proposals for 2018-19 to 2019-20 budgets, and a proposal for the level of Council Tax in 2017-18.

Executive summary

Norfolk County Council is due to agree its budget for 2017-18, and Medium Term Financial Strategy to 2019-20, on 20 February 2017. 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 part of the strategic and financial planning framework for the Council. It builds on reports received by Policy and Resources Committee in October and November to set out the detailed revenue budget proposals for 2017-18.

As part of the preparation of the 2017-18 Budget, the Council has assessed the deliverability of planned savings, and considered the overspend pressures within the current year 2016-17.

The budget proposals for 2017-18 see the Council focusing its total resources of £1.4billion on meeting the needs of residents and making a significant investment to protect social care services including:

- £25.872m to support the Adult Social Care budget:
  - £6.134m for demographic growth pressures.
  - £4.500m for Cost of Care pressures.
  - £5.660m for pay and price market pressures.
  - £9.578m to address 2016-17 overspend pressures (including £4.2m one-off Adult Social Care Support Grant in 2017-18).
- To support the Children's Services budget:
  - £9.000m to address 2016-17 overspend pressures (one-off for 2017-18).

In support of this, the report sets out the latest information on the Local Government Finance Settlement and the financial and planning context for the County Council for 2017-18. It summarises the saving proposals for 2017-18, the proposed cash limited revenue budget based on all current proposals and identified pressures, and the proposed capital programme.

It also gives feedback from 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 County Council 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 2017-18 and the financial strategy to 2019-20, when it meets on 20 February 2017 to agree the final budget and plan for 2017-20.

Taking into account 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 1.8%, plus a 3% increase in Council Tax in respect of the new Social Care precept, an overall increase in Council Tax of 4.8%**. Bringing forward increases in the Social Care Precept will mean that the 2% increase planned for 2019-20 would not occur.

County Council is recommended to:

1) **Note the statements regarding the robustness of budget estimates, and risks to the 2017-18 budget, set out in section 6 and the separate report on the Robustness of Estimates elsewhere on the agenda.**

2) **Note the feedback from Service Committees including the proposals for additional savings, and the further changes required to deliver a balanced budget as set out in this report.**

3) **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;**
    - **Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.**

4) **Agree:**

    a) **An overall County Council Net Revenue Budget of £358.812m for 2017-18, including budget increases of £93.688m and budget decreases of £73.836m as set out in Table 11 of this report, and the actions required to deliver the proposed savings.**

    b) **The budget proposals set out for 2018-19 to 2019-20, including authorising Chief Officers to take the action required to deliver budget savings for 2018-19 to 2019-20 as appropriate.**

c) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2018-19 to 2019-20 are developed and brought back to Members during 2017-18.

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 2017-18 budget will include a general Council Tax increase of 1.8% and a precept of 3% for Adult Social Care, an overall increase of 4.8% (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 for CPI in line with Government assumptions as set out in the Spending Review 2015, plus an increase of 3% for Adult Social Care in 2018-19 but 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 2017-18 Budget, to make payments, to raise and repay loans, and to invest funds.

f) That allocations of Transition Grant and Rural Services Delivery Grant totalling £4.561m and held in the 2016-17 Budget to address business risk, be carried forward and used to help ameliorate the level of savings required in 2017-18.

g) To agree the Medium Term Financial Strategy 2017-20 as set out in Appendix I, including the two policy objectives to be achieved:

i) Revenue: To identify further funding or savings for 2018-19 and 2019-20 to produce a balanced budget in all years 2017-20 in accordance with the timetable set out in the Revenue Budget report (Appendix E).
ii) Capital: To support the proposed long-term strategy to invest in the Council's assets while minimising the impact on the revenue budget.

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

1. Background

1.1. The County Council has established a sound approach to medium term service and financial planning. The overall strategic direction is set out in the County Council Plan, accompanied by a rolling Medium Term Financial Strategy with an annual budget agreed each year.

1.2. The planning cycle for 2017-18 to 2019-20 began in May 2016 when Policy and Resources committee agreed the County Council Plan which incorporated the four priorities and annual targets, together with a financial framework to guide the work of committees in preparing balanced budgets for 2017-18.

1.3. This paper brings together the outcome of committee discussions, of public consultation, and provides the latest information on the provisional Local Government Finance Settlement.

1.4. The information in this report is intended to enable the County Council 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 2017-18 and the financial strategy to 2019-20, in order for Full Council to agree the final budget and strategy for 2017-20 when it meets on 20 February 2017.

2. The County Council strategy

2.1. The County Council has set its overall strategic direction through the County Council Plan[1], agreed by Full Council earlier in 2016-17. The Plan details the Council's ambition for everyone in Norfolk to succeed and fulfil their potential and demonstrates that by putting people first a better, safer future, based on education, economic success and listening to local communities can be achieved.

2.2. Delivery of the Council's four priorities remains a core commitment for the local community. These priorities go beyond statutory responsibilities to focus on the areas that will bring the best results for Norfolk people:

- **Excellence in education** – working for a well-educated Norfolk and championing everyone's right to an excellent education, training, good health and preparation for employment;
- **Real jobs** – real, sustainable jobs available throughout Norfolk, making Norfolk a place where businesses are able to grow or want to invest;
- **Improved infrastructure** – making Norfolk a great place to live, work and visit, and ensuring communities are resilient, confident and safe;
- **Supporting vulnerable people** – ensuring vulnerable people are safe, and helping people earlier before their problems get too serious.

2.3. Helping more people into real jobs, obtaining good qualifications, within a county which is accessible and connected to the rest of the country are key to Norfolk's future. With economic growth and sustainable services, people living here will be able to lead independent and fulfilling lives. Just as important is for the most vulnerable residents to have access to the support they need to live as independently as possible in the community.

2.4. At the same time as agreeing the overall County Plan, Members also agreed the County Plan Tracker, a three year set of targets which would signal significant progress towards each of the four priorities.

[1] https://www.norfolk.gov.uk/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/corporate/county-council-plan

2.5. It is proposed that the targets already agreed by Full Council, are confirmed for 2017-18, although recognising that the new council to be elected in May 2017 may choose to review and amend them as part of any wider changes to its strategic priorities.

3. Strategic financial context

3.1. The financial context in which the council operates continues to be challenging. Overall, councils have dealt with a 40% real terms reduction in core government grant since 2010. County Councils face some unique challenges within the local government family and research by the County Councils Network has identified that grants per head are 20% lower and social care cash funding has reduced by 21% between 2013 and 2015, while children's care referrals have increased and needs of the frail, elderly, and people with disabilities have become more complex.

3.2. As reported to Policy and Resources Committee in November, local authorities across the country are increasingly highlighting the significant financial pressures they face, particularly in respect of social care budgets. Norfolk County Council is therefore not alone in dealing with both pressures on the delivery of planned savings, alongside forecast overspends against revenue budgets in 2016-17. Nationally a number of councils have faced issues including: significant in-year overspends, challenging savings requirements for the medium term planning period, and the need to implement in-year savings packages. 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 2017-18.

3.3. In this context the government is moving towards a proposed new local government funding regime which reflects the expectations for local councils to fulfil a new role. By 2020, it is anticipated that revenue support grant will cease; instead it is intended that councils will become self-sufficient and fund services through a system of 100% business rates retention, Council Tax and miscellaneous locally generated revenue streams.

3.4. This shift away from national funding allocations to locally raised income is probably the single most significant change to local government in modern times. It introduces new incentives for councils to place a priority on their role in generating economic growth, by 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. However, at this time the details of the new funding system remain to be fully defined.

3.5. Over the period from 2010-11 to 2016-17, Norfolk County Council's share of cuts has seen the authority lose **£160.916m** 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, changes in Norfolk's population profile, and legislative changes by Government – cost another £13.790m. 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 2017-18 Budget

4.1. The Council's budget planning for 2017-18 has been undertaken on the following timetable.

Table 1: Budget and Service Planning Timetable 2017-18

Activity/Milestone	Time frame
Service planning options for 2017-20 developed	Summer 2016
Policy and Resources Committee considered Efficiency Plan 2016-17 to 2019-20	18 July 2016
County Council approved Efficiency Plan 2016-17 to 2019-20	25 July 2016
Consultation on any new proposals and Council Tax 2017-20 *(where required)*	October to December 2016
Service reporting to Members of service and budget planning – review of progress against three year plan and planning options	October 2016
Chancellor's Autumn Statement	23 November 2016
Provisional Finance Settlement	15 December 2016
Service reporting to Members of service and financial planning and *(where required)* consultation feedback	January 2017
Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee	Late January 2017
Confirmation of District council tax base and Business Rate forecasts	31 January 2017
Final Local Government Finance Settlement	February 2017
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	6 February 2017
County Council to approve use of transition funding 2016-17	20 February 2017
County Council agree Medium Term Financial Strategy 2017-18 to 2019-20, revenue budget, capital programme and level of Council Tax for 2017-18	20 February 2017

4.2. In February 2016, the Council agreed the budget for 2016-17, and a four year Medium Term Financial Strategy (MTFS) taking account of the four year settlement figures provided by the Government. This included agreement of planned savings of **£115.182m** for 2016-17 to 2019-20, which resulted in a broadly balanced budget across the whole period, but with shortfalls of **£8.827m** and **£11.714m** to be addressed in 2017-18 and 2019-20 respectively.

4.3. In July 2016 Policy and Resources Committee received a report setting out details of the progress of the Council's budget work, which also recommended that the Council accept the Government's four year funding allocation to ensure a greater degree of certainty about future funding levels. This was followed in October with reports to Service Committees to set out options for savings to meet a projected £20.000m budget gap, and consideration of the deliverability of previously agreed savings.

4.4. Initial work to develop savings identified proposals totalling **£15.249m** for 2017-18 across the Council, which were reported to Service Committees in October. Further savings for 2017-18 totalling **£11.616m** were identified in November 2016, mainly within Performance and Resources budgets, to support the removal and reprofiling of savings across the Council (see section 7). Following the Autumn Statement in November 2016, on the advice of the Executive Director of Finance and Commercial Services, Policy and Resources Committee heard that Services should continue to seek an additional **£4.000m** of savings to deliver a balanced budget for 2017-18.

4.5. The indicative allocation of the £4.000m of required savings to Departments and Service Committees, based on 2016-17 net budgets, is as follows:

Table 2: Allocation of additional savings

Department	Savings Target Based on 2016-17 Net Budget	Committee	Savings Target Based on 2016-17 Net Budget
	£m		£m
Adult Social Care	1.4	Adult Social Care	1.4
Children's Services	0.8	Children's	0.8
CES	1.2	Communities	0.3
		EDT	0.9
Resources	0.1	Policy and Resources	0.6
Finance, Property and Finance General	0.5		
Total	**4.0**	**Total**	**4.0**

4.6. Details of all Service Committee savings proposals, including contributions towards this additional savings requirement, are set out later in this report.

5. The Autumn Statement 2016 and the Provisional Local Government Settlement 2017-18

5.1. On 23 November 2016 the Chancellor of the Exchequer announced the Autumn Statement 2016, which confirmed that the period of shrinking government finance and cuts to local government funding is set to continue. The Government is no longer on course to eliminate the deficit by the end of the parliament and as a result the period of “fiscal consolidation” will continue longer than originally anticipated.

5.2. The Autumn Statement 2016 set out the course for public sector expenditure up to 2021-22 and confirmed that the government would continue to follow the spending plans outlined in the 2015 Spending Review, except that the target of achieving a balanced budget would be pushed back into the next parliament. The Chancellor confirmed that departmental spending plans set out in the Spending

Review 2015 will remain in place, and the £3.5bn of savings to be delivered through the Efficiency Review set out in the last Budget still need to be found. However, the Chancellor also announced that he was budgeting for up to £1bn of these savings to be reinvested in priority areas in 2019-20. These priority areas have not yet been specified. 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 signalled that Departmental Expenditure Limits will increase in line with inflation from 2020-21.

5.3. The Council received confirmation from the Department for Communities and Local Government (DCLG) on 16 November 2016 that its Efficiency Plan[2] submission had 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). The multi-year settlement does not include all of the funding in the local government settlement. The relevant elements that are included are:

Table 3: Certainty funding allocations for Norfolk County Council

	2017-18	2018-19	2019-20
	£m	£m	£m
Revenue Support Grant	77.926	58.035	38.810
Transitional Grant	1.657	-	-
Rural Services Delivery Grant	3.195	2.458	3.195
Total	**82.779**	**60.493**	**42.005**

5.4. The Government also indicated that tariffs and top-ups in 2017-18, 2018-19 and 2019-20 would not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

5.5. On 15 December 2016, the Government announced its Provisional Local Government Settlement 2017-18, which confirmed the figures set out in the multi-year settlement. The funding settlement provides provisional details for 2017-18, and is expected to be confirmed in February. The Settlement Funding Assessment (made up of Revenue Support Grant and Business Rates funding) is £0.106m higher than expected in 2017-18.

5.6. The Settlement Funding Assessment for 2016-17 is £250.382m, for 2017-18 the Settlement Funding Assessment reduced by £27.689m to **£222.693m**. This was already included in our budget planning.

5.7. Alongside the main settlement figures, the Government announced additional funding for social care. This was in the form of a new Adult Social Care Support Grant worth £4.197m for Norfolk (one off for 2017-18), and increased flexibility (subject to Member decisions) to raise the Adult Social Care Precept by a further

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

1%, to permit 3% increases overall in 2017-18 and 2018-19. This would represent approximately £3.300m additional income in 2017-18 but at the expense of the discretion to increase the precept by 2% in 2019-20 being removed. As a result, subject to council tax decisions, the Council's overall position following the Provisional Settlement announcement reflects an **improvement by around £7.500m** for 2017-18 when compared to previous assumptions.

5.8. The Adult Social Care Support Grant has been funded by bringing forward reductions in New Homes Bonus (reduction in grant of £0.934m compared to 2016-17). Reductions in New Homes Bonus of a similar amount have already been assumed in the budget planning model. In 2018-19 onwards, changes in New Homes Bonus Grant have already been planned to fund the Improved Better Care Fund, the expected allocations for this are unchanged as per the council's budget planning from 2016-17.

5.9. The publication of the settlement represented the start of the consultation period for the 2017-18 Draft Local Government Finance Report. The deadline for the submission of responses to the consultation was 13 January 2017.

5.10. In spite of the welcome additional clarity from the four year settlement in 2016-17, and the funding brought forward in the 2017-18 provisional settlement, significant uncertainty remains about the implications of the Government's plans for 100% business rates localisation, intended to be in place before the end of the parliament. In addition the funding for social care does not represent new money but rather a change of timing, and the underlying funding crisis for social care remains unaddressed. As a result the County Council continues to face major financial challenges and considerable planning uncertainty. Nonetheless, taken together, the Autumn Statement and Provisional Settlement represent a key input for the Council's budget and service planning over the next three 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 2017-18, and its financial plans up to 2019-20.

6. The Council's budget planning assumptions 2017-18

6.1. The Council's budget planning assumes:

- That remedial actions will be successfully implemented to achieve a balanced budget in 2016-17, supporting the delivery of 2017-18 budget plans, and that sufficient funding has been allowed within the budget model for any ongoing overspend budget pressures to enable Services to manage within their budget allocations for 2017-18.
- That any undeliverable savings have been removed as set out elsewhere in this report, and that all the remaining savings proposed and included for 2017-18 can be successfully achieved.
- **Inflationary increases in council tax above the 3% Adult Social Care precept in 2017-18 and 2018-19, and a CPI increase only in 2019-20.** This is in line with the assumptions used by the Government at the time of the 2016-17 local government settlement, amended for the new flexibility in the Adult Social Care precept. **Any reduction in this increase will require additional savings to be found.** These assumptions are of course 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, the budget assumes modest annual tax base increases of 0.5% for future years.

6.2. **The Executive Director of Finance and Commercial Services' judgement on the robustness of the 2017-18 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 largely protected children's services as it continues on its improvement journey. **Protection for social care services in the 2017-18 Budget includes**:

- **£25.872m** to support the **Adult Social Care** budget:
    - £6.134m for demographic growth pressures.
    - £4.500m for Cost of Care pressures.
    - £5.660m for pay and price market pressures.
    - £9.578m to address 2016-17 overspend pressures (including £4.197m one-off Adult Social Care Support Grant in 2017-18).
- To support the **Children's Services** budget:
    - **£9.000m** to address 2016-17 overspend pressures (one-off for 2017-18).

7.2. Budget planning for 2017-18 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2017-18 Budget sees a **significant investment in Service Committee budgets** through both the removal of previously planned savings and recognition of budget overspend pressures.

7.3. The changes to previously agreed savings proposed in this report reflect a considerable effort to ensure that the 2017-18 Budget will be both robust and deliverable. It represents the removal or delay of £7.000m of savings relating to 2016-17 and prior years, and £13.388m of savings planned for 2017-18, a total of £20.388m being removed or delayed from next year's budget as set out in the table below.

Table 4: Summary of saving removal and delay

Savings Removal and Delay	Relating to 2016-17 and prior years	2017-18	2018-19	2019-20	2020-21	Total
	£m	£m	£m	£m	£m	£m
Adults	3.000	10.063	6.937	-10.000	-10.000	**0.000**
Children's	3.650	0.700	0.085	-0.535	0.000	**3.900**
Communities	0.000	0.000	1.357	0.000	0.000	**1.357**
EDT	0.000	1.600	10.355	0.000	0.000	**11.955**
Policy and Resources	0.350	1.025	-0.325	0.000	0.000	**1.050**
Total	**7.000**	**13.388**	**18.409**	**-10.535**	**-10.000**	**18.262**
Total removal / delay from 2017-18 Budget planning	**20.388**					

7.4. The investment in Service budgets includes **£9.000m** for Children's Services of which £5.813m is to be found by the Executive Director of Finance and Commercial Services undertaking a review of earmarked reserves as part of the year-end closure process. This review will take place in June 2017 and will encompass the 2016-17 outturn position and 2017-18 period 2 monitoring information to seek to identify £5.813m of earmarked reserves that can be released in 2017-18 to support the Children's Services budget. In the event that sufficient funding from reserves cannot be found, the Executive Director of Finance and Commercial Services will consider the need for additional in-year savings to be sought to support the Children's budget. This additional funding for Children's is supported from reserves as one-off growth in 2017-18 to provide time for the Service to further develop and implement plans which will allow it to manage within its ongoing budget envelope from 2018-19.

8. Council Tax

8.1. In determining the level of the Council Tax / Precept, consideration needs to be given to whether there are any restrictions or requirements imposed by the Government. The Localism Act includes the requirement that any Council Tax increase in excess of a limit determined by the Secretary of State for 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 2017-18 has been provisionally announced as 2%**. This is usually finalised alongside the publication of the Final Local Government Finance Settlement.

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.

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 previously reported, the Government introduced new 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 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. The table below illustrates the changes in the County Council's Adult Social Care precept assumptions.

Table 5: Adult Social Care Precept assumptions

	2017-18	**2018-19**	**2019-20**	**Total**
2016-17 budget planning assumed increase	2%	2%	2%	**6%**
2017-18 budget planning assumed increase	3%	3%	0%	**6%**

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 2017-18.

8.7. Following these latest changes, it is anticipated that the **referendum principle for County Councils will therefore be set at 5% in 2017-18**, consisting of a 2% core referendum principle, plus 3% additional flexibility for Adult Social Care.

8.8. For 2016-17, the Government changed the methodology for distributing reductions in funding to local authorities. The new method of apportionment assumed that councils would increase Council Tax in line with CPI inflation, make use of the new flexibility for 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.

8.9. In light of the Government's approach, the Council originally based its planning assumptions on an increase in general Council Tax of 1.8%, and 2% for the Adult Social Care precept. Following the announcement of new flexibilities around the precept, and taking into account the Council's overall financial position, Service Committees in January were presented with budget plans based on the maximum Adult Social Care precept increase of 3% and were also asked to consider the scope for an increase in general Council Tax of up to 1.99%.

8.10. Service Committees in January supported the Council Tax proposals for **an overall increase of 4.8%** and no Committees took a view that they would prefer to find more savings to reduce the level of Council Tax increase required. The draft unconfirmed minutes of all Service Committee meetings will be available to County Council to inform decisions about the budget (see Appendix G).

Information about the Council Tax consultation this year

8.11. Budget proposals for 2017-18 were initially based on the assumption that council tax would increase overall by 3.8%. We invited comments on the approach via our website and through the on-line edition of Your Norfolk which is distributed to around 20,000 subscribers.

8.12. Information about the Council's proposals on council tax was updated following the Government's announcement on 15 December 2016 which gave Councils the option to raise the adult social care precept to 3% in 2017-18, therefore **a total 4.8% increase**. We further promoted the consultation and extended the deadline for comments until 27 January 2017.

8.13. In total 224 responses have been received. Pre-settlement there were 11 responses which expressed similar themes to feedback received in previous years. Of the remaining responses there was a preference for increasing council tax.

- **123 out of 213** expressed the view that council tax should be increased.
- Of these, 61 either agreed with our initial proposal to increase council tax by 3.8% or did not indicate how great an increase they preferred.
- There was a strong feeling that services, especially adult social care, needed to be protected. Whilst several people said they would prefer not to have an increased council tax, they felt it was 'necessary', 'unavoidable', 'pragmatic', 'justified' or 'realistic'.
- A substantial number of respondents (38) thought that the council should go further and increase the council tax by the full amount available to them. Three of these suggested having a referendum in order to increase the council tax even further.
- Others (24) stated although they recognised the need for an increase in council tax they thought that this should be minimal, either less than 3.8% or in line with inflation.

8.14. Where people supported an increase in council tax to protect social care there was a call for the Council to evidence that any funds raised by the social care precept were being spent on adult social care. Several respondents felt that adult social care funding was a national issue and should be funded by central government through taxation, like the NHS.

8.15. Where people advocated an increase in council tax, two responses wanted to make it clear their views just applied to this year only.

8.16. Some respondents (29) **disagreed** with increasing Council Tax with two of these going further and calling for a reduction. The main contention being that people had themselves not received pay increases so could not be asked to pay more Council Tax.

8.17. Several respondents commented that the council should further reduce its costs, make efficiencies and cut back on senior managers' pay, meetings and administrative costs. Some felt that council tax should not go to fund specific departments, but be spent on communities as a whole.

8.18. Some themes appeared across the board. There was a general concern about people's ability to pay any increase, especially those on benefits or fixed incomes. People also took the opportunity to share their priorities for council tax spend and services they felt should be reduced or cut. These ranged from services or expenditure people perceived to be non-essential, such as the arts and salaries, to suggestions that we need to cut adults and children's social services.

8.19. The feedback is largely consistent with last year when we consulted widely on our medium term plan and included a question asking people to describe their views on what the Council should do about its share of council tax. People that suggested that council tax should be increased suggested that they would be prepared to pay more to keep vital services open, and argued that it is a socially fair way of spreading costs. Those opposed to an increase tended to do so on one of two contentions. Firstly a number of people suggested that an increase would be too much for people to pay, in particular those already struggling within a challenging financial climate. Secondly, a number of other respondents argued that a Council Tax rise was wrong in principle, and was unfair given that services were reducing.

Implications of council tax proposals

8.20. Policy and Resources Committee was therefore asked to consider and confirm, or otherwise, the assumption that the Council's **2017-18 budget will include a Council Tax increase of 4.8% made up of a 3% precept for Adult Social Care and a general Council Tax increase of 1.8% 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 20 February 2017.

8.21. Set out in Appendix D is the calculation of **total payments of £358.812m** due to be collected from District Councils in 2017-18 based on a Council Tax increase of 4.8%, together with the instalment dates and the Council Tax level for each valuation band A to H.

8.22. 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 2017-18 budget in order that he can make payments, raise and repay loans, and invest funds.

Second homes Council Tax

8.23. 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.

8.24. In 2015-16, it was agreed with Norfolk Leaders to distribute 25% of the Norfolk County Council 80% share of the second homes Council Tax to Norfolk District Councils. This revised arrangement delivered an ongoing £1.2m saving for the County Council in 2015-16. It was also agreed:

- to continue with this arrangement for 2016-17 and 2017-18, removing the proposed saving of £1.2m within the 2016-17 budget, as originally reported in the 2014-17 budget round; and
- that this arrangement would be jointly reviewed with District Councils for future years in early 2017-18, and that Norfolk County Council would consult early (prior to publication) on budget proposals for future years in order to identify any potential adverse impact on District Councils' budgets.

8.25. The Council's budget planning for 2016-17 therefore included an initial assumption that the distribution to District Councils of 25% of the County's share would cease in 2018-19, representing an ongoing saving to the County Council of £1.2m. However, it is now proposed that budget planning assumptions include **provision for 12.5% of this income to continue to be passed to District Councils in 2018-19**. This reduces the 2018-19 saving to approximately £0.600m. In line with the agreement set out above, the County Council will seek to consult with districts about this proposal in 2017-18 and it is proposed that the payment be kept under annual review thereafter.

9. Revenue Budget

9.1. In response to the need to identify additional savings of £4.000m to contribute to closing the budget gap 2017-18, the following total additional proposals have been prepared for the Council:

Table 6: Additional savings proposed

Committee	2017-18 £m	2018-19 £m	2019-20 £m
Adult Social Care	-1.400	-0.230	0.000
Children's Services	-0.800	0.300	0.000
Communities	-0.040	0.025	0.000
EDT	-0.630	0.530	0.000
Policy and Resources	-0.850	1.350	0.000
Total	**-3.720**	**1.975**	**0.000**

9.2. In addition, Adult Social Care Committee has identified £3.300m of additional savings which will be required from April 2017 in response to reductions in the funding available from Clinical Commissioning Groups for the protection of social care. The savings have been reported to the Adult Social Care Committee and include £1.000m of savings through the Building Resilient Lives proposals and £1.159m of savings which are planned to come from commissioning changes such as decommissioning and renegotiation of services. The impact of these savings are included in this report. Robust plans to deliver the savings are under development and it is considered that the savings can be made.

9.3. The table below sets out a summary of the savings proposals for 2017-18 to 2019-20. The Council has identified £37.896m of **new** savings proposals in this budget round to help enable the Council to set a balanced budget for 2017-18.

Table 7: Summary of recurring net budget savings by Committee

Committee	2017-18 Saving £m	2018-19 Saving £m	2019-20 Saving £m	Total Saving £m
Adult Social Care	-11.213	-18.716	-10.000	-39.929
Children's Services	-1.854	-0.859	-0.535	-3.248
Communities	-1.906	-0.102	0.000	-2.008
EDT	-6.020	-0.156	0.000	-6.176
Policy and Resources	-26.781	6.174	-0.769	-21.376
Grand Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**

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

Income

9.5. The Council has four main funding streams:

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

9.6. 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 RPI. 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 now includes the Settlement Funding Assessment (Business Rates Baseline Funding and RSG), New Homes Bonus, the local government element of the Improved Better Care Fund (from 2017-18), Rural Services Delivery Grant and transitional grant, the Council Tax Requirement, the funding available through the Adult Social Care precept, and the Adult Social Care Support 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 2017-18 Settlement Funding Assessment compared to the 2016-17 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 £27.689m or -11% to core government funding compared to the 2016-17 actual.

Table 8: Settlement Funding Assessment changes

	2016-17 Actual	**2017-18 Indicative**	**2017-18 Provisional**	**% Change (2016-17 actual to 2017-18 provisional)**
	£m	**£m**	**£m**	**%**
Upper-tier funding within Baseline Funding Level	134.655	137.303	137.404	2%
Fire and Rescue within Baseline Funding Level	7.215	7.357	7.363	2%
Total Baseline Funding Level	**141.870**	**144.661**	**144.767**	2%
Upper-tier funding within RSG	101.696	72.627	72.627	-29%
Fire and Rescue within RSG	6.816	5.299	5.299	-22%
Total Revenue Support Grant	**108.512**	**77.926**	**77.926**	-28%
Total Settlement Funding Assessment	**250.382**	**222.587**	**222.693**	-11%

Table 9: Breakdown of Settlement Funding Assessment

	2016-17 Actual	2017-18 Indicative	2017-18 Provisional	Change (2016-17 actual to 2017-18 provisional)	Change (2017-18 Indicative to 2017-18 Provisional)
	£m	£m	£m	£m	£m
Settlement Funding Assessment	250.382	222.587	222.693	-27.689	0.106
Received through:					
Revenue Support Grant	108.511	77.926	77.926	-30.585	0.000
Business Rates Baseline	141.870	144.661	144.767	2.897	0.106
Via: Top-up	*115.685*	*117.961*	*119.351*	3.666	1.390
Retained Rates	*26.185*	*26.700*	*25.416*	-0.769	-1.284

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% increase in Council Tax for Adult Social Care and a 1.8% 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 the Norfolk Clinical Commissioning Groups has been reached on the **Better Care Fund** for 2016-17 to 2018-19. Reductions are expected in **Education Services Grant**, which Government has signalled will be removed completely by August 2017, and also in **New Homes Bonus** grant as part of the Government's proposed transitional arrangements, which will see the grant reduced from the current six years to five and then four. Further details are provided in the Medium Term Financial Strategy (Appendix I).

Expenditure – underlying trends

9.7. The aim of the budget planning process is to deliver a robust budget that supports the Council's priority areas but is affordable within reduced funding. The major areas of cost affecting Norfolk County Council that have been incorporated into the 2017-20 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 once again beginning to increase.

c) **National Living Wage** – the costs of implementing the National Living Wage increase in 2017-18, for both the Council's directly employed staff and contracted services.

d) **Apprenticeships Levy** – the budget includes provision for a new levy to fund three million apprenticeships nationally, set at 0.5% of payroll, which will apply from 2017-18.

e) Increased costs of borrowing are anticipated from 2018-19 in line with expectations around interest rate growth and inflation.

9.8. In addition, the Capital Programme will be funded from external capital grants, capital receipts, 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, there are not likely to be sufficient guaranteed unallocated capital receipts available to make use of the new freedoms from 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 are reflected in the revenue budgets where appropriate. A separate report, elsewhere on this agenda, sets out the detail of the Capital Strategy, the 2017-20 programme and funding plans.

9.9. Financial planning assumptions for future years take account of the latest monitoring position for 2016-17, as reported to Policy and Resources Committee. Further details of the financial planning context are set out in the Medium Term Financial Strategy 2017-20.

9.10. The report on the Robustness of Estimates 2017-20 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 2017-20 budget estimates are set out in that report. The level of reserves has been analysed in terms of risk and is reported separately elsewhere on this agenda. The recommended level of general balances is £19.252m for 2017-18 and the Medium Term Financial Strategy 2017-20 assumes that general balances will remain at or above this level.

Expenditure and savings – proposals

9.11. The tables in Appendix C set out in detail the proposed cash limited budget for all Committees for 2017-18, and the medium term financial plans for 2018-19 and 2019-20. These are based on the identified pressures and proposed budget savings reported to Policy and Resources Committee in October and November, 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 2017 Service Committee Meetings

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

- The Children's Committee in January 2017 recommended the removal of the 2016-17 saving relating to reducing funding for school crossing patrols, totalling £0.150m. It is proposed that the removal be offset by increasing the saving to be achieved from refocusing the Education Service in light of the Education White Paper and this is reflected in the budget papers.
- Pressures relating to Education Services Grant in 2018-19 have been adjusted compared to the budget position reported to Children's Services Committee. This has the effect of reducing the pressure in the 2018-19 budget by £0.466m.
- A revised council tax collection fund surplus estimate has been received from District Councils. This has reduced the saving required to be identified in 2017-18 from earmarked reserves.

9.13. At the time of reporting to Policy and Resources Committee significant uncertainty remained around the following areas:

- District Business Rate forecasts had not been finalised, final forecasts were received in February.
- The Final Local Government Finance Settlement has not yet been published and is expected in February 2017.

9.14. Changes arising as a result of some of these uncertainties are reflected in these reports to Full Council as set out in the Executive Director of Finance and Commercial Services' Briefing Note. Details of further proposed changes since the report to Policy and Resources Committee are also set out in the Briefing Note and are summarised in the table below.

Table 10: Budget planning position 2017-18 to 2019-20

	2017-18	2018-19	2019-20	2017-20
	£m	**£m**	**£m**	**£m**
Medium Term Financial Strategy budget gap / (surplus) as at 22 February 2016	**8.827**	**-22.360**	**11.714**	**-1.820**
Changes reported to Policy and Resources Committee October 2016				
Savings reversed or delayed	6.750	-1.650	0.000	**5.100**
New pressures	13.510	1.551	2.665	**17.726**
Other changes	-9.561	4.561	0.000	**-5.000**
New saving proposals	-15.249	-2.386	0.000	**-17.635**
Gap to find as reported to Policy and Resources 31 October 2016	**4.277**	**-20.284**	**14.379**	**-1.629**
Changes reported to Policy and Resources Committee November 2016				
Savings reversed or delayed	11.825	10.872	-10.535	**12.162**
Other changes	-0.953	12.165	6.870	**18.082**
New saving proposals	-11.616	7.000	0.000	**-4.616**
Gap to find as reported to Policy and Resources 28 November 2016	**3.533**	**9.753**	**10.714**	**23.999**
Savings reversed or delayed				
Remove CHL016 - alternative provision transport	0.250	0.000	0.000	**0.250**
Part remove of P&R066 - Second Homes Council Tax	0.000	0.600	0.000	**0.600**
Delay ASC006 - Promoting Independence	0.000	10.000	0.000	**10.000**
Adjust proposals for use of capital receipts saving in 16-17 to fund 16-17 overspend	2.000	-2.000	0.000	**0.000**
P&R077 - adjust MRP saving	0.778	0.136	0.290	**1.204**
CMM041 Reduction in library books capitalisation saving	0.320	0.000	0.000	**0.320**
Remove CHI015 - reduce funding for school crossing patrols	0.150	0.000	0.000	**0.150**
New saving proposals (contribution to £4m target)				
Reprofile CHL026 Children's Centre saving	-0.300	0.300	0.000	**0.000**

	2017-18	2018-19	2019-20	2017-20
	£m	£m	£m	£m
Increase CHL039 Refocus Education Service saving	-0.500	0.000	0.000	**-0.500**
ASC027 - Efficiencies within SLAs	-0.190	0.000	0.000	**-0.190**
ASC028 - Maximise use of apprenticeships	-0.020	0.000	0.000	**-0.020**
ASC029 - Align charging policy to reflect Care Act more closely	-1.180	-0.230	0.000	**-1.410**
ASC030 - Rationalise mobile phones	-0.010	0.000	0.000	**-0.010**
EDT037 - Increase vacancy management saving	-0.085	0.000	0.000	**-0.085**
EDT047 - Additional income generation from Scottow	-0.100	0.000	0.000	**-0.100**
CMM046 - Additional income generation	-0.015	0.000	0.000	**-0.015**
CMM018 - Bring forward Customer Services redesign	-0.025	0.025	0.000	**0.000**
P&R076 - Increased insurance fund saving	-0.850	1.350	0.000	**0.500**
EDT048 Better Broadband contribution from reserves	-0.500	0.500	0.000	**0.000**
New saving proposals (delivering Adults BCF reductions)				
ASC026 - Review commissioning arrangements	-1.159	0.000	0.000	**-1.159**
ASC031 - Revised use of Care Act and other funding not previously used for recurrent expenditure	-1.141	0.000	0.000	**-1.141**
ASC016-019 - Additional building resilient lives saving	-1.000	0.000	0.000	**-1.000**
New saving proposals (other)				
Use of Reserves to be identified. Saving held in Finance General	-5.734	5.734	0.000	**0.000**
Claw back ICT lease budget	-0.243	0.000	-0.059	**-0.302**
Increase CHL039 Refocus Education Service saving to enable removal CHI015	-0.150	0.000	0.000	**-0.150**
Changes to income forecasts				
Council Tax tax base and surplus	-3.606	2.232	-0.014	**-1.389**
Council Tax - adjust Adult Social Care Precept to 3%, 3%, 0%	-3.753	-3.189	6.942	**0.000**
New Homes Bonus (NHB) Grant final allocations	0.088	0.219	0.315	**0.623**
NHB Adjustment Grant	-0.026	0.000	0.000	**-0.026**
Adult Social Care Grant	-4.197	4.197	0.000	**0.000**
Rural Services Delivery Grant	-0.001	0.000	0.000	**-0.001**
Increased Lead Local Flood Authority Grant	-0.077	-0.005	-0.005	**-0.087**
Extended Rights to Free Travel Grant	0.026	0.000	0.000	**0.026**
New Funding for School Improvement	-0.370	-0.265	0.000	**-0.635**

	2017-18	2018-19	2019-20	2017-20
	£m	£m	£m	£m
Reduction in social care protection funding (BCF local agreement)	3.300	0.000	0.000	**3.300**
Growth pressures				
Inflation adjustments - reductions to forecasts	-0.269	-0.183	-0.210	**-0.662**
Pressure for Looked After Children growth (one-off)	9.000	-9.000	0.000	**0.000**
Adjustments for pension revaluation	-2.545	0.000	0.000	**-2.545**
Norse Care and Independence Matters Pension Revaluation	0.264	0.000	0.000	**0.264**
Legislative reduction in post 16 Home to School transport income	0.250	0.000	0.000	**0.250**
Further reduction in Education Services Grant	0.233	-0.233	0.000	**0.000**
Vulnerable Person Resettlement scheme pressure	0.202	-0.101	-0.043	**0.058**
Additional growth pressures within Adults budgets (including Adult Social Care Support Grant £4.2m one-off)	7.578	-4.197	0.000	**3.381**
Audit Scale Fee increase 2016-17	0.011	0.000	0.000	**0.011**
Impact of Autumn Statement increases to Insurance Premium Tax (IPT)	0.025	0.000	0.000	**0.025**
Interest budget pressures	0.027	-0.166	0.000	**-0.139**
National Living Wage pressures for NCC Staff	-0.082	0.144	0.645	**0.707**
Transfer of additional flood funding to CES budgets	0.093	0.005	0.005	**0.103**
Projected gap / (surplus) as at Policy and Resources 6 February 2017	**0.000**	**15.626**	**18.580**	**34.206**
Amendments between Policy and Resources Committee and County Council				
Additional Business Rates income – based on final NNDR1 returns	-0.896	0.000	0.000	-0.896
P&R Committee recommendation: Delay saving ASC021 – recommissioning of information advice and advocacy services – to 2018-19	0.063	-0.063	0.000	0.000
P&R Committee recommendation: Reduce Adult Social Care inflation pressure to offset removal of saving ASC021	-0.063	0.000	0.000	-0.063
Align to EDT Committee budget report: Delay saving EDT032 – Waste strategy – to 2018-19	0.100	-0.100	0.000	0.000
Align to EDT Committee budget report: Increase to saving EDT040 – Waste efficiencies (to reflect a one-off capital saving in 2017-18)	-0.030	0.030	0.000	0.000
Increase budgets for waste pressure based on review of waste volumes and tonnage	0.834	0.000	0.000	0.834

	2017-18	2018-19	2019-20	2017-20
	£m	£m	£m	£m
Environment Agency – increase pressure to reflect notification of provisional levy amount	0.038	0.000	0.000	0.038
Adjustment to budget pressure for Second Homes Council Tax payments to Districts	0.033	0.000	0.000	0.033
Increase saving P&R081 to offset EDT savings changes and balance of additional pressures (EA levy and second homes)	-0.079	0.079	0.000	0.000
Final inflation for County Council	0.000	0.552	0.310	0.862
Projected gap / (surplus) as at County Council 20 February 2017	**0.000**	**16.125**	**18.890**	**35.015**

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

9.15. 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 2017-18. As such, recommendations to add growth items, amend or remove proposed savings, or otherwise change the budget proposals will require the Council to identify offsetting saving proposals or equivalent reductions in planned expenditure.

9.16. 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.

9.17. The overall net budget proposed for 2017-18 is £358.812m. This takes into account the Provisional Local Government Finance Settlement for 2017-18. Table 11 below summarises the overall proposed final budget for 2017-18. 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.

9.18. 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.

9.19. At the time of preparing reports to service committees in January 2017, estimates of business rates collection, and the impact of Districts' Council Tax decisions were not fully known and therefore were not fully reflected within service committee reports. At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2017-18 net budget may need to be altered to reflect any changes to government funding amounts for 2017-18 following the final Settlement publication, due to be announced in early February 2017. Final changes to the District Councils' collection funds and the final Business Rates position have been confirmed. In relation to Council Tax, if the County Council agrees to increase Council Tax by 4.8%, this would generate £16.226m additional funding in 2017-18, of which £10.143m would relate to the Social Care precept. This brings the total council tax raised from the Adult Social Care precept to £16.644m in 2017-18. Further details are included within

Appendix D. The structure of the budget is based on the current organisational framework.

9.20. Service and budget planning for 2018-19 will be based on an expected reduction in core government funding of £15.234m (Settlement Funding Assessment incorporating Business Rates and Revenue Support Grant).

9.21. The report setting out the policy and position of reserves and balances recommends that the minimum level of General Balances be maintained at £19.252m, reflecting budget risks and uncertainty around future government funding. The forecast position for General Balances at 31 March 2017 is £19.252m. There is currently a forecast overspend on the 2016-17 budget of £5.512m (Period 8 as reported at February 2017), although it is anticipated that a balanced outturn position will be achieved at year-end. The non-delivery of savings in 2016-17 has been addressed as part of the 2017-18 budget process via the reversal of a significant number of savings as set out in this report.

9.22. Policy and Resources Committee recommended to County Council the 2017-18 budget proposals, as reported to Service Committees in January 2017, taking into account the comments of Service Committees with amendments as detailed in this report. The proposed overall budget is shown in the table below and detailed in Appendices B and C.

9.23. The unconfirmed draft minutes of the discussion of budget proposals by Service Committees are appended to this report at Appendix G.

Table 11: 2017-18 Revenue Budget

	2016-17 Base Budget	**Budget increase incl. cost and funding decreases**	**Budget decrease incl. savings and funding increases**	**2017-18 Recommended Budget**
	£m	**£m**	**£m**	**£m**
Children's Services	167.292	16.638	-6.579	177.351
Adult Social Care	246.852	35.649	-21.048	261.453
Environment, Development and Transport	150.819	1.446	-11.683	140.583
Community Services	47.683	3.172	-2.058	48.798
Policy and Resources	-273.687	36.783	-32.467	-269.372
TOTAL	**338.960**	**93.688**	**-73.836**	**358.812**

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

Note:

- The total budget decreases of £73.836m include £47.774m savings, £6.585m funding increases (see Table 12 below) and £19.476m of cost neutral changes (see Appendix B and C).
- Of the budget savings, £14.253m relate to one-off savings in 2017-18, which will result in a pressure in 2018-19. These are detailed in Table 13 below.

Table 12: Funding increases included in budget decreases

	£m
Improved Better Care Fund	1.885
Adult Social Care Grant	4.197
New Funding for School Improvement	0.370
Lead Local Flood Authority Grant	0.077
Transition Grant	0.056
Total increase in funding	**6.585**

Table 13: One-off savings

		2017-18
Committee	**Saving**	**£m**
Communities	Capitalisation of library books 16-17	-1.000
Communities	One-off saving through re-setting budgets for leased equipment	-0.090
EDT	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
EDT	Use of Better Broadband Reserves	-0.500
P&R	Insurance Fund contribution	-1.350
P&R	Use of capital receipts in 17-18 to fund MRP	-4.000
P&R	One-off use of reserves to be identified in June 2017	-5.813
	Total	**-14.253**

9.24. Savings are being delivered through a range of approaches. The table below categorises the savings by type. Delivery of efficiency related savings continue to be targeted as a priority.

Table 14: Categorisation of Saving

	2017-18	2018-19	2019-20	Total
	£m	£m	£m	£m
A: Cutting costs through efficiencies	-32.813	8.967	-0.245	-24.091
B: Better value for money through procurement and contract management	-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
D: Raising Revenue; commercial activities	-3.059	-1.561	0.000	-4.620
E: Maximising property and other assets	-1.763	-1.610	-1.059	-4.432
Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**

Note:

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

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 DSG for 2017-18 was announced in December 2016. This sees the DSG continuing to be split into three main funding blocks: The Schools block, the High Needs block and the Early Years block, which includes funding to meet the statutory requirement for early learning for some two year olds. The statutory requirement covers around 40% of two year olds.

9.26. The Government has announced DSG for 2017-18 totalling £581.247m. This compares to a total revised DSG allocation of £560.262m in 2016-17. The DSG is before academy recoupment.

9.27. The table below shows the movement in DSG between 2016-17 and 2017-18.

Table 15: Breakdown of Schools Funding

Funding element	Revised 2016-17	2017-18	Change	Explanation for change
	£m	**£m**	**£m**	
Early Years 3 & 4 year olds	26.687	29.594	+2.907	Increase in hourly rate as a result of a new formula
Early Years 3 & 4 year olds – 30 hours	0.000	4.756	+4.756	New funding for additional 15 hours in place from September 2017
Early Years Pupil Premium	0.638	0.451	-0.187	Lower number of eligible pupils
2 year old funding	6.000	5.969	-0.031	No change
Nursery Schools Grant	0.000	0.420	+0.420	New grant to protect Nursery Schools fixed sum budget allocations
Early Years Disability Access Fund	0.000	0.172	+0.172	New grant for children receiving the Disability Living Allowance(DLA)
Schools Block	457.670	464.637	+6.967	Increase in pupil numbers and addition retained Education Services Grant funding to DSG
High Needs Block (after deductions for direct funding of high needs places)	69.120	75.248	+6.128	Growth funding for 2017-18 plus the addition of FE College High Needs place responsibility
Newly Qualified Teachers	0.147	0.000	-0.147	Grant now included in the schools block
Total	**560.262**	**581.247**	**20.985**	

Pupil Premium

9.28. In 2017-18, 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 in 2015-16 and 2016-17 were £1,320 and £935 respectively. 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 remain at £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 £1,900 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 2017-18, the service child premium will be set at £300 per pupil, unchanged from 2015-16 and 2016-17.

10. Medium Term Financial Strategy – Budget Implications for 2017-18, 2018-19 and 2019-20

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 2017-18 budget. A three-year revenue projection is specifically required and this has been considered as part of forward service and financial planning. Accordingly, Service Committees have considered their budgets for the next three years, within the Council's normal budget planning framework. This informs the Council's Medium Term Financial Strategy, which is set out at Appendix I.

10.2. Reports to Service Committees in January 2017 included projected additional costs and savings proposals for 2017-18 to 2019-20 in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2017-20 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 28 November 2016 projected potential shortfalls of £9.753m in 2018-19 and £10.714m in 2019-20, based on the savings proposals and pressures identified at that time. The forecast for the period 2018-19 to 2019-20 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 2017-18 Revenue Budget, it is now estimated that **the County Council has a remaining budget gap of £35.015m for the years 2018-19 to 2019-20**.

10.4. The projected additional costs, including inflation, and forecast reduction in Government grant funding for the following two years, 2018-19 and 2019-20, are set out in the table below.

Table 16: Provisional medium term financial forecast

	2018-19	2019-20
	£m	£m
Additional cost pressures and forecast reduction in Government grant funding	58.719	52.819
Forecast increase in Council Tax base	-14.722	-9.338
Identified saving proposals and funding increases	-27.872	-24.591
Budget shortfall / (surplus)	**16.125**	**18.890**

10.5. It is the view of the Section 151 officer, that whilst the Council can balance the 2017-18 budget, the shortfall for future years represents a very significant risk. In addition, deliverability of the 2017-18 budget will be contingent upon identification of sufficient suitable reserves to be released to support the Children's Services budget as detailed earlier in this report. In the event that adequate reserves cannot be identified, it may be necessary to seek further in-year savings. An element of the growth allowed in 2017-18 is one-off and will be removed in the 2018-19 budget. As a result, Services will need to implement changes in 2017-18 which will enable them to operate within the lower ongoing budget envelope from 2018-19 onwards.

10.6. Reports setting out the changing planning context for both service delivery and the Council's finances will be presented to future Policy and Resources Committee meetings, along with additional savings plans, and will form part of the detailed planning approach for reviewing and recommending final budgets for 2018-19 to 2020-21, 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 2018-19 is set out in Appendix E.

11. Capital Budget

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

12. Summary of the public consultation process

12.1. Appendix I sets out a Medium Term Financial Strategy for Norfolk County Council for 2017-18 to 2019-20.

12.2. Last year Norfolk County Council consulted extensively on its Medium Term Financial Strategy. This covered the overall strategy for services in a context of continued budget austerity, as well as specific consultation on a wide range of savings proposals. In total the council received 3,101 responses to the consultation, which gathered a wide range of views on:

- Council tax and whether we should increase it to protect essential services.
- Our approach to making savings over the life of the strategy.
- Our proposals to balance our budget for 2016-17 that involved changes or cuts to our services.
- The Norfolk Fire and Rescue Service draft Integrated Risk Management Plan.

12.3. As a result of this, Full Council agreed a range of savings totalling £115m, which broadly balanced the budget over the four year period to 2019-20 but with a gap still to be found for 2017-18.

12.4. Saving proposals to bridge the shortfall for 2017-18 were put forward by committees, the majority of which did not require consultation because they could be achieved without affecting service users. The exception to this were two adult social services proposals requiring consultation; Building Resilient Lives and

Information and Advice. A further proposal relating to disability related expenditure was subject to a later consultation as detailed below.

12.5. Building on the strong body of evidence of views from last year's consultation, the Adult Social Care Committee oversaw targeted consultation with affected groups, particularly those at risk of disadvantage.

12.6. An additional consultation about proposals to reduce the amount of money automatically disregarded for disability related expenditure within our financial assessments was still underway at the time of preparing reports to Policy and Resources Committee, and closed on Thursday 9 February. The outcome of this consultation, together with the associated equality and rural impact assessment, have been included in this amended report, with full information in Appendix J, to enable Members to make decisions about the budget at Full Council on 20 February 2017. The consultation can be accessed here: https://norfolk.citizenspace.com/consultation/dre/.

12.7. 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 time when proposals are 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.

a) The public consultations ran from the 28 October 2016 to the 9 December 2016.

b) The consultation web sites can be found at: https://norfolk.citizenspace.com/consultation/buildingresilientlives/ and https://norfolk.citizenspace.com/consultation/informationandadvice/.

c) People were able to respond online and in writing. We also received responses by email to HaveYourSay@norfolk.gov.uk.

d) Consultation documents were available in different formats on request.

e) 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.

f) As part of the engagement process for proposals around building resilient lives we undertook three workshops with public sector partners and three workshops with service providers. We invited all affected providers to meet us individually, with 24 face-to-face meetings being undertaken. We also met with senior managers of district councils twice.

g) We also undertook four face-to-face meetings with service providers potentially affected by our information and advice proposals.

h) We enlisted the support of service providers to publicise the consultation to their service users that may be directly affected by our proposals and enable to them to take part.

13. Equality and rural impact assessments

13.1. When setting the budget, public authorities have a legal duty under the Equality Act 2010 to consider the impact of proposals on people with ‘protected characteristics’. The Act states that public bodies must pay due regard to the following when planning, changing or commissioning services:

- Advancing equality of opportunity for people with protected characteristics;
- Eliminating discrimination, harassment, victimisation and other prohibited conduct;
- Fostering good community relations.

13.2. To meet this legal duty we undertake impact assessments of all our proposals. In addition to considering the impact on potentially vulnerable people, we also look at the impact on rural communities.

13.3. In carrying out an assessment, the Council reviews a wide range of evidence before drawing conclusions about likely impacts. For many proposals this involves reviewing, for example, data about people and services that might be affected, contextual information about local areas and populations and other data sources. As such equality and rural assessments are directly informed by the findings of public consultation, and in particular feedback from people about the practical impacts that proposals might have.

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

14.1. The remainder of this section summarises the key elements of feedback on these proposals and includes all responses submitted to the Council up to and including 13 December 2016.

Building Resilient Lives: consultation feedback

14.2. Last year, we consulted widely with residents and stakeholders on proposals to review housing related support services, although at that time, Members decided not to take those proposals forward.

14.3. When we consulted last year, partner organisations and stakeholders said that they wanted to work with us to come up with ideas for how best to support people's needs. We have built on that offer, and as well as a traditional on line consultation, we have engaged with the people who use our services as well as key stakeholders, providers and partner organisations to help design a new service, with less money, to support people who are not eligible for Norfolk County Council's statutory care services.

14.4. We received **965** specific responses, almost all of which were opposed to or concerned about any changes to the existing service. At least half of those responding were individuals or family members.

14.5. **54** respondents told us they were responding on behalf of a group, organisation or business but not all gave the names of their organisations and some were residents, employees or individuals whose response does not necessarily represent the organisational view. Of the respondents who described their relationship to the service, **626** describe themselves as current or past service users. Key concerns and issues raised were:

- Impact of losing highly valued wardens and other support workers in sheltered accommodation.
- The value of housing related support in helping people to improve their physical and mental wellbeing, including: preventing loneliness, generating a supportive community of peers, preventing existing mental health issues from deteriorating, getting people “back on track”, and giving hope for the future. People told us that receiving these services made them feel safe.
- Concern that changes would increase homelessness.
- Concern that reducing the service was short-sighted since safe housing and related support was preventative and helped people keep independent.

Information and advice: consultation feedback

14.6. There were **94** responses received for this proposal. Of these, just under half (**45 people** or **48%**) replied as individuals. **33** 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 residents whose response did not necessarily represent the organisational view. Of the respondents who described their relationship to the service, most were staff working in the service (26), past service users (22) or current service users (21). Key issues and concerns were:

- Importance of choice in how information and advice services can be accessed, in particular ensuring a mix of telephone, internet and face to face options are available as well as printed information.
- Value of well trained, specialist, well informed staff with local knowledge and condition-specific experience. Service users told us how much they value the advisers they see (67 responses).
- Concern about the impact on vulnerable people and groups of people with protected characteristics and told us it is important to ensure all groups of people can access specialist advice
- The importance of collaborative working between agencies and organisations who deliver information and advice services and the scope to improve partnership working and collaboration.

Changing the way we work out how much people pay towards the cost of their adult social care services: consultation feedback

14.7. This saving was proposed at a later stage in the financial planning process. It was subject to a different consultation timetable and so did not have the benefit of consideration by Adult Social Services committee, as the other proposals summarised in this report. To ensure that Members can fully take into account the findings of the consultation and the impacts of the proposal, the details of the proposal, consultation process and findings are presented here in more detail than for those proposals already subject to service committee consideration and recommendation.

14.8. The proposal would see a reduction in the amount of money automatically 'disregarded' when assessing how much people have to pay towards non-residential adult social care.

14.9. When determining what people pay for their care the council looks at what they can afford to pay. We take the amount people spend on disability related expenditure into account when we work out how much people have to pay towards their non-residential care. Disability related expenditure reduces the amount we ask people to pay. This reduction is called a 'disregard' or an 'allowance'.

14.10. The proposal is to change the amount automatically allowed for disability related expenditure from £15.00 a week to £7.50 a week. For anyone who spends more than £7.50 a week on disability related expenditure, the additional amount can still be counted as part of the disregard - the difference is that service users will need to give the council evidence of that spend.

14.11. It is important to note that this will not lead to a reduction in the care that people receive, and that people will continue to receive a financial assessment that will take into account their legal entitlements, including ensuring that people's actual disability related expenses are taken into account. Nobody with a genuine need for more than £7.50 disability related expenditure will face a shortfall.

14.12. If the proposal goes ahead we would save £1.18m in 2017/18 and £0.23m in 2018/19.

14.13. The consultation period for the proposal ran from the 23 January 2017 to midnight on the 9 February 2017. Given the shorter timescale for the consultation, provisions were made to ensure that all affected service users had the opportunity to consider the proposal and respond in time. All 3,662 people that would currently be impacted were written to, and were able to respond using a consultation feedback form, with paid-for postage. In total 941 responses were received, including 843 feedback forms, meaning that at least 23% of those directly affected responded.

14.14. A full summary of the findings, including details of those people responding on behalf of organisations, are presented in Appendix J. To summarise the main themes within the responses:

- Over half of respondents (515) argued that people with disabilities are already struggling with the costs associated with their disability, and could not afford the change
- 206 respondents stated that they disagree with the proposal, citing a range of reasons
- 98 respondents stated that they agree with the proposal

- 93 people felt that the council should ensure that people can claim, and that provisions should be put in place to ensure that this process is clear and easy to follow
- 88 respondents argued that the proposal is unfair and will disproportionately affect some people
- 66 respondents commented that the effect of the proposal will be in addition to other cuts and/or raised Council Tax.
- 46 respondents argued that the proposal would affect vulnerable people the most
- 42 respondents suggested that the proposal will mean that people will not be able to pay for current levels of care
- 36 respondents argued that the proposal will not save money in the long run because it will encourage people to claim, or result in an increase in demand for formal care

14.15. In addition, three of the respondents who told us that they were responding on behalf of a group, organisation or business told us that the timeframe for the consultation was too short.

Response to the findings of the Equality and Rural Impact Assessment and public consultation

14.16. A number of concerns are highlighted in the Equality and Rural Impact Assessment and in the response to the public consultation.

14.17. The overriding risk highlighted in the equality and rural assessment is that some services users - specifically, those who are using their £15 allowance to supplement living expenses and not for disability expenditure – could be placed in financial austerity.

14.18. The assessment also highlights that the proposal could impact more on some groups of disabled people than others, particularly people with learning difficulties, people with some mental health conditions, and people with high levels of vulnerability - such as those who are very ill or who struggle with tiredness/fatigue. This is because the proposal will require service users to understand complex information, keep track of their expenditure, read and fill in forms, keep receipts and make regular judgements about what comprises disability related expenditure. This may be challenging for some people, and they may need initial and ongoing support to ensure that they are not disadvantaged because they did not make correct judgements about their expenditure or maintain the right paper work.

14.19. On balance it is the suggestion of this report that the provisions proposed by the council in response to these concerns, and the mitigating actions that it can put in place during its implementation, mean that the proposal should go ahead. With specific reference to the concerns raised and impacts identified:

- Whilst the consultation period was shorter than the council would have liked, the number of responses from affected service users is higher than we would normally expect for a consultation of this nature. It is significantly higher than other councils have achieved when consulting on similar changes. Furthermore the council received responses from people from a range of perspectives, and there is no evidence that any particular group of respondents disproportionately struggled to respond. In running the consultation, additional provisions were put into place to do everything possible to gather views from affected people, and this has led to extensive feedback.

- Service users will still be able to off-set their disability-related expenditure against the cost of their adult social care, and anyone who requires more than the proposed £7.50 ‘disregard’ or allowance will be entitled to an assessment or review to ensure that the correct higher amount of disregard will be applied. Nobody with a genuine need for more than £7.50 disability related expenditure will go short.
- The current arrangement means that some disabled service users may be effectively receiving help with their living expenses, whereas others are not. This is not fair, and the proposal would ensure that people with disabilities receive a personalised assessment that reflects their specific needs.
- The current model is not financially sustainable, and there is an imperative to design a new model in order to continue to be able to provide essential services to the most vulnerable disabled service users.
- The proposed change is in line with the procedures and levels of disregard or allowance made by other councils with responsibility for Adult Social Care.

14.20. The consultation feedback has informed the equality impact assessment, and has given insights into the possible practical implications for users. These have helped to shape the proposed mitigating actions. Specifically:

- All service users that will be affected will be offered a financial review, and those that do not take this up will still receive a review annually as with current policy. Within the review, individuals’ specific circumstances will be accounted for to ensure that an appropriate level of disregard is applied to them. Where appropriate, and in particular where service users might experience financial austerity, appropriate budget planning and relevant support will be offered.
- Specific support will be provided to service users with a learning disability or any other impairment to maintain paperwork and made judgements about expenditure.
- Continuing to work with service users and stakeholders to understand and mitigate the impact of the proposal. This will include working within the information and advice system to ensure there is sufficient capacity to provide clear and accessible advice and guidance for all current and potential service users.

14.21. For a full and more detailed list of the mitigating actions, please see the full Equality & Rural Impact Assessment in Appendix H(i) and H(ii).

14.22. Some organisations expressed concern that they did not feel confident that all their representative voices had been able to express what the impact would be on them from this proposal. So whilst recommending that the proposal goes ahead we will continue to capture evidence from users to further strengthen the mitigating actions. The new approach is due to start to be implemented from the new financial year (1 April 2017), and we will keep this under review.

Equality and rural impact assessments – findings and suggested mitigation

14.23. The Council's impact assessment process for 2017-18 budget proposals has sought to identify the potential for adverse impact on people with protected characteristics and rural communities, so that decisions can be informed, and where appropriate, action can be taken to address any negative impact.

14.24. Assessments of all relevant budget proposals for 2017-2018 were carried out on behalf of Policy and Resources Committee and all service committees (47 in total). This included an assessment of the proposal to increase Council Tax.

14.25. The majority of assessments did not suggest potential detrimental impact with the exception of three proposals.

14.26. These related to Adult Social Care Committee proposals:

- Remodelling information, advice & advocacy services (ASC021)
- Building resilient lives, reshaping our work with people of all ages requiring housing related support to keep them independent (ASC016/19)
- Proposal to change the amount the Council allows for disability related expenditure from £15 a week to £7.50 a week

14.27. This detrimental impact was identified because some older and disabled service users, including Blind and visually impaired people, Deaf and hearing impaired people, people with reduced mobility, people with mental health issues, people with learning difficulties and people with dementia, may no longer receive a service, or receive a service that differs significantly from the present time. This may impact on their independence, quality of life and wellbeing.

14.28. In addition, regarding the proposal to change the amount the Council allows for disability related expenditure, and as already highlighted earlier in this report, some service users may experience increased financial austerity, and impacts associated with this, such as a reduction in standard of living and quality of life.

14.29. Overall, the impact is likely to be intensified for people in rural areas.

14.30. Proposals ASC021 and ASC016/19 may also have some impacts on people with other protected characteristics, which includes younger people (including care leavers, as users of some accommodation services), men (who are high users of some homelessness services) and Gypsies and travellers (as users of floating support services).

14.31. With regards the proposal to increase council tax, the impact assessment highlighted that at October 2016 there were 405,511 Council Tax 'chargeable dwellings' in Norfolk. Any County Council increase in council tax would be applied equally and proportionally to each household, meaning that higher-banded properties would pay a higher cash amount. Concessions are in place that mean that people who live on their own or who have a disability may be eligible for Council Tax support, reductions or exemption. Figures from October

2016 show that of the 405,511 dwellings, 37% were subject to some kind of reduction in council tax.

14.32. In addition to these exemptions, district councils are responsible for local arrangements to provide help with Council Tax. These responsibilities cover what was known prior to 2013 as Council Tax Benefit, and mean that reductions are also in place to support vulnerable working age and older people. Factors that enable a household to qualify for help include householders' disability status, caring responsibilities and being a student. Whilst the local arrangements are at the discretion of each district, the number of equivalent dwellings receiving this kind of support for working age people was 24,209, and for older people was 24,184.

14.33. The financial impact of an increase in Council Tax may be reduced for vulnerable people and those on low incomes by existing Council Tax exemption mechanisms, although provisions vary from district to district. It is also important to consider that overall, the increase would also help protect essential social care services for the most vulnerable, through the adult social care precept.

14.34. Although no detrimental impact was identified for any of the other proposals, the assessment process did recommend that a number of actions be carried out, to monitor implementation and find opportunities to promote accessibility for older and disabled people. A summary of mitigating actions is set out for agreement in Appendix H(i).

14.35. Broadly speaking, where no detrimental impact was identified, this was because the impact on service users was expected to be minimal, and no changes were proposed to service standards, eligibility thresholds or service quality.

14.36. The full assessment findings of all budget proposals are set out in Appendix H(ii) which is available online here[3]. Clear reasons are provided for each proposal to show why, or why not, adverse impact has been identified, and the nature of this impact.

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

14.37. The detailed findings of the consultation and equality and rural assessments of the budget proposals 2017-18 are available for inspection online:

- Building Resilient Lives: https://norfolk.citizenspace.com/consultation/buildingresilientlives/
- Information and Advice: https://norfolk.citizenspace.com/consultation/informationandadvice/
- Disability Related Expenditure (consultation ongoing): https://norfolk.citizenspace.com/consultation/dre/

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[3] https://www.norfolk.gov.uk/what-we-do-and-how-we-work/councillors-meetings-decisions-and-elections/Additional-information
Please note that following the County Council Meeting this appendix document will be transferred to the Council's meeting paper site: http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/444/Committee/2/SelectedTab/Documents/Default.aspx

14.38. The findings have been made available electronically due to the size of the document.

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 was held on 23 January 2017. Representatives were provided with a summary of the financial challenges facing the Council in 2017-20, and proposals for expenditure (including capital expenditure).

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 Re-imagining Norfolk public consultation launched in October 2015, which has been supplemented by targeted consultation on specific new savings proposals for 2017-18 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. In the Autumn Statement 2016, the Chancellor confirmed that the Government still has to find savings of £3.5bn in the course of this parliament as set out in the March 2016 Budget. However, up to £1bn of this has now been earmarked for reinvestment in 2019-20. Unprotected areas, which include local government, may therefore have anticipated further cuts to funding during this period, although some protection is offered by the four year funding allocations for local government set out in 2016-17.

17.3. 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 to recommend to Full Council in February.

18. Issues, risks and innovation

18.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2017. 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).

18.3. The risks associated with these budget proposals were reported to Service Committees in January 2017 and to Policy and Resources 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 were considered when Policy and Resources Committee recommended 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 2017-18 Revenue Budget and proposals for 2018-19 to 2019-20
- Overall level of the 2017-18 to 2019-20 Capital Programme
- Prudential Code Indicators for 2017-18
- Level of the Council Tax / Precept for 2017-18 and for the period 2018-19 to 2019-20
- Implications of the Revenue Budget for 2018-19 to 2019-20
- Responses to savings proposals from the Budget Consultation
- Outcome of equality impact assessment

20. Background Papers

County Council Budget 2016-17 to 2019-20: Medium Term Financial Strategy 2016-20, County Council, 22 February 2016, Item 4, Annexe 9: http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx

Budget 2017-18 Planning and Efficiency Plan, Policy and Resources Committee, 18 July 2016, Item 10: http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/499/Committee/21/SelectedTab/Documents/Default.aspx

2017-18 Budget and Medium Term Financial Planning 2017-18 to 2019-20, Policy and Resources Committee, 28 November 2016, Item 8: http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/503/Committee/21/SelectedTab/Documents/Default.aspx

Service Committee Strategic and Financial Planning Reports, January 2017: http://norfolkcc.cmis.uk.com/norfolkcc/Meetings.aspx

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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 0344 800 8011 (textphone) and we will do our best to help.

List of key grants and funding

Grant	2017-18 Provisional Settlement £m	2018-19 Estimated £m	2019-20 Estimated £m
Un-ring-fenced			
Revenue Support Grant	77.926	58.035	38.810
Top-Up Grant (Business Rates Retention Scheme)	119.351	123.191	127.573
Section 31 Grant (compensation for Government business rate initiatives)	3.717	3.717	3.717
New Homes Bonus	3.998	2.704	2.580
New Homes Bonus adjustment	0.353	0.353	0.353
Education Services Grant	3.067	0.000	0.000
New: School Improvement Monitoring and Brokering Grant	0.370	0.635	0.635
Fire Revenue	1.004	1.004	1.004
Inshore Fisheries	0.152	0.152	0.152
Local reform and community voices	0.571	0.571	0.571
Extended rights to free travel (Local Services Support Grant)	0.696	0.696	0.696
PFI Revenue Grant (street lights; salt barns and schools)	8.046	8.046	8.046
Social Care in Prisons	0.361	0.361	0.361
Rural Services Delivery Grant	3.195	2.458	3.195
Transition Grant	1.657	0.000	0.000
Independent Living Fund Grant	1.518	1.518	1.518
New: Lead Local Flood Authority Grant	0.077	0.082	0.087
New: Improved Better Care Fund	1.885	15.828	28.372
Ring-fenced			
Public Health	40.093	39.050	39.050
Dedicated Schools Grant	581.247	581.247	581.247
Pupil Premium Grant	TBC end Jan		
New: Adult Social Care Grant	4.197	0.000	0.000
Locally collected tax (forecasts)			
Council tax (assuming increases for Adult Social Care precept 3% in 2017-18 and 2018-19 and general increase 1.8% 2017-18, 1.9% 2018-19, and 1.99% 2019-20)	358.812	373.535	382.873
Business Rates	25.688	26.233	27.166
Pooled funding			
NHS Funding (incl. Better Care Fund)	58.235	59.458	59.458

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

Summary of proposed Revenue Budget 2017-18

	Adult Social Care	Children's Services	Environment, Development and Transport	Communities	Policy and Resources	Total
	£m	£m	£m	£m	£m	£m
Base Budget 2016-17	246.852	167.292	150.819	47.683	-273.687	338.960
Growth						
Economic / Inflationary	4.927	2.119	1.582	0.515	0.518	9.661
Legislative Requirements	10.424	3.404	0.000	-0.462	-2.257	11.109
Demand / Demographic	6.134	9.000	0.834	0.000	0.226	16.194
NCC Policy	9.780	0.000	-1.657	0.000	-2.502	5.622
Funding Reductions	3.300	0.000	0.000	0.462	27.864	31.626
Cost Neutral Transfers	1.084	2.116	0.687	2.657	12.933	19.476
Total budget increase	**35.649**	**16.638**	**1.446**	**3.172**	**36.783**	**93.688**
Savings						
Cutting costs through efficiencies	-2.875	-0.230	-4.742	-1.493	-23.473	-32.814
Better value for money through procurement and contract management	-0.308	-0.238	-0.080	0.000	-0.535	-1.161
Service Redesign: Early help and prevention, working locally	-6.850	-0.736	-1.038	-0.354	0.000	-8.978
Raising Revenue; commercial activities	-1.180	-0.650	-0.160	0.031	-1.100	-3.059
Maximising property and other assets	0.000	0.000	0.000	-0.090	-1.673	-1.763
Funding Increases	-6.082	-0.370	-0.077	0.000	-0.056	-6.585
Cost Neutral Transfers	-3.753	-4.355	-5.586	-0.152	-5.630	-19.476
Total budget decrease	**-21.048**	**-6.579**	**-11.683**	**-2.058**	**-32.467**	**-73.836**
Base Budget 2017-18	**261.453**	**177.351**	**140.583**	**48.798**	**-269.372**	**358.812**

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

Funded by: Council Tax	-354.315
Collection Fund Surplus	-4.497
	-358.812
2017-18 Budget Gap	0.000

Summary of proposed Revenue Budget 2018-19

	Adult Social Care	Children's Services	Environment, Development and Transport	Communities	Policy and Resources	Total
	£m	£m	£m	£m	£m	£m
Base Budget 2017-18	261.453	177.351	140.583	48.798	-269.372	358.812
Growth						
Economic / Inflationary	6.288	2.561	1.627	0.514	0.558	11.548
Legislative Requirements	19.864	1.401	0.000	-1.043	2.669	22.891
Demand / Demographic	6.134	-9.000	0.000	0.000	0.000	-2.866
NCC Policy	-4.298	0.000	0.005	0.000	6.845	2.552
Funding Reductions	4.197	0.000	0.000	1.043	19.354	24.594
Cost Neutral Transfers	0.000	0.000	0.000	0.164	0.035	0.199
Total budget increase	**32.185**	**-5.038**	**1.632**	**0.678**	**29.461**	**58.918**
Savings						
Cutting costs through efficiencies	0.000	-0.550	0.065	0.378	9.074	8.967
Better value for money through procurement and contract management	-1.074	0.000	0.030	0.000	0.000	-1.044
Service Redesign: Early help and prevention, working locally	-17.412	-0.309	-0.200	-0.490	0.000	-18.411
Raising Revenue; commercial activities	-0.230	0.000	-0.051	-0.080	-1.200	-1.561
Maximising property and other assets	0.000	0.000	0.000	0.090	-1.700	-1.610
Funding Increases	-13.943	-0.265	-0.005	0.000	0.000	-14.213
Cost Neutral Transfers	-0.035	0.000	0.000	0.000	-0.164	-0.199
Total budget decrease	**-32.694**	**-1.124**	**-0.161**	**-0.102**	**6.011**	**-28.070**
Base Budget 2018-19	**260.944**	**171.189**	**142.054**	**49.373**	**-233.900**	**389.660**

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

Funded by: Council Tax	-373.535
Collection Fund Surplus	0.000
	-373.535
2018-19 Budget Gap	16.125

Summary of proposed Revenue Budget 2019-20

	Adult Social Care	Children's Services	Environment, Development and Transport	Communities	Policy and Resources	Total
	£m	£m	£m	£m	£m	£m
Base Budget 2018-19	260.944	171.189	142.054	49.373	-233.900	389.660
Growth						
Economic / Inflationary	5.880	2.428	1.614	0.522	0.597	11.042
Legislative Requirements	18.285	0.000	0.000	0.000	2.895	21.180
Demand / Demographic	6.000	0.000	0.000	0.000	0.000	6.000
NCC Policy	-0.043	0.000	0.005	0.000	0.000	-0.038
Funding Reductions	0.000	0.000	0.000	0.000	14.635	14.635
Cost Neutral Transfers	0.000	0.000	0.037	0.197	0.879	1.113
Total budget increase	**30.122**	**2.428**	**1.656**	**0.719**	**19.005**	**53.931**
Savings						
Cutting costs through efficiencies	0.000	-0.535	0.000	0.000	0.290	-0.245
Better value for money through procurement and contract management	0.000	0.000	0.000	0.000	0.000	0.000
Service Redesign: Early help and prevention, working locally	-10.000	0.000	0.000	0.000	0.000	-10.000
Raising Revenue; commercial activities	0.000	0.000	0.000	0.000	0.000	0.000
Maximising property and other assets	0.000	0.000	0.000	0.000	-1.059	-1.059
Funding Increases	-12.544	0.000	-0.005	0.000	-0.737	-13.286
Cost Neutral Transfers	-0.879	0.000	0.000	0.000	-0.234	-1.113
Total budget decrease	**-23.423**	**-0.535**	**-0.005**	**0.000**	**-1.740**	**-25.703**
Base Budget 2019-20	**267.643**	**173.082**	**143.705**	**50.092**	**-216.635**	**417.888**

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

Funded by: Council Tax	-382.873
Collection Fund Surplus	0.000
	-382.873
2018-19 Budget Gap	16.125
2019-20 Budget Gap	18.890
2018-20 Budget Gap	**35.015**

	Budget Changes Forecast for 2017-20 Adults Committee Savings Reference	2017-18 £m	2018-19 £m	2019-20 £m
1	**Cash Limited Base Budget**	**246.852**	**261.453**	**260.944**
2	**GROWTH**			
	Economic / Inflationary	4.927	6.288	5.880
	Demand / Demographic	6.134	6.134	6.000
	Legislative	10.424	19.864	18.285
	NCC Policy	9.780	-4.298	-0.043
	Total Growth	**31.265**	**27.988**	**30.122**
3	**SAVINGS**			
A	Cutting costs through efficiencies	-2.875	0.000	0.000
B	Better value for money through procurement and contract management	-0.308	-1.074	0.000
C	Service Redesign: Early help and prevention, working locally	-6.850	-17.412	-10.000
D	Raising Revenue; commercial activities	-1.180	-0.230	0.000
E	Maximising property and other assets	0.000	0.000	0.000
	Total Savings	**-11.213**	**-18.716**	**-10.000**
4	**Base Adjustments**	**-2.782**	**-9.746**	**-12.544**
5	**Cost Neutral Adjustments**	**-2.669**	**-0.035**	**-0.879**
6	**Cash Limited Base Budget**	**261.453**	**260.944**	**267.643**
7	**Definitions**			
A	Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working.			
B	Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money.			
C	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	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	Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way.			

Reference	Budget change forecasts for 2017-20 Adult Social Care	2017-18 £m	2018-19 £m	2019-20 £m
	OPENING BUDGET	**246.852**	**261.453**	**260.944**
	ADDITIONAL COSTS			
	Economic / Inflationary			
	Basic Inflation - Pay (1% for 17-20)	0.362	0.385	0.387
	Basic Inflation - Prices	4.565	5.903	5.493
	Demand / Demographic			
	Demographic growth	6.134	6.134	6.000
	Legislative Requirements			
	Additional responsibilities from increased improved Better Care Fund allocation		13.943	12.544
	Cost of Care	4.500		
	Pay and Price Market Pressures	5.660	5.921	5.741
	Norse Care and Independence Matters Pension Revaluation	0.264		
	NCC Policy			
	Adult Social Care 2016-17 Overspend	9.578	-4.197	
	Vulnerable Persons Resettlement Scheme	0.202	-0.101	-0.043
		31.265	**27.988**	**30.122**
	SAVINGS			
	A - Cutting costs through efficiencies			
ASC010	Reduce Training & Development spend following implementation of Promoting Independence	-0.200		
ASC022	Review of commissioning structure and wider opportunities to realign staffing structures in localities	-0.155		
ASC026	Review of various commissioning arrangements to identify more cost effective ways of providing services	-1.159		
ASC027	Multiple small efficiencies within Service Level Agreements	-0.190		
ASC028	Maximise use of apprenticeships	-0.020		
ASC030	Rationalise mobile phones	-0.010		
ASC031	Revised use of Care Act and other funding not previously used for recurrent expenditure	-1.141		
	B - Better value for money through procurement and contract management			
ASC020	Remodel contracts for support to mental health recovery	-0.125	-0.275	
ASC021	Recommissioning of information advice and advocacy services	0.000	-0.250	
ASC024	Home care commissioning - an improved framework for procuring home care services in Norfolk	-0.183	-0.549	
	C - Service Redesign: Early help and prevention, working locally			
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	-0.250	

Reference	Budget change forecasts for 2017-20 Adult Social Care	2017-18 £m	2018-19 £m	2019-20 £m
ASC003	Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council	0.900	-0.900	-0.800
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	
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	
COM033	Reducing funding within personal budgets to focus on eligible unmet needs	-0.500		
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
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	
ASC011	Move service mix to average of comparator family group or target - all specialisms		-1.444	-0.962
ASC013	Radical review of daycare services	-1.000	-2.500	
ASC015	Move service mix to lowest of comparator family group - all specialisms		-2.190	-0.200
ASC023	A consistent approach to specific laundry needs	-0.055		
	D - Raising Revenue; commercial activities			
ASC029	Align charging policy to more closely reflect actual disability related expenditure incurred by service users	-1.180	-0.230	
		-11.213	**-18.716**	**-10.000**
	BASE ADJUSTMENTS			
	Improved Better Care Fund	-1.885	-13.943	-12.544
	Adult Social Care Grant	-4.197	4.197	
	Loss of social care protection funding (Better Care Fund)	3.300		
		-2.782	**-9.746**	**-12.544**
	COST NEUTRAL ADJUSTMENTS			
	Transfer of manager post from Finance Exchequer Services to Adult Mental Health	0.054		
	Depreciation	0.115		
	Debt Management	0.000		
	REFCUS	-3.753		
	Social Care System	0.914	-0.035	-0.879
		-2.669	**-0.035**	**-0.879**
	NET BUDGET	**261.453**	**260.944**	**267.643**

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

	Budget Changes Forecast for 2017-20 Children's Committee Savings Reference	2017-18 £m	2018-19 £m	2019-20 £m
1	**Cash Limited Base Budget**	**167.292**	**177.351**	**171.189**
2	**GROWTH**			
	Economic / Inflationary	2.119	2.561	2.428
	Demand / Demographic	9.000	-9.000	0.000
	Legislative	3.404	1.401	0.000
	NCC Policy	0.000	0.000	0.000
	Total Growth	**14.523**	**-5.038**	**2.428**
3	**SAVINGS**			
A	Cutting costs through efficiencies	-0.230	-0.550	-0.535
B	Better value for money through procurement and contract management	-0.238	0.000	0.000
C	Service Redesign: Early help and prevention, working locally	-0.736	-0.309	0.000
D	Raising Revenue; commercial activities	-0.650	0.000	0.000
E	Maximising property and other assets	0.000	0.000	0.000
	Total Savings	**-1.854**	**-0.859**	**-0.535**
4	**Base Adjustments**	**-0.370**	**-0.265**	**0.000**
5	**Cost Neutral Adjustments**	**-2.240**	**0.000**	**0.000**
6	**Cash Limited Base Budget**	**177.351**	**171.189**	**173.082**
7	**Definitions**			
A	Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working.			
B	Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money.			
C	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	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	Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way.			

Reference	Budget change forecasts for 2017-20 Children's Services	2017-18 £m	2018-19 £m	2019-20 £m
	OPENING BUDGET	**167.292**	**177.351**	**171.189**
	ADDITIONAL COSTS			
	Economic / Inflationary			
	Basic Inflation - Pay (1% for 17-20)	0.669	0.708	0.697
	Basic Inflation - Prices	1.450	1.853	1.732
	Demand / Demographic			
	Impact of Looked After Children and Children's growth pressures	9.000	-9.000	
	Legislative Requirements			
	Education Services Grant	3.154	1.401	
	Legislative reduction in post 16 Home to School transport income	0.250		
		14.523	**-5.038**	**2.428**
	REMOVAL OF PRIOR YEAR SAVINGS			
	A - Cutting costs through efficiencies			
CHI012	Removal of 2016-17 saving: Reduce the cost of transport for children with Special Educational Needs	0.500		
	C - Service Redesign: Early help and prevention, working locally			
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		
CHI015	Reverse reduced funding for school crossing patrols as recommended by Committee 24-01-17	0.150		
		3.650	**0.000**	**0.000**
	SAVINGS			
	A - Cutting costs through efficiencies			
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	
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
CHL029	Early Years Funding Panel – deliver greater efficiency in allocations	-0.100		
CHL034	Children's Legal Costs – review opportunities to reduce expenditure.	-0.050		
CHL035	Performance and Challenge staff budgets – review current establishment	-0.120		
CHL036	Children with Disabilities Short Breaks – return budget to previous level	-0.100		
CHL037	Early Years Settings Panel – achieve saving through prioritisation and targeting of resources	-0.250		

Reference	Budget change forecasts for 2017-20 Children's Services	2017-18 £m	2018-19 £m	2019-20 £m
CHL038	Norfolk Institute for Practice Excellence (NIPE) – reduce agency spend by moving NIPE trainees into posts one month earlier, reducing agency spend	-0.060		
	B - Better value for money through procurement and contract management			
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		
CHL030	East Coast Community Healthcare Speech and Language Contract increased income	-0.050		
CHL033	Service Level Agreement efficiencies – based on current levels of expenditure	-0.030		
	C - Service Redesign: Early help and prevention, working locally			
CHL019	Review of educational services	-0.350		
CHL032	Children's Homes – increase occupancy through review of placements and improving staff to child ratios	-0.100		
CHL039	Refocus Education Service in light of Education White Paper	-1.250		
CHL040	Review Early Help Services	-0.270		
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		
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		
CHL026	Keep all children's centres open and focus their work on supporting the families that need them most	-0.909	-0.309	
	D - Raising Revenue; commercial activities			
CHL027	Increase troubled Families income. There may be changes nationally which could reduce our ability to generate this extra income	-0.500		
CHL028	Education Psychology Service – increase traded income, based on charging more and taking on a greater workload.	-0.050		
CHL031	Woodside Norwich Early Years Hub - increase the income budget to reflect current forecasts	-0.100		
		-5.504	**-0.859**	**-0.535**
	BASE ADJUSTMENTS			
	New Funding for School Improvement	-0.370	-0.265	
		-0.370	**-0.265**	**0.000**
	COST NEUTRAL ADJUSTMENTS			
	Economic Development staff salary budget to Children's Services	-0.002		

Reference	Budget change forecasts for 2017-20 Children's Services	2017-18 £m	2018-19 £m	2019-20 £m
	Depreciation	2.097		
	Debt Management	0.006		
	REFCUS	-4.353		
	National Consortium for Exam Results	0.013		
		-2.240	**0.000**	**0.000**
	NET BUDGET	**177.351**	**171.189**	**173.082**

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

	Budget Changes Forecast for 2017-20 Environment, Development and Transport Committee Savings Reference	2017-18 £m	2018-19 £m	2019-20 £m
1	**Cash Limited Base Budget**	**150.819**	**140.583**	**142.054**
2	**GROWTH**			
	Economic / Inflationary	1.582	1.627	1.614
	Demand / Demographic	0.834	0.000	0.000
	Legislative	0.000	0.000	0.000
	NCC Policy	-1.657	0.005	0.005
	Total Growth	**0.759**	**1.632**	**1.619**
3	**SAVINGS**			
A	Cutting costs through efficiencies	-4.742	0.065	0.000
B	Better value for money through procurement and contract management	-0.080	0.030	0.000
C	Service Redesign: Early help and prevention, working locally	-1.038	-0.200	0.000
D	Raising Revenue; commercial activities	-0.160	-0.051	0.000
E	Maximising property and other assets	0.000	0.000	0.000
	Total Savings	**-6.020**	**-0.156**	**0.000**
4	**Base Adjustments**	**-0.077**	**-0.005**	**-0.005**
5	**Cost Neutral Adjustments**	**-4.899**	**0.000**	**0.037**
6	**Cash Limited Base Budget**	**140.583**	**142.054**	**143.705**
7	**Definitions**			
A	Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working.			
B	Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money.			
C	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	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	Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way.			

Reference	Budget change forecasts for 2017-20 Environment, Development and Transport	2017-18 £m	2018-19 £m	2019-20 £m
	OPENING BUDGET	**150.819**	**140.583**	**142.054**
	ADDITIONAL COSTS			
	Economic / Inflationary			
	Basic Inflation - Pay (1% for 17-20)	0.261	0.254	0.255
	Basic Inflation - Prices	1.321	1.374	1.360
	County Council Plan			
	1D Establish Road Maintenance and Small Projects Fund (Potholes)	-1.500		
	1E Supporting young people into work and enterprise working with the Prince's Trust	-0.200		
	1F Investment in Hethel technology park to develop long term vision and job creation	-0.050		
	Additional Flood Funding	0.093	0.005	0.005
	Demand / Demographic			
	Waste pressure	0.834		
		0.759	**1.632**	**1.619**
	SAVINGS			
	A - Cutting costs through efficiencies			
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	
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	
EDT037	Vacancy management and deletion of vacant posts	-0.488		
EDT038	Further reductions in back office spend	-0.148		
EDT042	Rationalise our highway depot provision and change inspection frequency for main roads	-0.473		
EDT044	Further capitalisation of highways maintenance activities to release a revenue saving	-1.000		
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	
EDT043	Implement new national guidance for winter maintenance	-0.100		
EDT048	Use of Better Broadband Reserves	-0.500	0.500	
	B - Better value for money through procurement and contract management			
EDT040	Waste – efficiency savings through robust management of costs through open-book accounting	-0.080	0.030	
	C - Service Redesign: Early help and prevention, working locally			
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	
EDT036	Service re-design - introduce a locality based structure for the Community and Environmental Services directorate	-1.038		

Reference	Budget change forecasts for 2017-20 Environment, Development and Transport	2017-18 £m	2018-19 £m	2019-20 £m
	D - Raising Revenue; commercial activities			
EDT019	Economic development sector grants funding - Cease the direct funding to support economic development projects, and work with others to identify alternative ways to secure funding	-0.050		
EDT020	Economic development match funding - cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities		-0.051	
EDT039	Reduction in Economic Development project fund	-0.010		
EDT047	Additional income generation Scottow Enterprise Park	-0.100		
		-6.020	**-0.156**	**0.000**
	BASE ADJUSTMENTS			
	Lead Local Flood Authority Grant	-0.077	-0.005	-0.005
		-0.077	**-0.005**	**-0.005**
	COST NEUTRAL ADJUSTMENTS			
	Correction of transfer: Business Support to Corporate Property Team	0.018		
	Microfiche store at Tuckswood Library	-0.006		
	Economic Development staff salary budget from Children's Services	0.002		
	Staff transfer to Corporate Property Team	-0.032		
	Transfer of stationery budget to Corporate Post Team	-0.014		
	Travel allowances savings	0.002		
	Transfer saving from Trading Standards to Road Safety	-0.200		
	Customer Service Assistant base budget from EDT to Communities	-0.021		
	Depreciation	0.664		
	Debt Management	0.001		
	REFCUS	-5.085		
	Leases			0.037
	Casualty reduction share of cross-cutting saving CMM033	-0.228		
		-4.899	**0.000**	**0.037**
	NET BUDGET	**140.583**	**142.054**	**143.705**

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

	Budget Changes Forecast for 2017-20 Communities Committee Savings Reference	2017-18 £m	2018-19 £m	2019-20 £m
1	**Cash Limited Base Budget**	**47.683**	**48.798**	**49.373**
2	**GROWTH**			
	Economic / Inflationary	0.515	0.514	0.522
	Demand / Demographic	0.000	0.000	0.000
	Legislative	-0.462	-1.043	0.000
	NCC Policy	0.000	0.000	0.000
	Total Growth	**0.053**	**-0.529**	**0.522**
3	**SAVINGS**			
A	Cutting costs through efficiencies	-1.493	0.378	0.000
B	Better value for money through procurement and contract management	0.000	0.000	0.000
C	Service Redesign: Early help and prevention, working locally	-0.354	-0.490	0.000
D	Raising Revenue; commercial activities	0.031	-0.080	0.000
E	Maximising property and other assets	-0.090	0.090	0.000
	Total Savings	**-1.906**	**-0.102**	**0.000**
4	**Base Adjustments**	**0.462**	**1.043**	**0.000**
5	**Cost Neutral Adjustments**	**2.505**	**0.164**	**0.197**
6	**Cash Limited Base Budget**	**48.798**	**49.373**	**50.092**
7	**Definitions**			
A	Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working.			
B	Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money.			
C	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	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	Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way.			

Reference	Budget change forecasts for 2017-20 Communities	2017-18 £m	2018-19 £m	2019-20 £m
	OPENING BUDGET	**47.683**	**48.798**	**49.373**
	ADDITIONAL COSTS			
	Economic / Inflationary			
	Basic Inflation - Pay (1% for 17-20)	0.464	0.476	0.481
	Basic Inflation - Prices	0.051	0.038	0.041
	Legislative Requirements			
	Reduced Public Health expenditure	-0.462	-1.043	
		0.053	**-0.529**	**0.522**
	REMOVAL OF PRIOR YEAR SAVINGS			
	A - Cutting costs through efficiencies			
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**	**0.000**
	SAVINGS			
	A - Cutting costs through efficiencies			
CMM013	Healthwatch – reduce the Healthwatch grant	-0.150		
CMM033	Cross-cutting savings – Allocation of Public Health Grant to other services delivering Public Health outcomes	-0.250		
CMM034	Vacancy management and deletion of vacant posts	-0.021		
CMM035	Further reductions in back office spend	-0.015		
CMM040	Capitalisation of library books 16-17 resulting in a one-off saving	-1.000	1.000	
CMM041	Capitalisation of library books 17-18 – ongoing revenue saving	-0.680		
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		
CMM022	Libraries self-service - introduce technology (Open Plus) to enable libraries to open with self-service machines		-0.622	
CMM026	Special service mobile library service - change the mobile library service for people in residential care, by encouraging care homes to pay for the service or using volunteers to provide books for individual people	-0.044		
	C - Service Redesign: Early help and prevention, working locally			
CMM018	Customer Service delivery re-design - further re-shaping and re-design of some customer service teams	-0.200		
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	

Reference	Budget change forecasts for 2017-20 Communities	2017-18 £m	2018-19 £m	2019-20 £m
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		
	D - Raising Revenue; commercial activities			
CMM004	One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history	0.100		
CMM036	Registration service income generation - develop business opportunities within the service to generate additional income		-0.080	
CMM037	Additional income generation (Museums, Records Office, Trading Standards)	-0.054		
CMM046	Additional income generation (Museums, Records Office, Arts Service)	-0.015		
	E - Maximising property and other assets			
CMM039	One-off saving through re-setting budgets for leased equipment	-0.090	0.090	
		-2.711	**-0.102**	**0.000**
	BASE ADJUSTMENTS			
	Reduced Public Health grant	0.462	1.043	
		0.462	**1.043**	**0.000**
	COST NEUTRAL ADJUSTMENTS			
	2016-17 staff transfer between Customer Services and P&R	-0.125		
	Transfer saving from Trading Standards to Road Safety	0.200		
	Transfer of HR & OD stationery budgets to central service	0.001		
	Travel allowances savings	-0.002		
	Microfiche store at Tuckswood Library transfer from EDT Committee	0.006		
	Transfer of stationery budget to Corporate Post Team	0.014		
	Customer Service Assistant base budget from EDT to Communities	0.021		
	Return of excess lease budget on lease termination	0.000		
	Depreciation	1.117		
	Debt Management	0.002		
	REFCUS	0.439		
	Leases	0.427	0.164	0.197
	Museums marketing budget	0.054		
	Libraries marketing budget	0.005		
	Communications budget realignment	-0.025		
	Corporate Planning and Partnerships staff transfer	0.142		
	Casualty reduction share of cross-cutting saving CMM033	0.228		
		2.505	**0.164**	**0.197**
	NET BUDGET	**48.798**	**49.373**	**50.092**

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

	Budget Changes Forecast for 2017-20 Policy and Resources Committee Savings Reference	2017-18 £m	2018-19 £m	2019-20 £m
1	**Cash Limited Base Budget**	**-273.687**	**-269.372**	**-233.900**
2	**GROWTH**			
	Economic / Inflationary	0.518	0.558	0.597
	Demand / Demographic	0.226	0.000	0.000
	Legislative	-2.257	2.669	2.895
	NCC Policy	-2.502	6.845	0.000
	Total Growth	**-4.015**	**10.072**	**3.492**
3	**SAVINGS**			
A	Cutting costs through efficiencies	-23.473	9.074	0.290
B	Better value for money through procurement and contract management	-0.535	0.000	0.000
C	Service Redesign: Early help and prevention, working locally	0.000	0.000	0.000
D	Raising Revenue; commercial activities	-1.100	-1.200	0.000
E	Maximising property and other assets	-1.673	-1.700	-1.059
	Total Savings	**-26.781**	**6.174**	**-0.769**
4	**Base Adjustments**	**27.808**	**19.354**	**13.897**
5	**Cost Neutral Adjustments**	**7.303**	**-0.129**	**0.645**
6	**Cash Limited Base Budget**	**-269.372**	**-233.900**	**-216.635**
7	**Definitions**			
A	Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working.			
B	Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money.			
C	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	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	Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way.			

Reference	Budget change forecasts for 2017-20 Policy and Resources	2017-18 £m	2018-19 £m	2019-20 £m
	OPENING BUDGET	**-273.687**	**-269.372**	**-233.900**
	ADDITIONAL COSTS			
	Economic / Inflationary			
	Basic Inflation - Pay (1% for 17-20)	0.596	0.673	0.728
	Basic Inflation - Prices	-0.078	-0.116	-0.132
	Demand / Demographic			
	School Appeals	0.050		
	Coroners	0.165		
	Audit Scale Fee increase	0.011		
	NCC Policy			
	Increased cost of borrowing	1.450	2.500	
	Interest budgets	1.004	-0.166	
	Social Care System	0.436		
	Use of reserves: to fund social care system	-0.914		
	Transitional funding one off from 2016-17 reserve	-4.561	4.561	
	Cost of Members ICT refresh	0.050	-0.050	
	Second Homes payments to districts	0.033		
	Legislative Requirements			
	Pension revaluation	1.435	2.250	2.250
	Election May 2017	1.000	-1.000	
	Use of reserves: to fund election	-1.000	1.275	
	Apprenticeship Levy	0.806		
	Investment in redesign and transforming services (one-off)	-4.561		
	National Living Wage - NCC staff		0.144	0.645
	Insurance Premium Tax	0.025		
	Environment Agency Levy	0.038		
		-4.015	**10.072**	**3.492**
	REMOVAL OF PRIOR YEAR SAVINGS			
	D - Raising Revenue; commercial activities			
P&R023	Remove 2015-16 saving: Optimise car leasing and reduced mileage	0.300		
P&R029	Remove 2015-16 saving: Increased income from advertising	0.050		
		0.350	**0.000**	**0.000**
	SAVINGS			
	A - Cutting costs through efficiencies			
P&R049	Review of accounting treatment for notional debt repayment (MRP)	-5.216		
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		-0.625	

Reference	Budget change forecasts for 2017-20 Policy and Resources	2017-18 £m	2018-19 £m	2019-20 £m
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	
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	-0.500	-0.500	
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		-0.600	
P&R068	Insurance Fund saving (reversal of 2016-17 one-off saving)	2.000		
P&R069	Use of Organisational Change Reserve to fund Social Care system in 2016-17 (reversal of 2016-17 one-off saving)	0.478		
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		
P&R071	Use of Organisational Change Reserve in 2016-17 (reversal of 2016-17 one-off saving)	0.132		
P&R076	Insurance Fund contribution	-1.350	1.350	
P&R077	Implementation of Minimum Revenue Provision policy	-6.904	0.136	0.290
P&R078	Use of capital receipts in 17-18 to fund MRP	-6.000	4.000	
P&R080	Capitalisation of ICT costs	-0.300		
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	
	B - Better value for money through procurement and contract management			
P&R025	Corporate Banking project - move to Barclays	-0.035		
P&R072	Opportunity to deliver parts of the remaining DNA project more cost effectively - primarily around in-house data storage	-0.220		
P&R073	Change the IT equipment model - renewal and upgrade of server infrastructure	-0.280		
	D - Raising Revenue; commercial activities			
P&R030	Corporate Property Team approach to sponsorship & advertising	-0.100		
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	
P&R053	Raising revenue: a business strategy treasury management - our average return on investments is	-0.500		

Reference	Budget change forecasts for 2017-20 Policy and Resources	2017-18 £m	2018-19 £m	2019-20 £m
	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			
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		
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	-0.500	-0.500	
P&R066	Second Homes income		-0.600	
P&R074	Nplaw income growth - establishment of the Alternative Business Structure	-0.100		
P&R075	Early payment rebate project	-0.100		
	E - Maximising property and other assets			
P&R027	Reduce property costs through reducing area occupied and reducing cost per square metre	-1.430	-1.000	-1.000
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	
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	
P&R082	Release ICT lease budget no longer required	-0.243		-0.059
		-27.131	**6.174**	**-0.769**
	BASE ADJUSTMENTS			
	Funding reductions	27.822	15.665	14.511
	New Homes Bonus	0.934	1.295	0.124
	Rural Services Grant	0.762	0.737	-0.737
	Transition Grant	-0.056	1.657	
	Extended Rights to Free Travel	0.026		
	Business Rates Forecast	-1.679		
		27.808	**19.354**	**13.897**
	COST NEUTRAL ADJUSTMENTS			
	Transfer of HR & OD stationery budgets to Central Service	-0.001		
	Staff transfer to Corporate Property Team	0.032		
	2016-17 staff transfer between Customer Services and P&R	0.125		
	2016-17 transfer Business Support to Corporate Property Team	-0.018		
	Return of excess lease budget on lease termination	0.000		

Reference	Budget change forecasts for 2017-20 Policy and Resources	2017-18 £m	2018-19 £m	2019-20 £m
	Transfer of manager post from Finance Exchequer Services to Adult Mental Health	-0.054		
	Depreciation	-3.993		
	Debt Management	-0.009		
	REFCUS	12.751		
	Leases	-0.427	-0.164	-0.234
	National Consortium for Exam Results	-0.013		
	Social Care System to Adults	-0.914	0.035	0.879
	Museums marketing budget	-0.054		
	Libraries marketing budget	-0.005		
	Communications budget realignment	0.025		
	Corporate Planning and Partnerships staff transfer	-0.142		
		7.303	**-0.129**	**0.645**
	NET BUDGET	**-269.372**	**-233.900**	**-216.635**

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

Council Tax Precept 2017-18 (Council Tax Increase 4.8%)

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
2017-18 Council Tax Requirement	358.812
Less:	
Estimated Surplus on District Council Collection Funds etc.	4.497
Precept Charge on District Councils	**354.315**
Council Tax for an average Band "D" Property in 2017-18	£1,247.94 (+4.80%)
Council Tax for an average Band "B" Property in 2017-18	£970.62 (+4.80%)

Total payments to be collected from District Councils in 2017-18

District Council	Tax Base	Collection Fund Surplus / (Deficit)	Precept	Total Payments Due
	(a)	(b)	(c)	(d)
		£	£	£
Breckland	41,991.10	197,979	52,402,373	52,600,352
Broadland	45,122.00	111,143	56,309,549	56,420,692
Great Yarmouth	27,342.00	355,953	34,121,175	34,477,128
King's Lynn and West Norfolk	48,529.70	644,300	60,562,154	61,206,454
Norwich	35,067.00	1,449,836	43,761,512	45,211,348
North Norfolk	38,748.00	880,599	48,355,179	49,235,778
South Norfolk	47,120.00	857,529	58,802,933	59,660,462
Total	**283,919.80**	**4,497,339**	**354,314,875**	**358,812,214**

Council Tax Precept 2017-18 (Council Tax Increase 4.8%)

Council Tax Collection

The precept (column (c) above) for 2017-18 will be collected in 12 instalments from the District Council Collection Funds, as follows:

Payment	Date	%
1	19 April 2017	8%
2	19 May	9%
3	19 June	9%
4	19 July	9%
5	21 August	9%
6	19 September	9%
7	19 October	9%
8	20 November	9%
9	19 December	9%
10	19 January 2018	9%
11	19 February	3%
12	19 March	8%
		100%

Where a surplus on collection of 2016-17 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 2017 to February 2018 precept payments.

Where a deficit on collection of 2016-17 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 2017 to February 2018 precept payments.

2017-18 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	£831.96
B	£970.62
C	£1,109.28
D	£1,247.94
E	£1,525.26
F	£1,802.58
G	£2,079.90
H	£2,495.88

DRAFT 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. In the event that this is not sufficient, develop plans for implementation of in-year savings	June 2017
Member review of the latest financial position on the financial planning for 2018-20	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	Late 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	November / December 2017
Provisional Local Government Finance Settlement	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
Confirmation of District council tax base and Business Rate forecasts	31 January 2018
Final Local Government Finance Settlement	February 2018
Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council	Early 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	Mid-February 2018

Budget Proposals for Policy and Resources Committee Budgets 2017-18

This appendix is not relevant for the County Council paper. The original appendix is available in the Policy and Resources Committee papers:

http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/524/Committee/21/SelectedTab/Documents/Default.aspx

Unconfirmed Draft Service Committee Minutes

Adult Social Care Committee

Extract from the draft Minutes of the meeting held on Monday, 23 January 2017:

12. Strategic and Financial planning 2017-18 to 2019-20 and revenue budget 2017-18.

12.1.1 The Committee received the report outlining proposals to inform the Council's decisions on council tax and contribute towards setting a legal budget for 2017-18.

12.1.2 The Executive Director of Adult Social Services introduced the report as a reflection of national debate regarding social care and NHS funding. The proposals in the report included £25.872m to support the Adult Social Care budget, with an overall strategy focussed on enabling people to remain independent for as long as possible, but recognising the costs of provision of service and considering prioritising eligible social care need for those with substantial need, over support for the wider population.

12.2.1 During discussion the following points were raised:

12.2.2 Concerns were raised over the proposed changes to advice and advocacy services, that if generic advice services were provided, people may not receive the right support at the right time and the impact proposed changes may had on other areas such as homelessness, mental health and admissions to A&E.

12.2.3 It was clarified that funding was received directly from the NHS for pursuing NHS complaints advocacy, as indicated on page 116 of the report.

12.2.4 Discussion was held over concerns that proposed cuts to "Building Resilient Lives" may increase expenditure long term, and the possible impact this may had on young people entering adult social care.

12.2.5 A suggestion was raised that supplied equipment could be investigated as an avenue for savings through capitalisation; the Finance Business Partner for Adult Social Services clarified that equipment was supplied through a contracted service, therefore Norfolk County Council did not own the assets in order to capitalise them.

12.2.6 The Finance Business Partner for Adult Social Services clarified that the spend on day care services through the purchase of care budget was ~ £19m and the Independence Matters contract was ~£13.2m, of which a proportion was for day care services. Proposed savings to day care services would involve reviewing contracts and new ways to offer day services in the community.

12.2.7 The Executive Director of Adult Social Care clarified that work on changes to day care services would take up to 2 years through the Promoting Independence Pathway. The shape of savings shown in the report reflected the time it would take to develop savings.

12.2.8 In relation to the proposal for building resilient lives, meetings had been held with District Councils and providers, and work was underway with stakeholders to co–produce services.

12.2.9 It was suggested that Norse services could be reviewed to look for further budget savings.

12.2.10 The Finance Business Partner for Adult Social Services clarified that a recurrent £4.5m investment was proposed to support "building resilient lives", which was included within the consultation. As previously reported to members, the total reduction in spending included £1m due to the reduction in funding allocated to the Council through the Better Care Fund (BCF) in 2016/17, reflecting a total reduction of £5.5m. The Executive Director for Adult Social Care clarified that savings reported in-year due to changes to BCF had been reflected in the 17-18 budget.

12.2.11 Discussion was held on the adjustment to the charging policy regarding the Disability Related Expenditure (DRE) disregard. As part of the financial assessment of service users of non-residential adult social care services, the Council automatically applied a disregard of £15 per week to allow for DRE for all service users, whether or not they required or incurred those costs. It was estimated that people in receipt of the disregard spent between £5 and £7 per week on additional DRE. It was proposed to reduce the standard disregard to £7.50 and, as now, individuals with higher DRE could evidence additional DRE that should be taken into account.

12.2.12 This consultation would commence should the Committee agree the proposals. The proposals had arisen due to the need for the Council to propose further savings following the autumn statement, therefore it had not been possible to include in the autumn budget consultation. The consultation timetable would allow time for review of responses and submission of a report for the 20 February 2017 Council meeting.

12.2.13 Regarding the proposal for "building resilient lives", the Executive Director of Adult Social Care clarified that the consultation and agreement between partners on what should be prioritised going forward were distinct activities. As the proposed expenditure of £4.5m would be targeted at those at highest risk with an eligible social care need, he did not expect to see an increase in financial risk to the service.

12.2.14 The Acting Director of Integrated Commissioning clarified that sheltered housing currently supported around 6000 people in Norfolk, of whom 4300 were supported by NCC. The proposals in the report would leave 27 separate accommodation bases, with a £2m continued spend on housing and £1.2m on housing for young people aged 16-24.

12.2.15 The Executive Director of Adult Social Care reported that a large amount of the £25.872m investment would cover the cost of care, rather than increasing the spread of care. The investment would address demographic growth, cost of care pressures, increase to the national living wage and existing overspend; the overspend would be met partly through the use of the one-off Adult Social Care support grant, which would impact in next year's budget 2018/19.

12.2.16 It was clarified that from April to June 2016, 3031 people received floating support. Discussion was held over the potential impact of reducing these services.

12.2.17 Over 4000 people were receiving warden support; concerns were raised that the proposed cuts may cause people to move into residential care. The Executive Director of Adult Social Care recognised the value of the services, however, that Promoting Independence involved connecting people with their community, family, and personal skills to enable them to be independent for as long as possible; it was important to work alongside district council stakeholders and GPs to ensure the right level of support was in place for people when they needed it.

12.2.18 Mr J Childs wished to raise a proposal to charge peppercorn rents for empty Council buildings to support voluntary services to expand and extend their services. The Chairman felt this was an important proposal, however, it was not in the remit of the Adult Social Care Committee. The Executive Director of Adult Social Care **agreed** to take this proposal to the County Leadership Team to be directed to the correct Committee.

12.2.19 The Executive Director of Adult Social Services confirmed that through work with colleagues from Children's Services on a commissioning level it was felt that the proposed changes would not impact on the number of looked after children.

12.2.20 The Acting Director of Integrated Commissioning reported that the role and cost of wardens varied, ranging from £2.50 / £3 per week for less intensive schemes, such as a weekly phone-call, to £8 per week for more intensive schemes. Discussions would be ongoing with district councils and housing providers to plan the reductions.

12.3.1 Mrs S Whitaker felt discussions still needed to be held on how to achieve the proposed savings and that a clear plan should be in place first. Therefore she **PROPOSED**:

- to defer the savings for "Building Resilient Lives" with the proviso that ongoing discussions were held with organisations and partners so that detailed proposals could be brought to Committee with next year's budget (2018/19), and to find the £2.1m savings elsewhere in the budget.

12.3.2 Mr B Watkins seconded this proposal.

12.3.3 The Chairman asked if Mrs Whitaker had an alternative savings proposal for the £2.1m of savings. Mrs Whitaker said she did not and the Chairman replied that without an alternative savings proposal he could not support her proposal because it may put the budget at risk.

12.4.1 The Chairman moved to a vote on Mrs Whitaker's proposal:

12.4.2 With 8 votes for, 8 votes against and 1 abstention, the Chairman used his casting vote to **REJECT** the proposal.

12.5.1 With 9 votes for and 8 against:

a) The Committee **AGREED** the Committee's specific budget proposals for 2017-18 to 2019-20, including the findings of public consultation set out in Appendices 2 to 7 in respect of:

i. The budget proposals set out in Appendix 1;

ii. The new and additional savings proposals to contribute to the supplementary target of £4.000m for the Council as identified to Policy and Resources Committee in November 2016;

iii. The scope for a general Council Tax increase of up to 1.99%, within the Council Tax referendum limit of 2% for 2017-18, **noting** that the Council's budget planning was based on an increase of 1.8% reflecting the fact that there was no Council Tax Freeze Grant being offered, and that central government's assumption was that Councils would increase Council Tax by CPI every year. The Council also **proposes** to raise the Adult Social Care Precept by 3% of Council Tax as recommended by the Executive Director of Finance and Commercial Services. Bringing forward increased

in the Social Care Precept would mean that the 2% increase planned for 2019-20 would not occur.
iv. The scope for raising the Adult Social Care Council Tax precept by the maximum amount available (3%) in 2017-18 and in the subsequent year of the Medium Term Financial Strategy, 2018-19, but with no increase in 2019-20, as recommended by the Executive Director of Finance and Commercial Services
v. The use of new one-off Adult Social Care Support Grant totalling £4.197m for Norfolk

12.5.2 With 9 votes for, 7 against and 1 abstention:
b) The Committee **CONSIDERED** the findings of equality and rural assessments, attached at Appendix 8 to this report, and in doing so, **NOTED** the Council's duty under the Equality Act 2010 to had due regard to the need to:
i. Eliminate discrimination, harassment, victimisation and any other conduct that was prohibited by or under the Act
ii. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who did not share it
iii. Foster good relations between persons who share a relevant protected characteristic and persons who did not share it

12.5.3 With 8 votes for, 0 against and 9 abstentions:
c) The Committee **AGREED** any mitigating actions proposed in the equality and rural impact assessments.

12.5.4 With 9 votes for, 8 against and 0 abstentions:
d) The Committee **AGREED and RECOMMENDED** the draft Adult Social Care Committee Revenue Budget as set out in Appendix 1 for consideration by Policy and Resources Committee on 6 February 2017, to enable Policy and Resources Committee to recommend a sound, whole-Council budget to Full Council on 20 February 2017 including all of the savings for 2017-18 to 2019-20 as set out;

12.5.5 With 8 votes for, 0 against and 9 abstentions:
e) The Committee **AGREED and RECOMMENDED** the Capital Programmes and schemes relevant to this Committee as set out in Appendix 9 to Policy and Resources Committee for consideration on 6 February 2017, to enable Policy and Resources Committee.

12.5.6 The Recommendations were duly **AGREED**.

Children's Services Committee:

Extract from the draft minute of the Children's Services Committee meeting held on Tuesday 24 January 2017.

12 Strategic and Financial Planning 2017-18 to 2019-20 and Revenue Budget 2017-18.

12.1 The Committee received the report by the Interim Executive Director of Children's Services setting out proposals to inform the Council's decisions on council tax and contribute towards the County Council setting a legal budget for 2017-18 which would see its total resources of £1.4bn focused on meeting the needs of residents.

12.2 The following points were noted in response to questions by the Committee:

12.2.1 <u>CHL026 – Re-profiling of children's centre savings over the final two years of the three year savings</u>.
During the retendering process, Children's Centre providers were asked how they would like to receive payment, for example all at once, or split into instalments throughout the year.

12.2.2 The Committee questioned the monitoring carried out by the HR Shared Service on whether staff with protected characteristics were disproportionately represented in redundancy or redeployment figures. The Committee was reassured that monitoring had found there was no disproportionate impact on staff with protected characteristics and that close monitoring would continue. Any issues would be reported and appropriate action taken.

12.2.3 The £5m bid for delivery of the CS Sufficiency Strategy referred to increasing the capacity within children's homes.

12.2.4 The savings shown in table 3 (Summary of saving removals and delay) which Children's Services had been unable to achieve in 2016-17 had been removed and the funding permanently added back into the budget.

12.3 The Committee **RESOLVED** to:

(1) **Note** the Committee's specific budget proposals for 2017-18 to 2019-20, including the findings of public consultation in respect of:

- The budget proposals set out in Appendix 2 of the report.
- The new and additional savings proposals to contribute to the supplementary target of £4.000m for the Council as identified to Policy and Resources Committee in November 2016; and
- The scope for a general Council Tax increase of up to 1.99%, within the Council Tax referendum limit of 2% for 2017-18, noting that the Council's budget planning is based on **an increase of 1.8%** reflecting the fact that there is no Council Tax Freeze Grant being offered, and that central government's assumption is that Councils will increase Council Tax by CPI every year. The Council also proposes to **raise the Adult Social Care Precept by 3%** of

Council Tax as recommended by the Executive Director of Finance and Commercial Services. Bringing forward increases in the Social Care Precept will mean that the 2% increase planned for 2010-20 would not occur.

(2) **Note** the findings of equality and rural assessments, attached at Appendix 1 to the 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;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(3) **Agree** any mitigating actions proposed in the equality and rural impact assessments.

(4) **Agree** and **recommend** to Policy and Resources Committee the draft Committee Revenue Budget as set out in Appendix 2 of the report:

- including all of the savings for 2017-18 to 2019-20 as set out, together with increasing the "Refocus Education Service savings target" by £150k, to fund the Committee's decision to take no action on removing road crossing patrols, (and reversing the 2016-17 £150k budget saving decision)

For consideration by Policy and Resources Committee on 6 February 2017, to enable Policy and Resources Committee to recommend a sound, whole-Council budget to Full Council on 20 February 2017.

(5) **Agree** and recommend the Capital Programmes and schemes relevant to this Committee as set out in Appendix 3 to Policy and Resources Committee for consideration on 6 February 2017, to enable Policy and Resources Committee to recommend a Capital Programme to Full Council on 20 February 2017.

Unconfirmed Draft Service Committee Minutes

Communities Committee:

Extract from the draft minute of the Communities Committee meeting held on Wednesday 25 January 2017.

7 **Strategic and Financial Planning 2017-18 to 2019-20**

7.1 The Committee received the report by the Executive Director of Community and Environmental Services setting out proposals which would inform the Council's decisions on council tax and contribute towards the County Council setting a legal budget for 2017-18 which would see its total resources of £1.4bn focused on meeting the needs of residents.

7.2 The following points were noted in response to questions by the Committee:

7.2.1 Savings which had not been realised within other departments had been taken into account in the planning assumptions. The Executive Director of Community and Environmental Services confirmed that, in discussion with the Executive Director of Finance and Commercial Services, the proposals in the report had been signed off as being balanced and deliverable.

7.2.2 Some Members raised concern about the recommendation made by Communities Committee in May 2016 to remove £900k cuts over three years which had subsequently not been agreed by Policy & Resources Committee. Mr P Smyth proposed the following motion which was seconded by Mr M Sands:

"As the Fire Authority, the Committee should write to the Home Office Chief Fire Adviser advising that this Authority had made a recommendation that this Council had chosen to ignore in recommending removal of the cuts it proposed in December 2016".

7.2.2.1 The Committee received reassurance from the Executive Director of Community and Environmental Services and the Chief Fire Officer that Communities Committee had removed some savings after discussion with the Executive Director of Finance and Commercial Services and that ongoing dialogue continued to ensure that a robust set of services was deliverable. In addition, there was a sizeable capital investment included in this budget to help secure the longer term resilience of the Fire Service.

7.2.2.2 The Chairman advised that herself and the Vice-Chairman had attended a meeting with Peter Holland, Chief Fire Advisor who had visited Norwich recently. The Chief Fire Advisor had confirmed he was content with the way Norfolk Fire Service was performing.

7.2.2.3 The Chairman advised that the fire service would be able to work within the allocated budget, with the Chief Fire Officer confirming this, adding that safety of fire crews and the community was top priority.

7.3 Mr Smyth's proposal, which had been seconded by Mr M Sands was then put to the vote. With 9 votes in favour and 8 votes against, the Committee **agreed** to write to the Home Office Chief Fire Adviser accordingly.

7.4 In response to a question about proposal CM016 (Norfolk and Norwich Millennium Library opening times – Reduce the opening times for Norfolk & Norwich Millennium Library but install Open Plus technology to enable the ground floor to be open longer via self service), it was confirmed that this related to the £130k savings previously agreed by the Committee and that no further changes were planned.

7.5 With regard to CM22 (Libraries self-service – introduce technology (Open Plus) to enable libraries to open with self-service machines), it was clarified that the £622k was for 2018-19 and that the service was also looking at alternative ways of meeting the savings required.

7.6 Upon the recommendations being put to the vote, with 13 votes in favour, 0 votes against and 3 abstentions, the Committee **RESOLVED** to:

(1) Consider and comment on the Committee's specific budget proposals for 2017-18 to 2019-20 in respect of:

- The budget proposals set out in Appendix A (summary of new proposals) and Appendix B (list of full proposals);
- The new and additional savings proposals to contribute to the supplementary target of £4.000m for the Council as identified to Policy and Resources Committee in November 2016; and
- The scope for a general Council Tax increase of up to 1.99%, within the Council Tax referendum limit of 2% for 2017-18, noting that the Council's budget planning is based on an increase of 1.8% reflecting the fact that there is no Council Tax Freeze Grant being offered, and that central government's assumption is that Councils will increase Council Tax by CPI every year. The Council also proposes to raise the Adult Social Care Precept by 3% of Council Tax as recommended by the Executive Director of Finance and Commercial Services. Bringing forward increase in the Social Care Precept will mean that the 2% increase planned for 2019-20 will not occur.

(2) Consider the findings of the equality and rural assessment (included at Appendix D) 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;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(3) Consider and agree any mitigating actions proposed in the equality and rural impact assessment at Appendix D.

(4) Agree and recommend to Policy and Resources Committee the draft Committee Revenue Budget as set out in Appendix B:

a. including all of the savings for 2017-18 to 2019-20 as set out.

for consideration by Policy and Resources Committee on 6 February 2017, to enable Policy and Resources Committee to recommend a sound, whole-Council budget to Full Council on 20 February 2017.

(5) Agree and recommend the Capital Programmes and schemes relevant to this Committee as set out in Appendix C to Policy and Resources Committee for consideration on 6 February 2017, to enable Policy and Resources Committee to recommend a Capital Programme to Full Council on 20 February 2017.

Unconfirmed Draft Service Committee Minutes

Environment Development and Transport Committee

Extract from the draft Minute of the meeting held on Friday, 27 January 2017:

11. Strategic and Financial Planning 2017-18 to 2019-20 and Revenue Budget 2017-18

11.1.1 The Committee received the report setting out proposals to inform the Council's decisions on council tax and contribute towards the County Council setting a legal budget for 2017-18, which saw its total resources of £1.4 billion focused on meeting the needs of residents.

11.1.2 The Executive Director of Communities and Environmental Services introduced the report to the Committee; it had been necessary to identify a further £4m savings from the budget. To support towards these savings, a target of £100,000 of income revenue generation from Scottow Enterprise Park had been identified to go into the Environment, Development and Transport general fund. In addition, £0.5m from the Better Broadband for Norfolk reserve fund had been identified to be put in to the general fund. He highlighted the investment going into Childrens and Adults Services next year 2017/18, and that the Environment, Development and Transport budget proposals outlined modest savings which protected frontline services for Environment Development and Transport.

11.1.3 In addition to the revenue budget on p34 of the report, there were significant additional capital investments were proposed for highways, household waste recycling centres and Scottow Enterprise Park.

11.2.1 The Chairman **PROPOSED** that Officers look into the working up of a Local Members' highways budget of £500,000 to be equally distributed among all 84 Councillors, which would be ~£6000 each, to use for highways projects within their division, and for a report with proposals to be brought to the next Committee meeting on the 17 March 2017.

11.2.2 Mr White seconded this proposal.

11.2.3 Members discussed the proposal, either speaking in favour of the proposal, or in favour of the principle of the Local Members' budget, as it would allow them to work to benefit constituents on issues in their local division. Some members were mindful of the need to see proposals and clear criteria before making a decision.

11.2.4 The Executive Director of Communities and Environmental Services reported that if a Local Members' fund was to be built into next year's budget, 2017/18, it would need to be written into a budget line, and suggested that that £0.5m could be retained against the Department of Transport challenge fund, subject to the decision of the Committee. If the proposal was agreed he would bring the draft set of proposals to the Spokesperson's meeting prior to the March Committee meeting, and clarified that the fund would have to be used for capital highways work.

11.2.5 With 16 votes for, 0 against and 1 abstention the Committee **AGREED** the proposal that Officers look into the working up of a Local Members' highways budget of £500,000 to be equally distributed among all 84 Councillors, which would be ~£6000 each, to use for highways projects within their division, and for a report with proposals to be brought to the next Committee meeting on the 17 March 2017.

11.3.1 Concern was raised about the impact of reducing the Economic Development fund.

11.3.2 It was queried whether the spend related to capitalisation of recycling centres could be extended to other areas in the future.

11.4.1 Mr Plant **proposed** that from the £1m flood mitigation measures fund, £100,000 was put towards mitigating flood risks in coastal areas.

11.4.2 This was seconded by Mr Bird.

11.4.3 The Executive Director of Communities and Environmental Services highlighted that the Council was not a coastal defence authority.

11.4.4 Clarification was requested on the £1m flood mitigation measures fund; the Executive Director of Communities and Environmental Services reported that this fund was for match funding of grants from environmental agencies and private bodies towards flood mitigation measures. The Head of Planning reported that it was related to highways drainage assessment investment and was targeted at market towns such as Watton, the Downhams, and Thetford, among others, to protect them from flood risk in the future.

11.4.5 Mr Plant clarified that his proposal would be for match funding to mitigate risks related to surface water flooding from rainwater seen in coastal areas.

11.4.6 With 16 votes for, 0 against and 1 abstention the Committee **AGREED** the proposal that from the £1m flood mitigation measures fund, £100,000 was put towards mitigating flood risks in coastal areas related to surface water flooding from rainwater.

11.5 The Committee:

(1) **CONSIDERED** the Committee's specific budget proposals for 2017-18 to 2019-20 in respect of:

- The budget proposals set out in Appendix A (summary of new proposals) and Appendix B (list of full proposals);
- The new and additional savings proposals to contribute to the supplementary target of £4.000m for the Council as identified to Policy and Resources Committee in November 2016; and
- The scope for a general Council Tax increase of up to 1.99%, within the Council Tax referendum limit of 2% for 2017-18, **NOTING** that the Council's budget planning was based on an increase of 1.8% reflecting the fact that there was no Council Tax Freeze Grant being offered, and that central government's assumption was that Councils would increase Council Tax by CPI every year. The Council also proposes to raise the Adult Social Care Precept by 3% of Council Tax as recommended by the Executive Director of Finance and Commercial Services. Bringing forward increase in the social Care Precept would mean that the 2% increase planned for 2019-20 would not occur.

(2) **CONSIDERED** the findings of the equality and rural assessment (included at Appendix D) and in doing so, **NOTED** the Council's duty under the Equality Act 2010 to had due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that was prohibited by or under the Act;

- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who did not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who did not share it.

(3) **CONSIDERED** any mitigating actions proposed in the equality and rural impact assessment at Appendix D;

(4) **AGREED and RECOMMENDED** to Policy and Resources Committee the draft Committee Revenue Budget as set out in Appendix B including all of the savings for 2017-18 to 2019-20 as set out.

For consideration by Policy and Resources Committee on 6 February 2017, to enable Policy and Resources Committee to recommend a sound, whole- Council budget to Full Council on 20 February 2017.

(5) **AGREED and RECOMMENDED** the Capital Programmes and schemes relevant to this Committee as set out in Appendix C to Policy and Resources Committee for consideration on 6 February 2017, to enable Policy and Resources Committee to recommend a Capital Programme to Full Council on 20 February 2017.

Unconfirmed Draft Service Committee Minutes

Policy and Resources Committee

Extract from the draft Minute of the meeting held on Monday, 6 February 2017:

7 **Strategic and Financial Planning 2017/18 to 2019/20**

7.1 The Committee received a report by the Leader of the County Council that explained the context for the last revenue and capital budget of the County Council before the elections in May 2017 including the implications for Council Tax and for investing in the Council's priorities for the period to 2019/20. The Leader said the proposed budget placed the Council's responsibility to vulnerable people at its heart, with £25m of extra money for Adult Social Care and an extra £9m for Children's Services.

7.2 **RESOLVED**

That the Policy and Resources Committee:

Note the report.

8 Revenue and Capital Budget 2017-18

8.1 **Strategic and Financial Planning 2017-18 to 2019-20 and Revenue Budget 2017-18**

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

8.1.2 The Committee received a report by the Executive Director of Finance and Commercial Services that set out the overall direction of travel for strategic and financial planning for 2017-18 to 2019-20 and provided the detailed financial information to support the Committee's proposed Revenue Budget and Council Tax recommendations.

8.1.3 Mrs A Thomas commended the officers for their hard word in compiling a very comprehensive budget report that was rooted in strong financial management. She said the report set out a budget strategy that was built to last and put in place a strong foundation for savings in future years.

8.1.4 In the ensuing debate the following key points were made:

- Approximately half of the money received from second home council tax went directly into the County Council's general fund.
- The larger share of the Better Broadband Reserve (that stood at £500,000) was earmarked to be spent in future years on the staffing required to deliver the objectives of the Better Broadband programme but is now no longer required for that purpose.
- At the request of the Committee, public information regarding the business rate receipts in Norfolk would be collected from the City, Borough and District Councils. A briefing note on the matter would be made available to all Members of the County Council in due course.

- With specific reference to reference P&R077, it was pointed out that the revenue saving from the implementation of the Minimum Reserve Provision policy was likely to be fully achieved by the end of 2016/17.
- Capital funding was being used to deliver parts of the remaining DNA project (reference P&R 072) in the most cost effective manner, primarily around in-house data storage. There continued to be opportunities to integrate DNA and ICT infrastructure programmes.
- It was noted that more fuller explanations given in the meeting in answer to Members detailed questions about progress in achieving the planned implementation of the P&R budget savings (and in particular P&R 050, P&R 051 and P&R 064) would be included in future budget monitoring reports.
- Additional information about how it was planned to achieve some of the budget savings identified for Policy and Resources for 2017 to 2020 could also be found in the report on delivering financial savings (at page 291 of the agenda).
- With regard to saving CHL017, it was pointed out that there was a long term saving to be achieved from reducing the number of social workers used by the County Council who worked for employment agencies. The right mix of staff between agency social workers and permanent staff would be achieved with time as more social workers completed their social worker training courses and became qualified.
- Attention was drawn to reference ASC006 and the importance of the Promoting Independence- Customer Pathway to the social care budget in reducing the number of service users receiving care in a residential setting.
- Attention was also drawn to the implementation of the MRP policy which had started to have a very positive impact on the future annual revenue cost of prudential borrowing.
- It was pointed out that in future years an annual sum would be added to reserves to fund County Council elections. This would mean that the costs of elections were spread out evenly over the term of the next County Council.

8.1.5 Mrs A Thomas moved, duly seconded by Mr B Stone, that the following additional words be added to the end of recommendation 5 (a) in the report:

"…***subject to the delay of the proposed saving ASC021 (recommissioning of information advice and advocacy services) to transfer the planned saving of £0.063m from 2017-18 to 2018-19***. ***The delay of this saving to be funded by reducing inflationary pressures within the Adult Social Care Committee's budget."***

8.1.6 A minority of Members were of the view that the motion placed on the table should have come forward from the Adult Social Care Committee and that the Committee should look to delay making this saving for two years rather than one year. It was noted that the Chairman of the Adult Social Care Committee had given his apologies for absence for today's meeting.

8.1.7 The Executive Director of Finance and Commercial Services confirmed that the saving of £0.063m could be funded in the way described in the motion but stressed that it would not be financially prudent to look to fund other budget savings in a similar way.

8.1.8 On being put to the vote there were 14 votes in favour of the motion, 0 votes against and 3 abstentions whereupon it was **RESOLVED accordingly.**

8.1.9 **It was then RESOLVED**

That the Policy and Resources Committee:

1. **Note the specific recommendations for budgets and savings proposals relating to Policy and Resources Committee's own budgets as set out in Appendix F to the report.**
2. **Note the statements regarding the robustness of budget estimates, and risks to the 2017-18 budget, set out in section 6 of the report and the separate report on the Robustness of Estimates elsewhere on the agenda.**
3. **Note the feedback from Service Committees including the proposals for additional savings, and the further changes required to deliver a balanced budget as set out in the report.**
4. **Note the findings of equality and rural assessments, linked at Appendix H(ii) to the 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;
   • 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 £358.812m for 2017-18, including budget increases of £93.741m and budget decreases of £73.889m as set out in Table 11 of the report, and the actions required to deliver the proposed savings subject to the delay of the proposed saving ASC021 (recommissioning of information advice and advocacy services) to transfer the planned saving of £0.063m from 2017-18 to 2018-19. The delay of this saving to be funded by reducing inflationary pressures within the Adult Social Care Committee's budget.
   (b) The budget proposals set out for 2018-19 to 2019-20, including authorising Chief Officers to take the action required to deliver budget savings for 2018-19 to 2019-20 as appropriate.
   (c) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2018-19 to 2019-20 are developed and brought back to Members during 2017-18.
   (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 the assumptions that:
      I. the Council's 2017-18 budget will include a general Council Tax increase of 1.8% and a precept of 3% for Adult Social Care, and overall increase of 4.8% (shown at Appendix D to

the report) 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 for CPI in line with Government assumptions as set out in the Spending Review 2015, plus an increase of 3% for Adult Social Care in 2018-19 but 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 2017-18 Budget, to make payments, to raise and repay loans, and to invest funds.

(f) That allocations of Transition Grant and Rural Services Delivery Grant totalling £4.561m and held in the 2016-17 Budget to address business risk, be carried forward and used to help ameliorate the level of savings required in 2017-18 (as recommended by this Committee in October 2016).

(g) To agree the Medium Term Financial Strategy 2017-20 as set out in Appendix I, including the two policy objectives to be achieved:

I. Revenue: To identify further funding or savings for 2018-19 and 2019-20 to produce a balanced budget in all years 2017-20 in accordance with the timetable set out in the Revenue Budget report (Appendix E).

II. Capital: To support the proposed long-term strategy to invest in the Council's assets while minimising the impact on the revenue budget.

(h) The mitigating actions proposed in the equality and rural impact assessments (Appendix H (I) of the report).

8.2 **County Council Budget 2017-18 to 2019-20: Statement on the Adequacy of Provisions and Reserves 2017-20**

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

8.2.2 The Committee received a report by the Executive Director of Finance and Commercial Services that detailed the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2017-20. The report included 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.

8.2.3 **RESOLVED to recommend to County Council:**

a. To note the planned reduction in non-schools earmarked and general reserves of 46.8% over three years, from £87.569m (March 2016) to £46.606m (March 2020) (paragraph 5.2 of the report);

b. To note the policy on reserves and provisions in Appendix C to the report;

c. To agree, based on current planning assumptions and risk forecasts set out in Appendix D to the report:
   I. for 2017-18, a minimum level of General Balances of £19.252m, and
   II. a forecast minimum level for planning purposes of • 2018-19, £22.978m; and • 2019-20, £23.568m.
   as part of the consideration of the budget plans for 2017-20, reflecting the transfer of risk from Central to Local Government, and supporting recommendations;

d. To agree the use of non-school Earmarked Reserves, as set out in Appendix E to the report;

e. To agree that the Executive Director of Finance and Commercial Services further reviews the level of the Council's Reserves and Provisions as part of closing the 2016-17 accounts in June 2017. This review will seek to identify £5.734m of earmarked reserves that can be released in 2017-18 to support the Children's Services budget. In the event that sufficient funding from reserves cannot be found, the Executive Director of Finance and Commercial Services will consider the need for additional in-year savings to be sought across the organisation to support the Children's budget.

8.3 **County Council Budget 2017-18 to 2019-20: Robustness of Estimates**

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

8.3.2 The Committee received a report by the Executive Director of Finance and Commercial Services that provided an analysis of the robustness of the estimates used in the preparation of the County Council's budget which was reported elsewhere on the agenda.

8.3.3 **RESOLVED to recommend to County Council:**

To agree the level of risk and set of assumptions set out in the report, which underpin the revenue and capital budget decisions and planning for 2017-20.

8.4 **Capital Strategy and Programme 2017-20**

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

8.4.2 The Committee received a report by the Executive Director of Finance and Commercial Services that presented the proposed capital strategy and programme for 2017-20 including information on the funding available to support the programme.

8.4.3 The Committee's attention was drawn to Appendix B on page 175 of the agenda and the proposed change in the phasing of the expenditure for the delivery of the Children's Services Sufficiency Strategy (with the overall expenditure remaining unchanged) that would have to be reported back to the Children's Services Committee for their detailed consideration.

8.4.4 **RESOLVED:**

That the Policy and Resources Committee:

1. **agree the proposed 2017-20 capital programme of £361.888m;**
2. **refer the programme to the County Council for approval, including the new and extended capital schemes outlined in Appendix B to the report;**
3. **agree the Capital Strategy at Appendix D to the report as a framework for the prioritisation and continued development of the Council's capital programme;**
4. **agree to recommend to the County Council the Minimum Revenue Provision statement attached at Appendix E to the report;**
5. **agree to recommend to the County Council the Prudential Indicators in Appendix F to the report;**
6. **note capital grant settlements summarised in Section 4 of the report;**
7. **note the estimated capital receipts to be generated over the next three years and beyond to support those schemes not funded from other sources, as set out in Table 6 of the report.**

8.5 **Annual Investment and Treasury Strategy 2017-18**

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

8.5.2 The Committee received a report by the Executive Director of Finance and Commercial Services that in accordance with regulatory requirements, presented the Council's investment and borrowing strategies for 2017-18, including the criteria for choosing investment counterparties.

8.5.3 **RESOLVED to endorse and recommend to County Council:**

The Annual Investment and Treasury Strategy for 2017-18, including the treasury management Prudential Indicators detailed in Section 8 of the report.

Mitigating Actions for budget proposals 2017-2018

Policy & Resources Committee

(i) Note the potential impact of an increase in Council Tax on people with protected characteristics and in rural areas, as set out in the report at Appendix H(ii);

(ii) Continue to integrate accessibility across Digital Norfolk Ambition (DNA) and ICT infrastructure programmes, officers to report six monthly on progress to the Council's Strategic Equality Group.

Adult Social Care Committee

- **Remodelling information, advice & advocacy services (ASC021)**
- **Building resilient lives, reshaping our work with people of all ages requiring housing related support to keep them independent (ASC016-19)**

(i) Work with providers and service users (including service users in rural areas) to develop a new service specification that addresses the issues raised in the equality and rural assessment. Providers and service users representing older and disabled people, including but not limited to Blind and visually impaired people, Deaf and Hearing impaired people, people with reduced mobility, people with learning difficulties and people with mental health issues, as well as other disabilities, must be included.

(ii) When the new service model is developed, a further equality/rural assessment should be undertaken to examine whether it will inadvertently disadvantage or exclude any disabled or older people, or people in rural areas, so that every opportunity can be taken to find ways to mitigate or address this.

(iii) In the event that the revised assessment identifies any significant detrimental impact that it is not possible to mitigate, the proposed service model should be brought back to decision-makers for consideration, so that every opportunity can be taken to address this, prior to the model being adopted.

(iv) Ensure effective transition plans are established for service users who may be affected by the proposals.

- **Proposal to change the amount the Council allows for disability related expenditure from £15 a week to £7.50 a week**

(i) If the proposal goes ahead, contact all service users affected by the proposal, to offer guidance and advice on any steps they need to take if their disability expenditure exceeds £7.50 per week. This will include how to ask for a review, and the type of evidence that is required, to enable all their individual needs to be taken fully into account.

(ii) 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 requesting a review as they worry that current entitlements may lessen or be withdrawn.

(iii) Where the review highlights any potential financial austerity for service users, offer appropriate budget planning or other relevant support to make sure people are spending as effectively as possible, and ensure transition plans are established.

(iv) Ensure that service users with learning difficulties or any of the other disabilities highlighted in the assessment have appropriate support in place to maintain paperwork/make judgements about expenditure and are not disadvantaged.

(v) Ensure that there is sufficient capacity within the information and advice system to support affected service users through the process.

- **Remodel contracts for support to mental health recovery (ASC020)**
- **Home care commissioning (ASC024)**

(i) Work with service users (including service users in rural areas) to develop a commissioning specification that addresses the issues highlighted in the equality and rural assessment.

(ii) Ongoing review of proposals put forward by providers in the competitive dialogue process to ensure equality and rural considerations are addressed and the equality/rural assessment is updated accordingly and any mitigating actions identified and adopted.

(iii) In the unlikely event that the revised assessment identifies any detrimental impact, it will be brought back to decision-makers for consideration before the final Invitation to Tender is issued.

(iv) Ensure equality and rural access considerations are incorporated in the final documentation issued for the tender process.

<u>Children's Services Committee</u>

Review Early Help Services (CHL040)

(i) If the proposal to review Early Help goes ahead, at an appropriate stage when more information is known, a further equality/rural assessment should be carried out to identify any potential impacts to (a) enable decision-makers to assess these before moving forward, and (b) enable any mitigating actions to be developed, if needed.

(ii) 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.

(iii) Where business process re-engineering across the authority impacts on 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.

Communities Committee

(i) Ensure maximum possible accessibility for disabled people in the re-design of the website team.

(ii) Officers to identify potential opportunities for maximizing accessibility for disabled and older people across Communities Committee services, and bring a report to Strategic Equality Group proposing possible options. The advice of Strategic Equality Group on these potential options will be provided to Communities Committee for consideration.

(iii) 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.

(iv) Where business process re-engineering across the authority impacts on 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.

Environment, Planning & Development Committee

(i) Officers to identify potential opportunities for maximizing accessibility for disabled and older people across EDT services, and bring a report to Strategic Equality Group proposing possible options. The advice of Strategic Equality Group on these potential options will be provided to EDT Committee for consideration.

(v) 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.

(vi) Where business process re-engineering across the authority impacts on 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.

ANNEXE 1: 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.

Equality Impact Assessment:
Mitigating Actions for budget proposals 2017-2018

The findings have been made available electronically due to the size of the document. Following the County Council Meeting this appendix document will be transferred to the Council's meeting paper site:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/444/Committee/2/SelectedTab/Documents/Default.aspx

Norfolk County Council: Medium Term Financial Strategy 2017-20

1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) 2017-20 replaces the Medium Term Financial Strategy 2016-20.

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[4] 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. These allocations mean greater certainty in budget planning, but nonetheless the County Council faces significant reductions in Government funding in all three remaining years of the offer to 2019-20. At the time of preparing this Medium Term Financial Strategy, considerable uncertainty remains about the likely impact of the Government's plans for 100% retention of business rates by local government.

1.3. 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.

1.4. 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.

2. National Factors

2.1. In the Autumn Statement 2016, the new Chancellor of the Exchequer, Philip Hammond, set out plans intended to tackle the economy's long-term weaknesses and to ensure that it is resilient as the country exits the EU[5]. The Chancellor also stated that the economy has "bounced back from the depths of recession" and is this year predicted by the IMF to be the fastest growing major advanced economy in the world. In this context, the Chancellor confirmed the government's "commitment to fiscal discipline," which will ultimately mean that funding for local authorities will remain under pressure over the life of the parliament.

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[4] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en
[5] https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech

2.2. In its Economic and Fiscal Outlook[6] published November 2016, the Office for Budget Responsibility (OBR) reported that the government is no longer on course to balance the budget during the current Parliament. In addition public sector borrowing is expected to reduce more slowly than previously forecast, mainly as a result of weak tax receipts and a lower outlook for economic growth. The OBR forecast in the Economic and Fiscal Outlook for GDP growth for the UK is 2.1% in 2016, 1.4% in 2017, 1.7% in 2018 and 2.1% in 2019 and 2020. Average earnings growth has been revised down and alongside higher forecast inflation this means a year on year fall in real earnings is expected in the second part of 2017. As a result there will be a return of pressure on disposable income and living standards. 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.

Impact of the referendum result on the European programmes that Norfolk County Council are involved in

2.3. The decision taken 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.

2.4. 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)
- Agricultural support via the common agricultural policy (for example, subsidies for farmers; grants for rural economic growth)

2.5. 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 applicants waited for further news before taking the decision to apply for EU funds.

2.6. 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

[6] *Economic and Fiscal Outlook*, November 2016, Office for Budget Responsibility: http://budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-november-2016/

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.

2.7. 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').

2.8. Since the referendum, we have begun preparing our 'ask' for successor funding schemes, and have been asked by the LGA Brexit Sounding Board to put forward our proposals.

2.9. Our key ask for future funding schemes is:

> **"The UK government should replace EU funding with a national successor scheme delivered locally which maintains the current global value and is index linked."**

2.10. This ask is underpinned by the following framework for any future schemes:

1) A funding scheme of the same value and index linked;
2) Simplified schemes;
3) Decision-making delegated to local areas with the ability to prioritise schemes; and
4) Schemes of economic impact and environmental support.

Government policy and economy forecasts

2.11. 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. During the last Parliament, the National Audit Office estimates that Local Government's core funding fell by 37%[7], while the 2015 Spending Review announced that the Local Government Departmental Expenditure Limit (LG DEL), which includes Revenue Support Grant from central government was planned to decrease by 56% in real terms, although this was expected to be offset in part by increased Business Rates and Council Tax. At that time the Government anticipated overall local government spending to rise by £0.2bn in cash terms (from £40.3bn in 2015-16 to £40.5bn in 2019-20), representing a total real terms decrease of 6.7%, based on original inflation forecasts. Alongside the provisional settlement, in December 2016 the Department for Communities and Local Government (DCLG) published an update to its preferred measure of illustrative core spending power, which suggests that Norfolk's spending power will reduce by 0.5% in cash terms in

[7] The Impact of Funding Reductions on Local Authorities, November 2014, National Audit Office: https://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/

2017-18. This represents a real terms reduction of around 2.9% when the OBR's latest inflation forecasts are taken into account.

2.12. The Bank of England's Monetary Policy Committee (MPC), cut Bank Base Rate from 0.50% to 0.25% on 4th August 2016[8]. Based on current trends, it appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. Both investment earnings rates and new borrowing rates remain low by historical standards.

2.13. 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 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 2017-18.

2.14. 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 Retail Price Index (RPI) or the Consumer Price Index (CPI), meaning these rates will impact on the Council's budget setting activity and medium term planning. In 2016[9], CPI was 0.7% overall, rising towards the end of the year. It reached its highest in December (1.6%) and was at its lowest in January, February, April and May (0.3%). RPI for the year was 1.7%, at its highest (2.5%) in December and at its lowest in January, February and April (1.3%). Details regarding how inflationary increases within identified cost pressures have been calculated are included within the robustness of estimates report.

2.15. 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 set out the challenges facing health and social care services over the next five years. By 2021 the Norfolk and Waveney STP[10] 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.

2.16. During 2016-17, Norfolk County Council incurred a reduction of £7.9m in the funding allocated to social care by the Norfolk Clinical Commissioning Groups within the total Better Care Fund for Norfolk. This led to negotiations to minimise the impact on social care, with a three year Section 75 agreement put in place for the Protection of Social Care. As part of addressing this funding reduction

[8] http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp
[9] https://www.ons.gov.uk/economy/inflationandpriceindices
[10] http://www.healthwatchnorfolk.co.uk/ingoodhealth/

on an ongoing basis, the Adult Social Care budget includes additional savings of £3.3m from April 2017.

2.17. From 2017-18 the Government is providing funding to Local Government via an "Improved Better Care Fund", rising to £1.5bn by 2019-20. The Council's budget planning makes no assumptions of additional legislative requirements related to this funding in the first year 2017-18, which amounts to £1.9m, however further requirements are assumed for future years. In the event that these do not arise, the budget pressures for 2018-19 and 2019-20 can be reduced.

2.18. The **Local Government Finance Bill** 2017[11] introduces a number of legislative changes which will have an impact on local authority finance in future years. These include:

- Providing the framework for 100% retention of business rates (discussed in further detail in the Business Rates section below);
- Replacing the annual local government settlement with a multi-year settlement (including making provision to allow council tax referendum principles to be set for multiple years);
- Various changes to Business Rates relating to arrangements for setting the multiplier, discounts, reliefs, and billing (including giving local authorities powers to reduce the multiplier and changes to rural rate relief to ensure small rural businesses have access to the same level of reliefs as those in urban areas).
- Changes to rules for supplements with powers for mayoral combined authorities to impose a levy to fund economic development projects.

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 the next general election in 2020. The most recent Autumn Statement in November 2016 confirmed that the new Government, under Theresa May, would continue to follow the spending plans set out in 2015.

3.3. The Autumn Statement 2016 confirmed that the government would continue to follow the spending plans set out in the 2015 Spending Review, but signalled a "reset" of government economic policy in that the target of a budget surplus to be achieved by 2020 was pushed back into the next parliament. The

[11] http://services.parliament.uk/bills/2016-17/localgovernmentfinance/documents.html

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 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). In 2016-17 these allocations saw the council lose **£37.125m** from the Settlement Funding Assessment (SFA). Over the period 2017-18 to 2019-20 they reflect further planned reductions in SFA totalling **£56.832m**.

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 **£217.748m**.

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. The Council's ambition is for everyone in Norfolk to succeed and fulfil their potential. This is supported by four priorities, set out within the County Council Plan[12] adopted by Full Council on 25 July 2016, which are core commitments to the local community which go beyond statutory responsibilities and avoid retreating to minimum levels of service. The council aims for:

- **Excellence in education** – working for a well-educated Norfolk where people are prepared for real jobs with good wages and prospects.
- **Real jobs** – making Norfolk a place where businesses are able to grow or want to relocate to, because we are so well connected.
- **Improved infrastructure.**
- **Supporting vulnerable people** – including helping people earlier before their problems get too serious.

[12] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/corporate/county-council-plan.pdf?la=en

4.3. The County Council Plan 2016-19 includes a set of whole-council improvements which will be critical to the overall strategic direction of the council and delivery of the four priorities. Based on a principle of **one public service**, the council will seek to redesign its services around people's lives, achieving better outcomes by working closely with public sector partners and local communities. Delivery of these improvements will require a smaller, leaner council focussed on:

- Ruthlessly driving out costs and being more commercial;
- Getting better value for money and understanding the real cost of services; and
- Reducing demand by enabling communities, helping people earlier and improving online services.

4.4. This Medium Term Financial Strategy has been developed to support work to ensure that the Council's budget of £1.4bn is spent to best effect for Norfolk people.

4.5. 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

4.6. Norfolk's population is an estimated 885,000 in mid-2015 – an increase of around 7,300 on the previous year.

4.7. Over the decade from 2005, Norfolk's population has increased by 7.6%, compared with an increase of 9.2% in the East of England region and 8.3% in England.

4.8. Over the decade in terms of broad age groups, numbers of children and young people in the county (aged 0-17) increased by around 4,400; numbers of working age adults (aged 18-64) increased by around 16,500; and numbers of older people (aged 65 and over) increased by around 41,100 (24.5%).

4.9. The estimates for mid-2015 confirm that Norfolk's population has a much older age profile than England as a whole, with 23.6% of Norfolk's population aged 65 and over, compared with 17.7% in England.

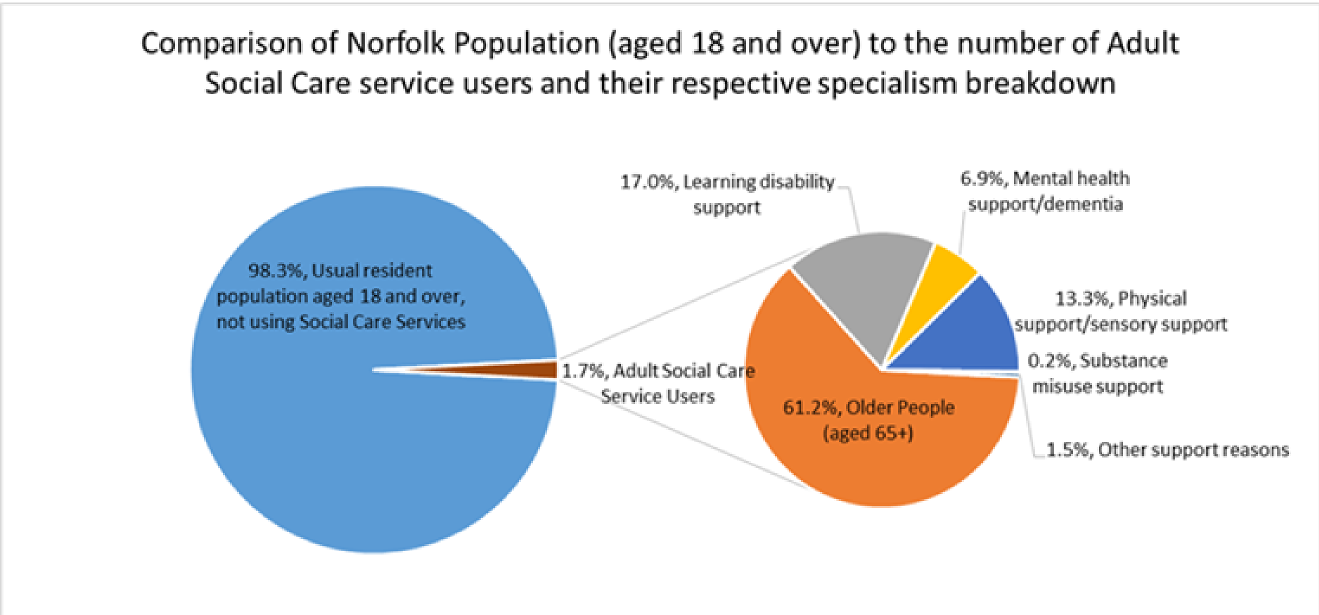
4.10. The ONS 2014-based population projections are trend-based, and on this basis over the next decade there is projected growth of around 60,800 people in Norfolk – this is an increase of 6.9% which is below both the national projected increase of 7.5% and the East of England projected increase of 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.

4.11. Looking further ahead to 2039, there is projected growth of around 137,700 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%.

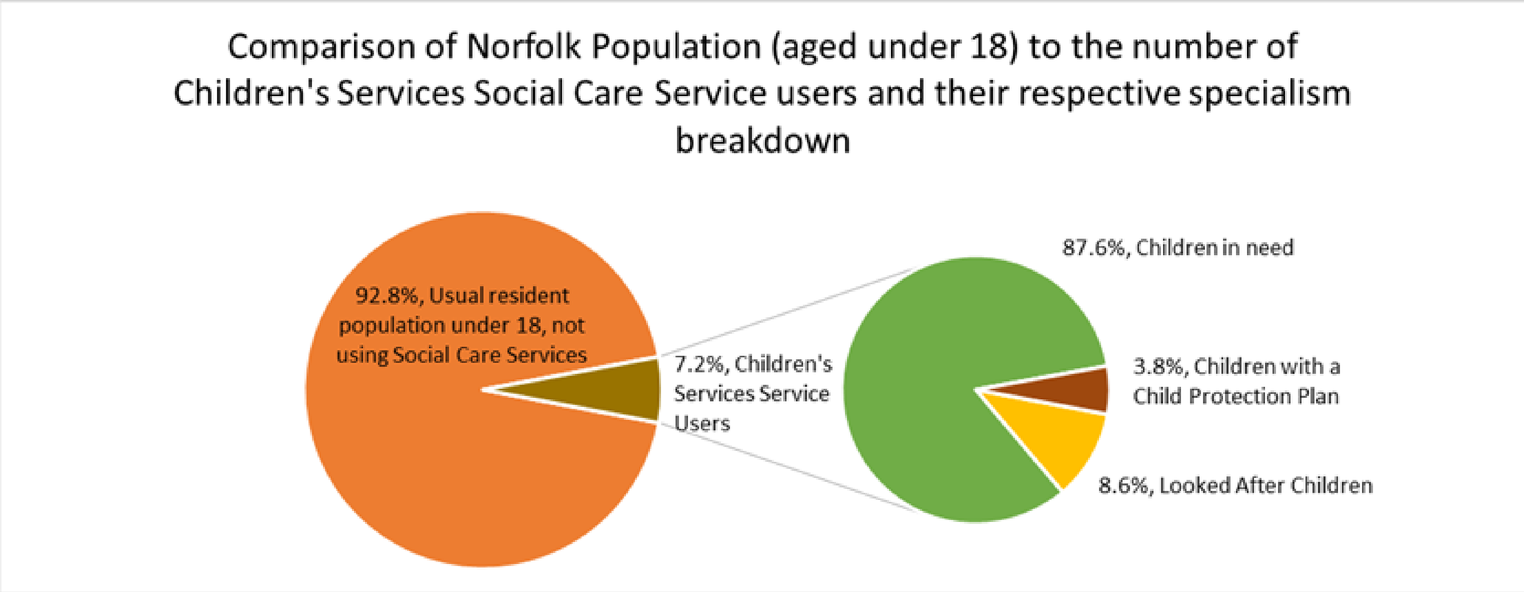
4.12. For both timescales, the largest increase in numbers is projected to be in South Norfolk, and the smallest increase in numbers is projected to be in Great Yarmouth. Norfolk's population is projected to exceed one million by 2036.

4.13. Further demographic information is provided below.

Adults Demographic Information



Children's Demographic Information



Population data from mid-2015 ONS estimates, service data all 31/03/16.

Local Economy

4.14. 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.

4.15. 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, and the decision by the Secretary of State for Communities and Local Government to withdraw the Norfolk and Suffolk devolution offer are both likely to have an impact on growth in the local economy. In addition, 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 and the reductions to Revenue Support Grant.

Devolution

4.16. The Council's focus for the last 15 months has been to secure a devolution deal for Norfolk and Suffolk. The devolution negotiations started in September 2015, with all Norfolk Councils submitting an expression of interest, which led to the 12 participating Councils considering whether to consent to the Order before 24 November 2016. King's Lynn and West Norfolk Borough Council voted to withdraw from the process and as a result of this decision the Secretary of State wrote to the Norfolk and Suffolk authorities to take the devolution deal off the table.

4.17. The focus of the deal was to accelerate growth in the local and national economy, at the same time as improving the life chances and quality of life for every resident in Norfolk and Suffolk.

4.18. In the light of the withdrawal of the devolution deal, work has started to refocus our collective efforts to consider how we now deliver the ambitions and challenges articulated in the deal.

4.19. The economic growth agenda remains a national priority. A number of initiatives are in the pipeline nationally which the County Council will work to shape and influence:

- **the Industrial Strategy -** the process by which the Industrial strategy will be developed is unclear. Business Energy Industrial Strategy Civil servants have indicated that a "discussion note" will be published in the next few weeks covering, sectors, areas of strength, weakness and how that is reflected through"place".
- **the Infrastructure Commission**. The Commission "is a permanent body which will provide the government with impartial, expert advice on major long-term infrastructure challenges." In the Charter, the Commission commits to delivering "a National Infrastructure Assessment" (NIA) once in every Parliament, setting out the Commission's assessment of long-term infrastructure needs with recommendations to the government." The Commission proposes to formally consult on its Vision and Priorities document in summer 2017.
- **100% business rates retention**. Government see this as a key tool for local authorities to achieve financial sustainability, and an incentive for authorities to support business growth to grow the business rates pool. It is due to come into effect in 2020.

4.20. The development of the Strategic Economic Plan (SEP) led by the LEP will need to take into account the national drivers, and it will be crucial that Norfolk's priorities are well understood and articulated through the SEP.

Ecology: Waste

4.21. The County Council is responsible for dealing with the left over rubbish 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.

4.22. The amount of residual waste in 2016-17 is currently projected to be around 214,000 tonnes, an increase of around 2,000t from the previous year and in line with increases observed outside Norfolk. This reflects a combination of increases in household numbers, consumer confidence and an upturn in the economy which all tend to increase the amount of waste generated, along with weather patterns during the year that have led to additional garden waste.

4.23. The long term trends for household numbers in Norfolk as well as effects of the general economy, consumer confidence and weather patterns remain 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.

4.24. 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.

4.25. 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

4.26. 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.

4.27. 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. 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 £1.246m in 2015-16 (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).

4.28. The council's budget for flood water management activity has been increased in 2017-18 to reflect additional (unringfenced) funding in the Provisional Local Government Settlement. The additional budget would be used to fund 2-4 posts that would deliver drainage and flood risk statutory consultee responses to districts' planning applications and support flood investigation work following any major flooding incidents. Recruitment for posts will begin as soon as the budget is confirmed.

5. Organisational factors

Organisational structure and governance changes

5.1. The County Council has implemented changes to the organisation's senior management structure as approved by the Council at its meeting 12 December 2016. The 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 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 results of the elections in May 2013 saw the Authority moving from a Conservative controlled authority to an authority where no party had overall control. Following agreement by the County Council on 25 November 2013, a Committee system of governance was implemented to replace the previous Cabinet system. The Council's senior management structure is aligned to the Committee structure. The 2017-18 budget represents the third year for which the budget has been considered under the Committee system. Full County Council elections are due to be held in May 2017.

The Sustainability and Transformation Programme (STP)

5.3. 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.

5.4. 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 over the next five years we would incur a collective £440m funding gap.

5.5. 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
- Reducing the pressure on hospitals

5.6. The Council's 2016-21 budget plans for adult and children's' social care and public health are reflected in the STP five year plan, which will continue to be updated to reflect new contracts across health organisations and the Council's revised budget plans. The Better Care Fund will align to the STP plans from 2017-18.

5.7. 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 joint bids have been submitted, some of which will support joint programmes of work such as Transforming Care Plans.

Children's Services response to Ofsted assessments

5.8. 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 has 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 are looking 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 have been held between Barnardo's and the County Council around aspects of a potential partnership in the following areas:

- Home based care and targeted adolescent support
- Edge of care commissioning
- Leaving care service
- Service user engagement and involvement team

5.9. 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 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.

Consultation with citizens and equality and rural impact assessments

5.10. The Council undertakes **public consultation** on budget proposals which have the potential to impact on service users. In 2016-17 an extensive consultation was completed and this body of evidence has been used to inform the findings of consultation in 2017-18. Only two savings proposals in 2017-18 were identified as requiring detailed consultation, and this activity was led by the Adult Social Care Committee. In addition to this targeted activity, views have been sought on the planned approach to council tax setting. A further consultation was subsequently undertaken on the proposal to reduce the amount of money automatically disregarded for disability related expenditure within our financial assessments. Details of the consultation process, and the responses to the consultation, are set out in the Revenue Budget report.

5.11. 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

5.12. The plans and assumptions in the Council's budget and Medium Term Financial Strategy have been reviewed as part of the preparation of the 2017-18 budget to ensure that they are robust and deliverable. 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.

5.13. As set out elsewhere, the Provisional Local Government Finance Settlement 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, the offer does not relate to all elements of the Settlement and as a result there remain some areas of uncertainty. The reductions in the Council's Settlement Funding Assessment set out in the four year settlement remain extremely challenging, with the most significant reductions occurring in the first two years (2016-17 and 2017-18), as shown in the table below. Therefore while the four-year settlement offers 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	207.459	193.549
Percentage reduction on previous year		-12.91%	-11.06%	-6.84%	-6.70%

5.14. Savings are being delivered through a range of approaches. The table below categorises the savings by type. Efficiency related savings continue to be targeted as a priority.

MTFS Table 2: Categorisation of savings

	2017-18	2018-19	2019-20	Total
	£m	£m	£m	£m
Cutting costs through efficiencies	-32.813	8.967	-0.245	-24.091
Better value for money through procurement and contract management	-1.161	-1.044	0.000	-2.205
Service Redesign: Early help and prevention, working locally	-8.978	-18.411	-10.000	-37.389
Raising Revenue; commercial activities	-3.059	-1.561	0.000	-4.620
Maximising property and other assets	-1.763	-1.610	-1.059	-4.432
Total	**-47.774**	**-13.659**	**-11.304**	**-72.737**

General and Earmarked Reserves and provisions

5.15. 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.

5.16. 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. The 2017-18 budget recommends that a detailed review of the reserves and provisions held by the Council is undertaken as part of the year-end closure of accounts and the 2017-18 budget is supported by plans to identify additional contributions from reserves during the year. 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 2016-20.

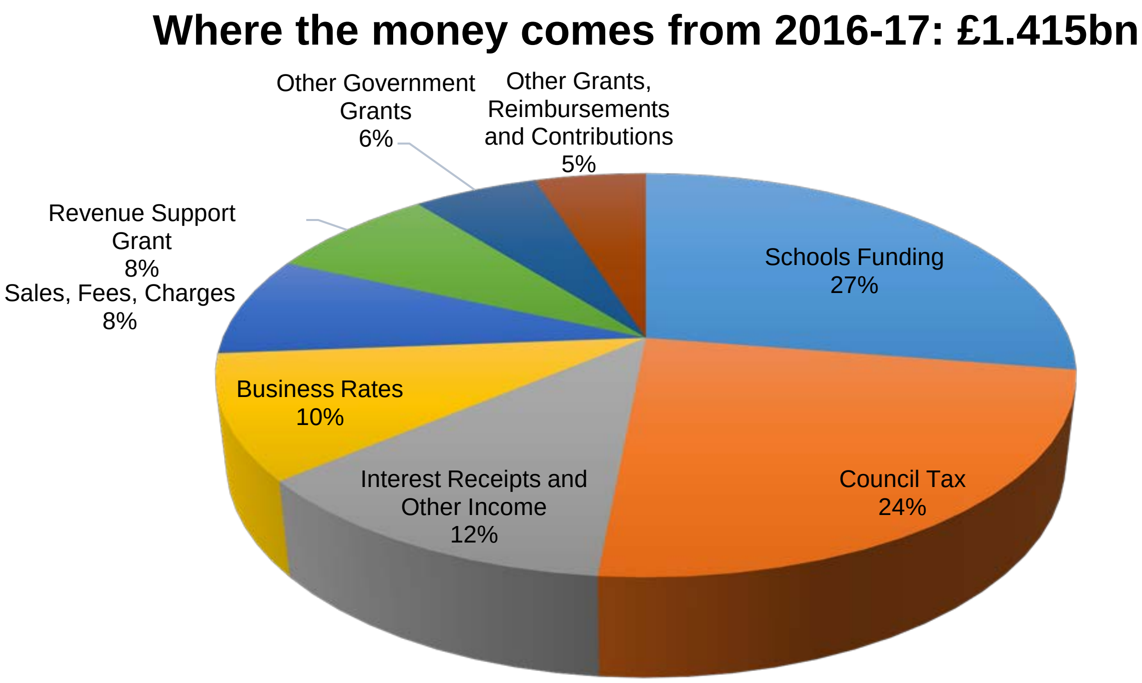
5.17. When taking decisions on utilising reserves, it is important to acknowledge that reserves are a one-off source of funding. Once spent, reserves can only be replenished from other sources of funding or reductions in spending. Therefore reserves do not represent a long term solution to the continued 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 2016-17 is shown in the pie chart below.



Business Rates (10%)

6.3. The business rates retention scheme was introduced in April 2013. This means a direct link between local business rates growth and the amount of money councils have to spend on local people and local services. To provide an element of stability, business rates baselines are fixed to inflationary rises until 2020 and the scheme uses a system of tariffs and top ups that protects upper tier authorities somewhat, as a large proportion of income comes from an indexed linked top up.

6.4. Local authorities benefit from 50% of business rates growth (or indeed suffer the consequences of business rates decline) in their area. The rates retention scheme is designed to incentivise local authorities into stimulating growth. It 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.

6.5. To maximise investment in Norfolk through retention of business rate growth, Norfolk County Council participates in a pooling agreement with Breckland District Council, Broadland District Council, the Borough Council of King's Lynn and West Norfolk, Norwich City Council, North Norfolk District Council and South Norfolk District Council.

6.6. These authorities have agreed to establish a Business Rates Pool for Norfolk for the purpose of using pooled resources (retained levies) to make strategic investments designed to support Norfolk priorities within the LEP Strategic Economic Plan and to support Norfolk's economic growth strategy. The Pool does not include all Norfolk councils (Great Yarmouth are not currently members but have indicated an interest in joining at the next opportunity), but it is committed to a Norfolk wide approach.

6.7. The Pool supports the wider economic plan for Norfolk and represents a countywide commitment to make use of the opportunity to provide real financial investment to support economic growth projects including projects that will lead to:

- Job creation
- Further business rates growth
- Housing growth
- Improved skills and qualifications
- New business creation and expansion

6.8. If a member of the Pool decided it no longer wished to be designated as part of the Pool for 2016-17 it was required to notify DCLG by 13 January 2017. 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.

6.9. 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 is currently implementing 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 is intended to come into force from 1 April 2017, to coincide with the national revaluation of rateable values. In addition the Local Government Finance Bill 2017 proposes changes to ensure that local authorities are insulated from significant reductions in income as it proposes that the Secretary of State will be able to make “loss payments” to authorities which incur losses as a result of changes to rating lists.

6.10. In respect of the 2017-18 budget, District Council forecasts are being collated and the level of income the council will receive is not yet known. Potential business rate appeals and requests for relief such those submitted by NHS Trusts continue to add uncertainty to future rates income. The business rates revaluation in 2017 also may impact on rates income in 2017-18. Historically, the level of business rates appeals increase following a revaluation.

6.11. In September 2016 the Government proposed the multiplier would reduce in 2017-18 to ensure the revaluation does not raise any more in rates nationally. The provisional small business non-domestic multiplier will reduce for 2017-18 from 48.4p to 46.6p. The provisional national non-domestic multiplier will fall from 49.7p to 47.9p. The multipliers will be confirmed after either the Local Government Finance Report for 2017-18 has been approved by Parliament or 1 March 2017, whichever is earlier.

6.12. The Government is moving towards significant changes to the Business Rates system including the implementation of 100% retention of business rates by local authorities by the end of the parliament through the **Local Government Finance Bill 2017**. The Government intends to make changes as part of a move towards financial self-sufficiency for local government whereby local government retains 100% of locally raised taxes. The localisation of rates will see the phasing out of other Government grants, including Revenue Support Grant, and the Government has also signalled that new responsibilities will transfer to local authorities to make up the balance of funding within the business rates system (estimated as approximately £12.5bn). This will ensure that the changes are cost neutral for Government. The precise functions to be transferred are subject to consultation with local government and have not yet been fully specified.

6.13. 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. However, the incentive to grow business rates locally will be strengthened as it is anticipated that the system will allow for all growth to be retained locally (it is proposed that the levy on growth will be scrapped).

6.14. The Council has previously responded to the Government’s consultation on the localisation of business rates and to the call for evidence on a fair funding review of relative needs and resources, which is being undertaken in parallel. 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, which will inform the setting of new baseline funding for the 100% system, 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) (8%)

6.15. 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.

6.16. 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. To put this reduction into context, the cut in RSG between 2016-17 and 2017-18, amounting to £30.585m, is equivalent to 9.24% of the 2016-17 council tax. The proportion of funding received through RSG is forecast to reduce rapidly over the next few years, however the allocations shown in the table do not reflect the Government's planned move to full retention of Business Rates, which will incorporate the ending of funding via RSG. The Government is expected to announce further details of these changes in due course.

6.17. The table below shows Norfolk's Settlement Funding Assessment, which reflects the four-year funding allocations as confirmed in the Provisional Settlement 2016 and includes 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%	207.459	100.0%	193.549	100.0%
Received through:								
Revenue Support Grant	108.511	43.3%	77.926	35.0%	58.035	28.0%	38.810	20.1%
Baseline Funding Level	141.870	56.7%	144.767	65.0%	149.424	72.0%	154.739	79.9%
Via Top-Up	*115.685*		*119.351*		*123.191*		*127.573*	
Retained Rates	*26.185*		*25.416*		*26.233*		*27.166*	

Specific grants (6%) and schools funding (27%)

6.18. The table below summarises the amount of specific grants expected to be received in 2017-18, along with indicative figures for 2018-19 and 2019-20. In most cases the allocations for the years beyond 2017-18 have not yet been confirmed by the Government. Ring-fenced funding below includes funding to schools.

MTFS Table 4: Grants and Council Tax

	2017-18 Provisional £m	2018-19 Indicative £m	2019-20 Indicative £m
Un-ring-fenced	227.946	219.352	217.670
Ring-fenced	625.537	620.297	620.297
Council tax (assuming Council Tax increased annually in line with OBR forecast of CPI and 3% Adult Social Care precept in 2017-18 and 2018-19)	358.812	373.535	382.873

6.19. Details of significant specific grants are set out below:

Ring-fenced grants

6.20. **Public Health** – Public Health grant continues to be ring-fenced grant in 2017-18 for public health services. The Government has indicated that Public Health funding may be included within the Business Rates Retention Scheme in future. 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.

6.21. Public Health grant allocations for 2017-18 have been announced with Norfolk due to receive £40.093m in 2017-18. The Department of Health has confirmed that the Autumn Statement 2016 anticipates that local authority funding for public health would be reduced by an average of 3.9% in real terms per annum over the five years to 2020. This equates to a reduction in cash terms of 9.6% over the same period.

6.22. **Dedicated Schools Grant (DSG)** – The DSG for 2017-18 was announced in December and has been based on the funding model introduced in 2013-14. 2018-19 will see the introduction of a National Funding Formula for schools, as a result there are only minimal changes planned in 2017-18. Further details about the funding model are included within the 2017-18 Revenue Budget report.

6.23. The Government has announced DSG for 2017-18 totalling £581.247m, this compares to a total DSG allocation of £560.260m in 2016-17. The DSG is before academy recoupment.

6.24. **Pupil Premium Grant (PPG)**[13] – In 2017-18, 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 remain unchanged from 2016-17. FSM 'Ever 6' pupils are those who have been registered for free school meals at any point in the last six years.

[13] https://www.gov.uk/government/speeches/school-revenue-funding-settlement-for-2017-to-2018

6.25. The pupil premium plus (for looked after children) will remain at £1,900 per pupil in 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 £1,900 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.

6.26. Children with parents in the armed forces will continue to be supported through the service child premium. In 2017-18, the service child premium will continue to be set at £300 per pupil.

6.27. **Adult Social Care Support Grant** – Alongside the main settlement figures, the Government announced additional funding for social care in 2017-18. This was in the form of a new Adult Social Care Support Grant worth £4.197m for Norfolk (one off) which has been funded by bringing forward reductions in New Homes Bonus (reduction in grant of £0.934m compared to 2016-17).

Un-ring-fenced grants

6.28. **NHS funding (Better Care Fund)** – During 2016-17 the County Council and CCGs undertook negotiations to mitigate the risk to social care services as a result of a reduction in the funding allocated from health via the Better Care Fund (BCF) amounting to £7.9m. This has resulted in a separate three year agreement to the BCF covering 2016-17 to 2018-19. In 2017-18 the Council will make ongoing savings of £3.3m to offset the agreed reduction, while CCGs will contribute through savings of £5.1m. In 2016-17 the County Council absorbed £6.53m of this pressure (of which £5m was a one-off contribution). The savings of £3.3m have been reported to the Adult Social Care Committee and are included in this report. Robust plans to deliver these savings are under development and it is considered that the savings can be made.

6.29. The BCF funding through the NHS is distinct from the improved Better Care Fund which is detailed below.

6.30. 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.

6.31. Disabled Facilities Grant (DFG) allocations are passported 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.

6.32. **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. For 2017-18 no assumptions have been made of additional legislative requirements related to this element of the BCF, however further requirements are assumed for future years. In the event that these do not emerge, the pressure on the 2018-19 and 2019-20 budgets will be reduced.

6.33. **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 2017-18.

6.34. **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. Allocations of this grant have previously been published after the start of the financial year and it is assumed that the funding continues in 2017-18.

6.35. **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 2017-18 but it is assumed that the funding continues.

6.36. **Education Services Grant** – ESG is paid to local authorities and academies based on the number of pupils they are responsible for, to buy services previously provided by the local authority. For the first six months of 2017-18 the amount per pupil for mainstream schools has reduced from £77 to £66, and for special schools from £327.25 to £280.50. The grant is then due to cease at the end of August 2017, with the retained duties grant being transferred to the schools block of the Dedicated Schools Grant.

6.37. **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 from 2017 a national baseline for housing growth will be introduced at 0.4%, effectively reducing the number of eligible properties in the calculation of the grant. In addition in 2017-18 NHB payments will be made for five, rather than six years, with the payment period being reduced again to four years from 2018-19.

6.38. 2016-17 saw the Council receive a full six years in payment for the first time for the houses built in 2011-12. The impact of the changes to the grant scheme outlined above have been included in the Council's budget planning.

Council Tax (24%)

6.39. 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.

6.40. 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, currently also 2%. In 2017-18, the Government has 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**
Assumed increase in general council tax	1.80%	1.90%	1.99%
Assumed increase in Adult Social Care precept	3.00%	3.00%	0.00%
Total assumed council tax increase	**4.80%**	**4.90%**	**1.99%**

6.41. Further background information about council tax is provided below.

Council Tax Freeze Grants 2011-12 to 2015-16

6.42. 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 localization 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

6.43. In 2016-17 the Government introduced a measure of "core spending power", which was amended in 2017-18 to consist of:

- Settlement Funding Assessment (Business Rates Baseline Funding and RSG);
- New Homes Bonus;
- The local government element of the Improved Better Care Fund;
- Rural Services Delivery Grant
- Transition Grant
- The 2017-18 Adult Social Care Support Grant; and
- Council Tax Requirement

6.44. Core spending power is thus intended to reflect the resources over which councils have discretion.

6.45. 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 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]

6.46. Analysis by the Society of County Treasurers identified that amongst authorities with social care responsibilities, shire counties experienced the greatest loss of funding in the 2016 settlement as a result of the inclusion of the council tax requirement in the funding distribution calculation. This was due to the fact that shire counties tend to derive a higher proportion of their funding from Council Tax. Following criticism of the approach, the Government announced Transitional Grant funding allocations in the Final Settlement 2016-17 which were intended to *"ease the pace of reductions during the most difficult first 2 years of the settlement."*[15]

6.47. Nonetheless, by using core funding as a mechanism for the distribution of funding in the four year settlement, the Government has effectively assumed that:

[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
[15] Secretary of State for Communities and Local Government's speech announcing the 2016-17 local government finance settlement: https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2016-to-2017

- 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)
- 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.

6.48. 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.

7. Revenue strategy and budget

7.1. The primary objective of the Medium Term Financial Strategy 2017-20 is to show a balanced three year budget. At present further savings or additional revenue funding need to be identified to meet the shortfall shown in 2018-19 and 2019-20 below:

MTFS Table 6: Budget surplus / deficit

	2017-18 £m	**2018-19 £m**	**2019-20 £m**
Additional cost pressures and forecast reduction in Government grant funding	74.212	58.719	52.819
Council Tax base increase	-19.853	-14.722	-9.338
Identified saving proposals and funding increases	-54.359	-27.872	-24.591
Budget gap (Surplus) / Deficit	**0.000**	**16.125**	**18.890**

7.2. The Council's revenue budget plans deliver a balanced budget for 2017-18, but a deficit remains of £16.125m in 2018-19 and £18.890m in 2019-20 (an **overall deficit in the Medium Term Financial Strategy of £35.015m**). The Medium Term Financial Strategy 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. The four-year funding allocations announced in 2016-17 provide a degree of additional certainty for local councils' medium-term financial planning. However, the first two years of the settlement include the most significant reductions for the council and increased funding from the Improved Better Care Fund does not have a significant impact until 2018-19. The additional funding via the Adult Social Care Support Grant, although welcome, relates to 2017-18 only and therefore does not contribute to solving long-term funding issues within social care. Similarly, the increased flexibility in the Adult Social Care precept simply brings forward existing funding and increases the burden on local council tax payers. Developments in 2016-17 have provided some clarity around previous uncertainties and risks within the Medium Term Financial Strategy, for example in the withdrawal of the devolution offer for Norfolk and Suffolk, agreement of local BCF shares, and clarity around changes to New Homes Bonus grant. Nonetheless, uncertainty remains around a number of key areas:

- further development of local plans for the further integration of health and social care via the Sustainability and Transformation Programme;
- 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;
- the new responsibilities to be transferred to local government as part of plans for the full retention of Business Rates by the end of the parliament; and
- whether or not there will be new burdens and responsibilities associated with the improved BCF allocations in future years.

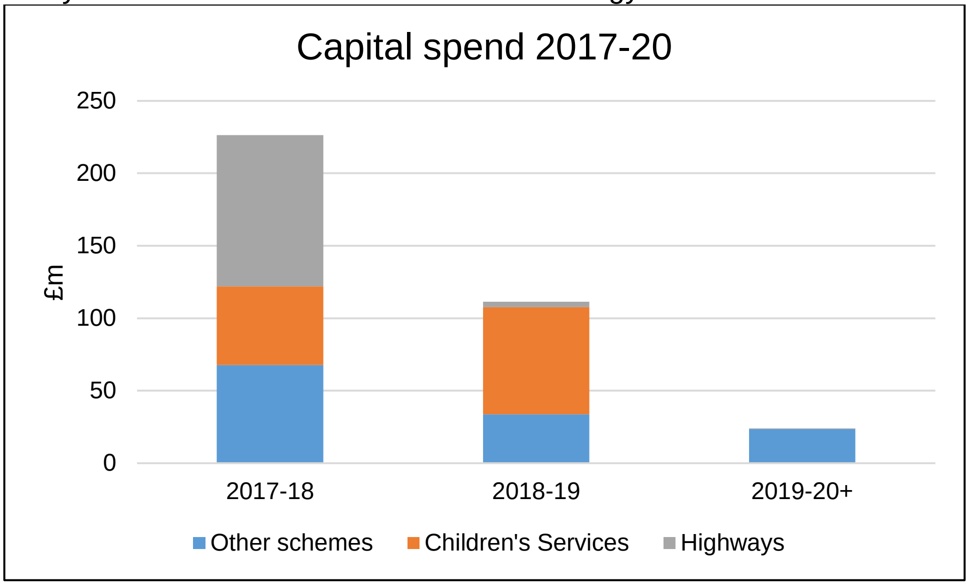
8. Capital strategy and budget

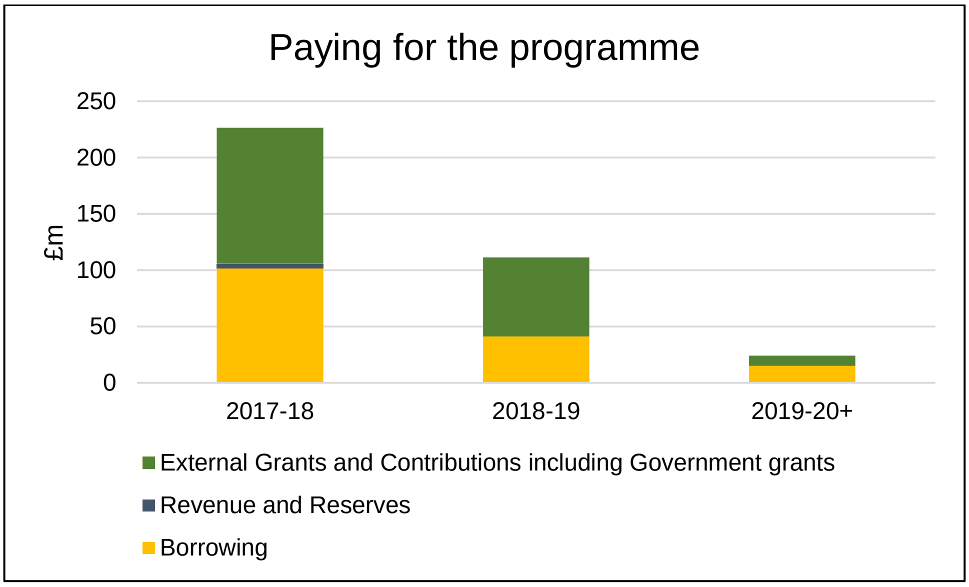
8.1. The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. The key aims of the Capital Strategy are to:

- provide a framework for identifying and prioritising capital requirements and proposals;
- provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities;
- consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets; and
- identify the resources available for capital investment over the medium term.

8.2. A proposed capital programme of £361.888m 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, with any surplus retained to support the capital programme including the Northern Distributor Road. 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 capital receipts of over £15m are anticipated over the next three years, of which £10m 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 £1.800m annual rent income for the Council and this is projected to rise to £2.000m. After deducting direct landlord's expenditure in maintaining and improving the Estate, and the cost of management, a net contribution of £0.500m 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 the 2016-17 the estimated expenditure of capital and revenue improvements amounts to just over £1.000m.

9. Summary

9.1. 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 three 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 2017-18 budget decisions for the future years 2018-19 to 2019-20, and outlines the potential longer term issues facing the Council, such as (for example) the localisation of business rates.

9.2. The overarching purpose of the Medium Term Financial Strategy is to support the Council in developing balanced budget plans over the three year period, and to support this objective a proposed planning timetable for setting a balanced budget for 2018-19 is included within the 2017-18 Revenue Budget report.

Your Views on our proposal to change the way we work out how much people pay towards the cost of their adult social care services

Respondent information

Respondent Numbers

There were 941 responses received for this proposal. Of these, the majority (735 people or 78%) replied as individuals.

Responding as:			
An individual / member of the public	735	78%	766
A family	31	3%	
On behalf of a voluntary or community group	6	1%	7
On behalf of a statutory organisation	1	0%	
On behalf of a business	0	0%	
A Norfolk County Councillor	0	0%	4
A district or borough councillor	0	0%	
A town or parish councillor	2	0%	
A Norfolk County Council employee	2	0%	
Not Answered	164	17%	164
Total	**941**		

Of the 941 responses received, the majority (843 or 90%) were consultation paper feedback forms. These were printed versions of the consultation that we sent to all service users potentially affected by the proposal and includes both standard and Easy Read formats.

How we received the response			
Email	7	1%	
Easy Read consultation feedback form	32	3%	843 (90%)
Consultation paper feedback form	811	86%	
Online submission	91	10%	
Total	**941**		

In total we sent out 3662 paper copies of the consultation (made up of 3014 standard copies, 14 copies translated in languages other than English, 430 large print versions and 204 easy read versions). This means we had a response rate to our letters of around 23%.

Consultation responses relating to proposal to change the way we work out how much people pay towards the cost of their adult social care services

Responses by groups, organisations and businesses

7 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 residents or employees whose response may not necessarily represent the organisational view. The organisations cited were:

- Equal Lives
- Greater Good
- Nansa
- Opening Doors
- Norfolk Community Advice Network and the Specialist Contract Group
- Making it Real Group

Of the **7** respondents who told us that they were responding on behalf of a group, organisation or business, **3** told us that the timeframe for the consultation was too short:

"We are writing a letter because three weeks isn't enough time to get an easy read document sorted. We are very busy. It is not enough time to ask all of the self-advocates about what they think. We have managed to ask a good few. The DRE is a really difficult idea to understand and to take in. We needed more time to discuss and how it will affect us as people first."

"Although Easy Read information was provided, the Making it Real Group would like the Council to know that two weeks is not long enough for people to understand what you are planning to do and then provide a response. Although most of the group had some idea that the consultation was out there no one understood it and most were very worried about what it might mean for them."

"Although we recognise that the Government principles on consultation were changed in 2016, and no longer require the minimum 12 week consultation period, we believe that the new 'proportionate amount of time' requirement has not been provided. In addition, efforts to consult appear to have been focussed on service users. There has been a lack of clarity around whether members of the NCAN Steering Group and Specialist Contract Group were being contacted to respond as stakeholders, or in order that they might encourage responses from service users. We are concerned that the timeframe permitted for responding to this consultation has not considered that affected residents have just finished responding to the housing support and information and advice consultations. The same residents are likely to be affected by this proposed change. Many clients, for example with mental health conditions or learning difficulties, need support in order to be able to respond to consultations. Finding time for staff to provide this support clients to respond places pressures across the already underfunded services. This support cannot be sustained over successive consultations and short timeframes."

Relationship of respondent to service (respondents can choose as many as applicable)

We asked people to tell us if they or someone they know would be affected by the proposal. Resopndents could choose multiple options. Of the respondents who responded to this question, the majority said that they themselves would be affected **(648 or 69%)**.

I would be affected by this proposal	648	69%
I care for someone who would be affected by this proposal	195	21%

My family or friends would be affected by this proposal	31	3%
I work for an organisation that supports people who may be affected by this proposal	10	1%
None of the above	6	1%
Total	**890**	

Summary of main themes

Overall theme	Issues raised	Number of responses	Quotes
People with disabilities are already struggling with additional costs associated with a disability, cannot afford more	• Additional costs associated with having a disability such as higher utility charges (extra washing and heating), special diet, additional handling/safety equipment, and domestic support or carers • A further cost will be a last straw for those who are already struggling • People with disabilities already have to prove financial need for other benefits • Respondent outlined outgoings to show how much items cost • Rising costs make maintaining current standard of living difficult, even before possible reduction in DRE is considered	**515**	"I have a lot of health problems I need help undressing dressing and showering I'm constantly using the washing machine each da and the tumble dryer because constantly washing clothes for hygiene reasons because I have a stoma my utility bills are expensive I feel the cold so I have radiator for gas on shower twice a day and have to contribute towards transport fuel for cars because of mobility issues. " "I am running out of funds as I am incontinent. The pants provided do not last and I have to top up each quarter. I also buy tissues and creams for piles and sores on bottom as doctors will not supply what works." "As I currently spend £15.25 per week (on average) on disability requirements, due to my deteriorating oesteoporsis and age related issues, this would have a significant impact. Cleaner £11.00p/w, Medic alarm £3.00p/w, Incontinence items £1.25p/w."
General disagreement with proposal	• Disagreement with proposed change because it would affect the respondent negatively • More generally, the proposed change is wrong, 'disgusting', a bad idea • DRE is too important to be 'cut' • Respondents want system to remain as it is	**206**	"This is a shockingly ill-conceived and morally questionable proposal; a deliberate and pre-meditated attack on the most vulnerable in our society." "I disagree with it because I can't afford it." "The Mental Health Support I receive is essential, however I would be reluctant to have to spend more." "Leave the disregard as it is."

General agreement with proposal	• Agree because cuts have to be shared by everyone • Agree because proposal is fair, right, or reasonable • Agree because cuts won't affect the individual concerned • Agree because individual can afford to pay more • Agree because people should only be compensated for what they use	**98**	"I have been expecting cutbacks in my DRE. Like the council we have to put up with cut backs. To help out with the state the country is in moneywise." "Sounds very reasonable." "If people are not spending all there money it is better to pay them what they spending." "I am a carer for my husband I also am disabled and in a wheelchair I only pay £14 a week and would not object to it going up as I could not do without the care we get from our council."
Ensure people can claim	• People may be too tired or ill to claim • Some people who have not claimed in the past will claim in the future • Forms should be easy to make claiming straightforward • Claiming should be means-tested • Difficult to produce receipts for some items • Claims seem geared towards older people and those with physical disabilities, not people with mental health issues • Claims should be paid quickly, eg. after high spend for additional heating in cold weather • Consultation has highlighted confusion over what can be claimed for and what is not eligible • Burden of proof is on individual to claim and providing receipts for some items (eg. additional cost of utilities such as heating or water) will be problematic. • Hard to prove how much extra cost (on top of 'normal' usage) is attributable to having a disability	**93**	"I think you might lose money because there are people who do not [currently] claim this money." "Was amazed to hear you considered things like community alarms as your assessor did not even ask about this at time of assesment." "!f this initiative saves money it will be because many disabled people, when faced with these additional hoops to jump through, will be too ill, too tired and too dispirited to claim the money that they are entitled to and that improves their quality of life."

Proposal is unfair	• Concern that proposal will affect some people (older/disabled/sick/wheelchair users/poorest/most defenceless) more than others – the impact will be unfair • Self-funders would be more affected than those in residential care • Unjust, affects those least able to afford to pay more • More effect on those less able to 'fight back' • Charges should be graded according to need otherwise unfair	**88**	"I think your proposal is unjust, Again such changes most adversely effect those least able to afford them." "I don't expect the care I get for nothing but myself and many more people like me have a lot more bills to pay because I'm not in a residential care home." "Why should I have to pay more because of a disability?" "It is sick that you keep picking on those with NO choice because they can't look after themselves."
The proposal is an additional cut on top of previous cuts and/or raised council tax	• People with disabilities have already experienced numerous cuts to services • Cost of living and care costs have risen but not matched by income • Repeated cuts are being experienced by those least able to afford them • Increased council tax equates to cut in income • Impact of previous cuts described.	**66**	"Personally with the cut backs I've already had with my personal budget, if you proposal goes ahead I would be struggling even more." "Both myself and sister are struggling to cope with spiraling care costs." "It seems to me that at the same time you are squeezing council tax payers with inflation busting increases,(many like me on pensions or minimum wage with no prospect of pay rises), whilst at the same time clawing back money from the most vulnerable in our community." "The proposal to reduce the allowance for disability related expenditure from £15.00 to £7.50 per week will affect me greatly as our household will have less disposable income. We understand that the amount of Council Tax we have to pay is also due to increase these two increases together may well result in my wife having to increase the number of hours she has paid work outside the home." "I personally think that this is another way of taxing disabled and elderly people who are the target of local and national government cuts anyway. Is it not enough

			to raise the council tax payments and continue with the rest of the cuts you have proposed?"
Impact on vulnerable people	• The most vulnerable people in society will be affected by proposal • Although cuts may be necessary they should not be at the expense of the most vulnerable people	**46**	"It's outrageous and vulnerable adults will be left in an unacceptable position." "I realise the council has to balance its budget, but this proposal will affect the most vulnerable in our community, the elderly and disabled." "Ok for the NCC to save money, but not at the expense of the elderly and vulnerable." "I consider it is very sad that vulnerable people in our society may be asked to provide proof of extra expenses in relation to their condition / impairment."
Proposal means people will not be able to pay for current levels of care	• People may have to stop paying for some care • People may have to change the type or form of care they receive or prioritise one need over another • People may have to reduce the number of hours of care they pay for	**42**	"This proposal would affect me greatly because of the extra cost to myself I would have to probably reduce or stop my care package as not able to afford the rise in costs." "It would affect me if payments were cut I would have to decide whether I could use heating as I need, or try to cut care if I had less funds. As I get cold very quickly but cannot do without my carers." "If we get charged another 7.50 because the budget is already tight we are worried that we will have to reduce the care, he has disability related expenses and it will affect the heating and he may have to turn it off ect. Not fair when he has worked all his life. Washing Powder, Bed linen ect doubly incontinent and already on a tight budget."
This proposal will not save money in the long run	• Implementing the proposal will cost more than it saves • Changes to DRE will result in more people requiring residential care which will cost NCC more	**36**	"The savings, to NCC, seem trivial and will create an admin burden. Hardly seems worth doing. " "This may well push more people into residential care, which would cost social services more." "It will cost more for the council to administer than the savings made and people will apply for every penny."

	• People who had not previously claimed some or all of what was due may now claim (which is good) but these amounts may cost much more • The proposed change will prompt many reviews which will cost NCC time and money		"Also given the increase in paperwork and calculations for the reviews (if people request them) was this taken in to account when the total savings estimated was published as part of the consultation?"

Additional responses

Summarise petitions or campaigns
There were **no** petitions or campaigns received relating to this proposal.

Analysts' notes

Almost one in ten respondents were **confused by our explanation** of the proposed change, telling us that they are **unsure whether they will be affected** by the change or not.

Some people told us that they, or the person they cared for, did not understand our proposal because of age, learning disability, or our explanation, or their interpretation of the proposal was that their overall care package will be cut and they described the negative impact this could have on their lives.

Other respondents told us that reading about our proposal made them feel worried or anxious about the effects of possible changes.
"I think your proposal needs to be worded more clearly, so people understand it better. You make something that is quite simple to describe sound confused and complex when it shouldn't and it worries me others might not understand"

"*I find this letter too complicated"*

"I don't feel good about this proposal, I don't feel I would have any money left. I am totally dependant on full care. I feel worried and upset by this proposal, that some of my care may be taken away from me. My daycare at Nansa has been reduced from three days to one day, which has distressed me. I'm worried what will be next. (My carer has written this on my behalf as I do not have the ability to write)."

4 respondents **questioned the legality** of our proposal:
"I don't think you can legally do that. All the forms that I got and received said that we have to leave a certain amount and that if we take more than that then it will not leave us with enough. If this is the case then I will go to Norman Lamb. You cant do this you already take enough off me. I'm already paying the maximum!"

"Thanks to councillors voting to end my sheet service of 13 years, I had to buy a washer / dryer so my carers can wash 2-3 pairs of sheets ect dail, I have high disability expenses diet (ceiliac and diabetic) need internet as I cannot leave home without carers pushing me in wheelchair / supporting me to walk, so need internet to maintain contact with family and one son in Canada! Will not accept a restriction of my disability expenditure, will claim all my expenditure: It's not about what NCC allows its about my disability expenditure being deducted in full; If you take my SDP and DLA in account that's the law"

"This proposal would affect people with "protected charachteristics" EqIA more than others."

“Without the availability of this support [time for staff to help respondents understand and complete the survey] Norfolk County Council will not hear from those worst affected, and will make decisions based on insufficient evidence, calling into question the legitimacy of the consultation”

Updated with data on 10.02.2017 – 11:40

Produced by BIPS bi@norfolk.gov.uk

Report title:	County Council Budget 2017-18 to 2019-20: Statement on the Adequacy of Provisions and Reserves 2017-20
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 2017-20. 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 2017-18 budget decisions.

County Council is recommended to:

1) **Agree to:**

   a) **Note the planned reduction in non-schools earmarked and general reserves of 46.9% over three years, from £87.569m (March 2016) to £46.527m (March 2020) (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 D:**

      i. **for 2017-18, a minimum level of General Balances of £19.252m, and**
      ii. **a forecast minimum level for planning purposes of**

         - **2018-19, £22.978m; and**
         - **2019-20, £23.568m.**

as part of the consideration of the budget plans for 2017-20, 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;

e) Agree that the Executive Director of Finance and Commercial Services further reviews the level of the Council's Reserves and Provisions as part of closing the 2016-17 accounts in June 2017. This review will seek to identify £5.813m of earmarked reserves that can be released in 2017-18 to support the Children's Services budget. In the event that sufficient funding from reserves cannot be found, the Executive Director of Finance and Commercial Services will consider the need for additional in-year savings to be sought across the organisation to support the Children's budget.

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 £19.252m.

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 £19.252m for 2017-18. The projected actual level at 31 March 2017 is £19.252m, prior to allowing for the revenue budget year end position, which is currently forecasting an overspend of £5.512m (as per the monitoring report to Policy and Resources Committee 6 February 2017). 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 Department for Communities and Local Government indicates that as a proportion of the 2016-17 net budget the Council's general reserves are presently 5.8%, while the average for shire counties is 7.5%.

3.3. In setting the annual budget, a further review of the level of reserves is undertaken, alongside any under or overspend in the current year, as to 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 in 2015-16 and the threshold below which the Council would have to fund emergency costs was set at £1.246m. Central Government would then provide 100% grant funding for any 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 full 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 2016-20

2016-17 (31/03/2017 Forecast)		2017-18	2018-19	2019-20
£m		£m	£m	£m
19.252	Assessment of the level of General Balances	19.252	22.978	23.568

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 2017 of £19.252m, prior to allowing for the revenue budget end of year position, which is currently forecasting an overspend of £5.512m.

4.5. The increase in the minimum level of risk-based balances needed in the following three 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 2017-18 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 and where it is recommended that the Medium Term Financial Strategy includes movement from or to reserves, these are detailed at the foot of the table. The detailed balances for individual reserves are shown at Appendix C.

Table 2: Summary of Earmarked Reserves and Provisions 2016-20

Committee	**Balance at 31/03/16 £m**	**Forecast at 31/03/17 £m**	**Forecast at 31/03/18 £m**	**Forecast at 31/03/19 £m**	**Forecast at 31/03/20 £m**
Adult Social Care	5.975	4.136	3.577	3.121	3.121
Children’s Services	3.797	1.773	0.923	0.923	0.923
Communities	12.600	8.308	6.715	5.912	5.797
Environment Development and Transport	29.817	22.751	21.164	20.395	19.730
Policy and Resources	32.454	31.676	25.183	25.183	25.183
Business Risk Reserve	10.678	0.000	0.000	0.000	0.000
Election	0.000	0.000	0.000	0.275	0.550
Use of Reserves to be identified	0.000	0.000	-6.813	-6.813	-6.813
Total (excluding schools)	**95.320**	**68.643**	**50.749**	**48.996**	**48.491**
Reserves for capital use	1.576	0.755	2.295	2.975	1.625
Schools	13.473	5.930	5.198	4.763	4.513
School - LMS	21.333	14.000	12.000	10.000	8.000

Key Use of Reserves to support the Medium Term Financial Strategy					
Insurance Fund			-1.350		
Use of Reserves to be identified			-5.813		
Better Broadband Reserve			-0.500		
Transitional Funding Reserve			-4.561		
Reserves to fund Elections			-1.000		
Organisational Change Reserve for Social Care System Replacement			-0.914		
Total			**-14.138**		

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

5.2. The planned change in total non-schools reserves is **a reduction of 46.9%** over three years:

Table 3: Change in Reserves 2016-20

	March 31, 2016	**March 31, 2020**	**Reduction %**
	£m	**£m**	
General Balances	19.252	23.568	
Earmarked Reserves	68.317	22.959	
Total	**87.569**	**46.527**	**46.9%**
The comparative figures for last year were:			
	March 31, 2015	**March 31, 2020**	**Reduction %**
General Balances	19.200	26.263	
Earmarked Reserves	68.474	33.718	
Total	87.674	59.981	31.6%

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. It is proposed to utilise the reductions in reserves outlined above to support the overall 2017-18 budget and this funding source will need to be replaced in the 2018-19 budget. This is reflected in the Medium Term Financial Strategy.

5.5. In view of the need to keep all financial risks under ongoing review and given the scale of change facing the Council, it is proposed that a further full risk assessment of earmarked reserves also be undertaken as part of the closure of the accounts, alongside the review of Council balances in the summer 2017.

5.6. 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 2017. 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 2017 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 2017-18, 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 2017-18 and future years: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018

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 for four years have been announced, future changes in grant level may still occur. - Business Rates. Councils' funding is affected by the level of business rates collected. NCC 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 can result in significant volatility. There is also considerable uncertainty about the Government's plans for full localisation of Business Rates, intended to be completed during the life of the current parliament. This may result in a further transfer of risk to Local Authorities, and is likely to 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, but there is uncertainty about future amounts. There is also uncertainty about the responsibilities attached to funding through the improved BCF. The budget forecasts include an assumption about additional responsibilities from 2018-19 onwards. - The National Living Wage was introduced from 2016-17, starting at £7.20 and expected to rise to over £9 by 2020. The exact level at which the National Living Wage will be set in future years has not be confirmed.
2) Inflation	Pay inflation has been assumed at 1% for 2017-18, 2018-19, and 2019-20 in line with the Chancellor's planning assumptions for public sector pay. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. However the County Council is part of the national agreement and therefore pay awards for 2017-18 onwards will be subject to any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period.

Key financial risks for Norfolk County Council for General Balances calculation

Area of risk	Explanation of risk
	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 1.7% increase has been assumed for 2017-18 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. The current rates are low and are likely to remain so until UK base rates are increased, which is not anticipated until June 2019. 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 long term 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 occasions 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 full retention of Business Rates (which will mean the phasing out of Revenue Support Grant).
5) Employee related risks	Staffing implications of budget planning proposals have been evaluated and reflected within the financial plans, including the

Key financial risks for Norfolk County Council for General Balances calculation

Area of risk	Explanation of risk
	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 £72.737m budget savings to be delivered across three 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 funding shortfall in 2018-19 and 2019-20. The shortfall in 2017-18 is £16.125m and in 2019-20 is £18.890m.
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.
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.

Balances Calculation

Area of Risk	2016-17 Original			2017-18			2018-19			2019-20		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
	£m	%	£m	£m	%	£m	£m	%	£m	£m	%	£m
Legislative Changes												
Government Grant / Localised Business Rates	224.197	0.00%	0.000	197.277	0.00%	0.000	181.226	0.50%	0.905	166.383	0.50%	0.839
Business Rates	25.385	0.00%	0.000	25.688	1.00%	0.256	26.213	1.50%	0.393	27.145	2.00%	0.544
Council Tax Variation to Base/Collection	338.960	0.00%	0.000	358.812	0.00%	0.000	373.535	0.50%	1.866	382.873	0.50%	1.930
NHS/Social Care Funding	56.381	3.00%	1.691	60.120	0.00%	0.000	75.286	0.00%	0.000	87.830	0.00%	0.000
Apprenticeship Levy	0.000	0.00%	0.000	0.806	1.00%	0.008	0.806	1.00%	0.008	0.806	1.00%	0.008
Landfill Tax - waste recycling (price)	22.397	0.00%	0.000	23.694	1.00%	0.236	22.413	1.00%	0.223	22.948	1.00%	0.230
	667.320		**1.691**	**666.398**		**0.499**	**679.478**		**3.395**	**687.985**		**3.551**
Inflation												
Employees	226.384	0.00%	0.000	235.737	0.00%	0.000	238.401	0.50%	1.180	242.425	0.50%	1.222
Premises	25.781	1.00%	0.258	20.832	0.50%	0.103	20.748	0.75%	0.155	20.852	0.75%	0.157
Transport	55.875	0.50%	0.279	59.839	0.50%	0.296	57.783	0.75%	0.430	57.968	0.75%	0.437
Supplies and Services	123.555	0.75%	0.927	97.629	0.50%	0.483	123.372	0.75%	0.919	133.512	0.75%	1.007
Agency and Contracted	387.253	0.25%	0.968	415.318	0.50%	2.056	391.442	0.75%	2.916	403.727	0.75%	3.044
Income (Fees and Charges)	116.024	0.00%	0.000	107.567	0.00%	0.000	108.986	0.00%	0.000	110.024	0.00%	0.000
	934.871		**2.432**	**936.923**		**2.938**	**940.733**		**5.601**	**968.508**		**5.867**
Interest Rates												
Borrowing	26.579	0.50%	0.133	25.085	0.25%	0.061	26.919	0.25%	0.066	26.919	0.50%	0.136
Investment	1.705	0.50%	0.009	1.029	0.25%	0.003	0.528	0.25%	0.001	0.635	0.50%	0.003
	28.284		**0.141**	**26.114**		**0.064**	**27.447**		**0.067**	**27.554**		**0.139**
Grants												
Education Services Grant	6.855	1.00%	0.069	3.067	0.00%	0.000	0.000	0.00%	0.000	0.000	0.00%	0.000

Balances Calculation

Public Health Grant funding	27.341	0.00%	0.000	40.093	0.00%	0.000	39.050	1.00%	0.389	29.050	2.00%	0.582
Public Health Funding (0-5 year olds)	13.214	0.00%	0.000	0.000	0.00%	0.000	0.000	0.00%	0.000	0.000	0.00%	0.000
Other General Fund Grants	24.945	0.50%	0.125	25.715	0.50%	0.127	22.297	0.50%	0.111	22.915	0.50%	0.115
	72.355		**0.193**	**68.875**		**0.127**	**61.347**		**0.500**	**51.965**		**0.697**
Employee Related Risks												
Pensions actuarial evaluation	10.696	0.00%	0.000	12.313	0.00%	0.000	14.809	0.00%	0.000	17.355	0.00%	0.000
	10.696		**0.000**	**12.313**		**0.000**	**14.809**		**0.000**	**17.355**		**0.000**
Volume / Demand Changes												
Capital Receipts	6.978	0.00%	0.000	9.140	8.00%	0.731	4.280	8.00%	0.342	2.250	8.00%	0.180
Customer and Client Receipts	116.024	0.75%	0.870	107.567	0.75%	0.801	108.986	0.75%	0.817	110.024	0.75%	0.825
Demand Led Budgets (Adult Social Care third party and transfer payments)	294.837	1.00%	2.948	313.976	0.75%	2.339	296.594	1.00%	2.966	307.059	1.00%	3.071
Demand Led Budgets (Looked after Children)	70.913	1.00%	0.709	79.748	0.75%	0.594	72.712	1.00%	0.727	73.260	1.00%	0.733
Winter Pressures	3.181	25%	0.795	3.323	25%	0.824	3.323	25%	0.824	3.323	25%	0.824
Landfill Tax - waste recycling (volume)	22.397	1.20%	0.269	23.694	1.20%	0.283	22.413	1.20%	0.269	22.948	1.20%	0.275
Public Health third party spend	37.796	2.00%	0.756	37.506	1.00%	0.373	36.464	1.00%	0.365	36.466	1.00%	0.365
Better Care Fund Spend	56.381	0.00%	0.000	60.120	1.00%	0.598	75.286	1.00%	0.753	87.830	1.00%	0.878
	608.507		**6.348**	**635.074**		**6.543**	**620.058**		**7.063**	**643.160**		**7.150**
Budget Savings												
Budget Reductions	41.419	7.50%	3.106	47.775	8.00%	3.820	13.659	8.00%	1.092	11.304	8.00%	0.904
	41.419		**3.106**	**47.775**		**3.820**	**13.659**		**1.092**	**11.304**		**0.904**
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
Belwin rules	1,245.534	0.10%	1.246	1,245.534	0.10%	1.246	1,245.534	0.10%	1.246	1,245.534	0.10%	1.246
	1,245.534		**5.246**	**1,245.534**		**5.246**	**1,245.534**		**5.246**	**1,245.534**		**5.246**

Balances Calculation

Energy Security and Resilience												
Carbon Tax Legislation	0.348	10.00%	0.035	0.286	5.00%	0.014	0.286	5.00%	0.014	0.286	5.00%	0.014
	0.348		**0.035**	**0.286**		**0.014**	**0.286**		**0.014**	**0.286**		**0.014**
TOTAL			**19.192**			**19.252**			**22.978**			**23.568**

Norfolk County Council policy on Provisions and Reserves

Objective

The objective of holding provisions and reserves is to ensure the Council can meet unforeseen expenditure and to smooth expenditure across financial years

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.

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.

Norfolk County Council policy on Provisions and Reserves

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 £1.246m of costs (2015-16 threshold). Central government would provide grant funding of 100% for 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 2017 is £19.252m, prior to allowing for the revenue budget year end position. The County Council holds balances of 5.8% as a percentage of its net 2016-17 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 7.5%.

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 2017-18 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 2017-18 and indicative minimum levels for planning purposes for 2018-19 and 2019-20.

	2017-18 £m	**2018-19 £m**	**2019-20 £m**
Assessment of the level of General Balances	19.252	22.978	23.568

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 £19.252m above.

Norfolk County Council policy on Provisions and Reserves

If the level of General Balances is reduced to below the minimum balance, currently £19.252m, 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	
Adult Social Services Doubtful Debts	
A provision to cover bad debts.	This provision will decrease as bad debts are written off 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.
ETD 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.	A £670k liability exists that it its expected will be settled shortly, although the timing for this is not known.
Redundancy	
A provision to meet redundancy and pension strain costs.	This provision is forecast to be used in full in 2016-17.
Fire Service Level Salaries	
This provision is held to meet variations on Fire Service staffing costs.	Most of the reduction in the level of this provision relates to a transfer of funds to Finance General.
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. 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.	The reserve is forecast to be used in full in 2016-17.

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
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	
Members will considered the Council's Minimum Revenue Provision (MRP) Policy at Full Council 22 February 2016. The agreed changes to the MRP policy enabled the delivery of an underspend on the Council's 2015-16 provision amounting to £10.157m. This was used to establish a Business Risk Reserve to manage the key risks in the 2016-17 adults' and children's social care budgets.	This reserve was used in full in 2016-17.
Car Leasing Scheme Surplus	
This is the accumulated trading surplus on the car leasing scheme.	Current levels of this reserve are minimal.
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.
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.
Fire Pensions Reserve	

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
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.	Not forecast to be used but will be monitored during 2017-18.
Industrial Estate Dilapidations	
This is to cover potential dilapidation costs that may be incurred as a result of the expiration of the North Walsham industrial estate headlease in 2009.	There is currently no identified call on the reserve.
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.	There is currently no identified call on the reserve, and the reserve is to be used to support 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.	There is currently no planned future use of the reserve. It is intended that the reserve is replenished with any surpluses over the next three years to ensure that the service can manage fluctuations in income as per the original purpose.
Norfolk Infrastructure Fund	
This reserve is to support infrastructure projects across the county.	Additional funding is received from second homes council tax and income from investments and repayments.
Nplaw Operational Reserve	

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
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.
ETD 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.
ETD 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.
ETD 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.	Currently there are no plans for the use of this reserve.
ETD Street Lighting Sinking Fund	
This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant which will be needed in future financial years to meet contract payments.	The expected usage is in line with the contract payments.
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.	£84k in relation to Strong and Well is committed in 2016-17 for the purposes as agreed by Members previously. The remaining amount of the Prevention Fund is expected to be fully utilised by the end of 2017-18.
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 three years is

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
	expected on projects such as Open Library technology.
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.
Strategic Ambitions Reserve	
This reserve supports the Council in achieving its aspirations and strategic ambitions for Norfolk.	This reserve is used to support the Corporate Programme Office and this element of the reserve will be utilised fully during 2017-18. The remainder relates to transport strategy and the sustainable strategy team. The level of this element of the reserve is expected to vary.
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 three 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 the reserve will be used to minimise borrowing for unfunded capital schemes.
Waste Management Fund	
This reserve is for waste management initiatives.	Fund will be largely utilised during 2016-17.
Elections Reserve	
This reserve is built up annually to fund the costs of holding elections	An annual contribution of £0.275m will be made each year from 2018-19.
Transitional Funding Reserve	
A reserve holding transitional funding provided by Government in the 2016-17 Settlement to manage the impact of changes in funding levels	This reserve will be used in full in 2017-18 to help in the delivery of a balanced budget.
Use of Reserves to be identified	
The 2017-18 budget includes the planned use of reserves to support a balanced budget	A review will take place in June 2017 to identify which reserves are to be used.

Narrative of purpose and future use of all Reserves and Provisions

Purpose	Future use
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.	Currently there are no payments already identified for the three year period. However, 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.	Most of this reserve is expected to be used in 2016-17.
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.	The future usage will be part of individual school's financial plans.
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.	This will be used to fund the 25 year Norwich Schools PFI contract and profiled in line with contract payments.
Schools Contingency	
Part of the School's LMS budget, this fund is used to reimburse schools for unforeseen and special circumstances.	The future usage will be part of individual school's financial plans.
Schools non-teaching activities	
This reserve reflects trading surpluses of schools sports centre activities, as per section 458(1) of the Education Act 1996.	Trading position of school run children's centres and sports centres.
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.	This reserve is expected to be used in full in 2016-17.

Reserves and Provisions
Year End Projections

	Opening Balances 01/04/2016	Forecast Balances 31/03/2017	Forecast Balances 31/03/2018	Forecast Balances 31/03/2019	Forecast Balances 31/03/2020
	£m	£m	£m	£m	£m
Earmarked Reserves					
All Services					
Building Maintenance	1.221	1.056	1.056	1.056	1.056
Information Technology Reserve	5.856	3.262	2.685	2.685	2.685
Repairs and Renewals Fund	3.450	2.787	2.344	2.262	2.102
Unspent Grants and Contributions	14.519	8.862	6.986	5.814	5.814
	25.047	**15.967**	**13.070**	**11.815**	**11.656**
Children's Services					
Ofsted Improvement Fund	0.490	0.258	0.000	0.000	0.000
	0.490	**0.258**	**0.000**	**0.000**	**0.000**
Adult Social Care					
Prevention Fund	0.323	0.107	0.034	0.000	0.000
	0.323	**0.107**	**0.034**	**0.000**	**0.000**
Communities					
Adult Education Income Reserve	0.116	0.000	0.000	0.000	0.000
Museums Income Reserve	0.130	0.130	0.130	0.130	0.130
Residual Insurance and Lottery Bids	0.205	0.205	0.205	0.205	0.205
Fire Pensions Reserve	0.248	0.198	0.198	0.198	0.198
Fire Retained Turnout Payments	0.481	0.366	0.110	0.110	0.110
Fire Operational/PPE/Clothing	0.558	0.304	0.225	0.195	0.195
	1.738	**1.203**	**0.868**	**0.838**	**0.838**
Environment Development and Transport					
Demand Responsive Transport	0.154	0.004	0.004	0.004	0.004
Public Transport Commuted Sums	0.051	0.051	0.051	0.051	0.051
Road Safety Reserve	0.150	0.150	0.150	0.150	0.150
Highways Maintenance	5.871	5.258	4.966	4.733	4.489
Economic Development and Tourism	2.827	1.262	0.778	0.555	0.435
Historic Buildings	0.135	0.072	0.072	0.072	0.072
Waste Management Partnership Fund	1.058	0.693	0.693	0.693	0.693
P&T Park and Ride	0.012	0.012	0.012	0.012	0.012
P&T Bus De-registration	0.059	0.059	0.059	0.059	0.059
Environment Income Reserve	0.098	0.117	0.117	0.117	0.117
Street Lighting PFI Sinking Fund	6.945	2.661	2.476	2.291	2.106
	17.360	**10.338**	**9.378**	**8.737**	**8.188**
Policy and Resources / Corporate					
Archive Centre Sinking Fund	0.286	0.276	0.276	0.276	0.276
Norfolk Infrastructure Fund	1.104	1.712	1.712	1.712	1.712
NPLaw	0.178	0.303	0.303	0.303	0.303
Insurance Reserve	3.083	1.350	0.000	0.000	0.000
Car Leasing Scheme	0.029	0.029	0.029	0.029	0.029
Industrial Estate Dilapidations	0.010	0.010	0.010	0.010	0.010
Icelandic Banks Reserve	0.178	0.178	0.178	0.178	0.178
Business Risk Reserve	10.678	0.000	0.000	0.000	0.000

Reserves and Provisions
Year End Projections

	Opening Balances 01/04/2016	Forecast Balances 31/03/2017	Forecast Balances 31/03/2018	Forecast Balances 31/03/2019	Forecast Balances 31/03/2020
	£m	£m	£m	£m	£m
Organisational Change and Redundancy Reserve	6.844	5.712	5.568	5.568	5.568
Strategic Ambitions Reserve	0.971	0.903	0.465	0.465	0.465
Elections Reserve	0.000	0.000	0.000	0.275	0.550
Transitions Reserve	0.000	4.561	0.000	0.000	0.000
Use of Reserves to be identified	0.000	0.000	-6.813	-6.813	-6.813
	23.360	**15.033**	**1.728**	**2.003**	**2.278**
Non – Schools Total	**68.317**	**42.907**	**25.078**	**23.393**	**22.959**
Reserves for Capital Use					
Usable Capital Receipts	1.576	0.755	2.295	2.975	1.625
Schools Reserves					
LMS Balances	21.333	14.000	12.000	10.000	8.000
Schools Contingency	5.547	0.354	0.000	0.000	0.000
Children's Services Education Equalisation	0.757	0.101	0.101	0.101	0.101
Norwich Schools PFI Sinking Fund	2.349	2.476	2.574	2.641	2.641
School Sickness Insurance	1.273	0.000	0.000	0.000	0.000
Schools Playing Field Surface Sinking Fund	0.273	0.273	0.273	0.273	0.273
Building Maintenance	2.326	1.780	1.306	0.806	0.556
Schools non-teaching activities	0.933	0.933	0.933	0.933	0.933
Schools Total	**34.790**	**19.917**	**17.187**	**14.754**	**12.504**
Provisions					
Adult Social Care					
Provision for doubtful debts	3.121	3.121	3.121	3.121	3.121
Communities					
Fire Service	0.850	0.048	0.048	0.048	0.048
Environment Development and Transport					
Provision for doubtful debts	0.042	0.042	0.042	0.042	0.042
Closed landfill long term impairment provision	9.073	9.010	8.946	8.878	8.807
Policy and Resources / Corporate					
Insurance	12.845	12.845	12.845	12.845	12.845
Pensions	0.670	0.670	0.670	0.670	0.670
Redundancy	0.403	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

Report title:	County Council Budget 2017-18 to 2019-20: Robustness of Estimates
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.

County Council is recommended to:

1) **Agree the level of risk and set of assumptions set out in this report, which underpin the revenue and capital budget decisions and planning for 2017-20.**

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 from 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 2016-17, 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 significant number of savings** to ensure that the planned 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 **substantial investment into social care budgets** is planned for 2017-18 to meet 2016-17 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 a “Budget Challenge” session which considered all services in September 2016.
- **Member review and challenge** via Policy and Resources Committee in the May, July, October, November and January meetings, and via detailed consideration by Service Committees in October 2016 and January 2017;
- 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 2017-20 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. Some risks around key funding streams affected by further integrated health and social care reforms have been mitigated for 2017-18 through the local agreement relating to the Better Care Fund. A list of revenue grants is included within the Revenue Budget 2017-18 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;
- **Norwich Northern Distributor Route:** 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 three year period 2017-20 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 Moving Norfolk Forward, 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 September, Executive Directors have undertaken a budget challenge session 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, further developing integrated arrangements with Health (Better Care Fund), including plans for the integration of health and social care services by 2020, implementing major legislative change (Care Act duties relating to wellbeing and prevention), 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 2017-18 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2017-18 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 removal or delay of £7.000m of savings relating to 2016-17 and prior years, and £13.388m of savings planned for 2017-18, a total of £20.388m being removed or delayed 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 2017-18 are deliverable.

4.6. The table below shows the current budget position for the following three 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 2016-17. The medium term financial strategy does not set out plans to fully meet the funding shortfall in 2018-19 to 2019-20. As part of delivering the Council's Moving Norfolk Forward strategy, 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 2020-21

	2016-17 (Period 8 forecast)	**2017-18 Budget**	**2018-19 Budget**	**2019-20 Budget**
	£m	**£m**	**£m**	**£m**
Forecast outturn budget (surplus)/deficit	5.512	0.000	16.125	18.890

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 £5.512m at year-end. It is expected that these actions will enable a balanced outturn position to be achieved for 2016-17. The non-delivery of savings in 2016-17 has been addressed as part of the 2017-18 budget process.

4.8. The factors and budget assumptions used in developing the 2017-20 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 2017. 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 were reported to Service Committees in January 2017 and are reported to County Council in this report. 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 2017-20.

8.2. The information included in both this report and other reports were considered when Policy and Resources Committee recommended 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 2017-18 Revenue Budget and proposals for 2018-19 to 2019-20
- Overall level of the 2017-18 to 2019-20 Capital Programme
- Prudential Code Indicators for 2017-18
- Level of the Council Tax / Precept for 2017-18 and for the period 2018-19 to 2019-20
- Implications of the Revenue Budget for 2018-19 to 2019-20
- 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 2017-18 and future years: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018

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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 1% for 2017-18, 2018-19 and 2019-20 in line with the Chancellor's planning assumptions for public sector pay set out in the Spending Review 2015. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. The pay award for 2017-18 has been set at 1%. However the County Council is part of the national agreement and therefore pay awards for 2018-19 onwards will be subject to 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. Compared to the previous forecast (based on the 2013 valuation) there has been a reduction to the amount budgeted for the lump sum contribution. 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, 1.7% for 2017-18, and 2% in each of the following years based on the Office for Budget Responsibilities March 2016 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: • Increases in adults contacting us with regard to adult social care – this includes older people and adults with learning difficulties, physical disabilities or mental health needs. Projections of a 2.4% increase in the number of adults over 65 and 0.4% increase in younger adults equate to a growth pressure of £6.134m • Increases in the number of looked after children – however for 2017-18 planning purposes it is assumed that any increase in looked after children numbers will be offset by the removal of savings in this area, and the £9.000m pressure allowed to address the 2016-17 overspend position.

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
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 2017 it will go up to £7.50 and is planned to rise to over £9 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 have been included following the cost of care exercise. • An Apprenticeship Levy is to be introduced from April 2017, set at 0.5% of an employer's paybill. This will result in a cost pressure of £0.806m (excluding schools) based on the Council's current payroll, which has been included in the 2017-18 budget. • Additional cost pressures have been assumed associated with the increased income received in 2018-19 and 2019-20 for the Improved Better Care Fund. • Education Services Grant (ESG) is ceasing at the end of August 2017, with the retained duties grant being transferred to the schools block of the Dedicated Schools Grant.
4) Policy decisions	The 2017-18 budget includes the financial impact of previous year's budget decisions, including use of one-off funding within the 2016-17 budget, and the removal of a number of savings which have been re-profiled to later years. It also includes the impact of in-year 2016-17 decisions such as the costs relating to the Vulnerable Persons Resettlement scheme.
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

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
	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.
Other Planning assumptions	
8) Grant	The budget reflects funding up to 2019-20 as announced within the 2017-18 Provisional Local Government Finance Settlement and plans for future years are based on the four-year settlement figures provided. The Council has been informed that its efficiency plan has been accepted, providing access to the four-year allocations of funding announced by the government in 2016-17. Uncertainty remains about the cessation of Revenue Support Grant as part of business rates localisation planned for implementation by the end of the parliament. The Revenue Budget report sets out the detail of key grants and states 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. Education Services Grant (ESG) is ceasing at the end of August 2017, for the first six months of 2017-18 the amount per pupil for mainstream schools has reduced from £77 to £66, and for special schools from £327.25 to £280.50. Public Health grant has been reduced causing pressures in relation to activity based contracts with GPs and pharmacists.
9) Financial risks inherent in any significant new	Financial risks are included within the assessment of the level of general balances. The financial risks arising from the Norwich Northern Distributor Road continue to be

Budget Assumption	Explanation of financial forecast and approach
funding partnerships; major contracts or major capital developments	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. The 2017-18 Budget assumes that additional funding from reserves can be identified during 2017-18 to support investment in the Children's Services budget. Further details are set out in the other budget reports elsewhere on this agenda.
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 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 2016, the Council's outstanding debt totalled £499.758m. The Council continues to maintain its total gross borrowing level within its Authorised Limit of £757.097m (prudential indicators) for 2016-17. The 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 2016 (2016-17 Period 9), the Council's cash balances stood at £150.847m.

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
12) The authority's track record in budget and financial management	As at the end of November 2016 (Period 8) the 2016-17 revenue budget is forecast to overspend by £5.512m on a net budget of £338.960m (gross £1.415bn). 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 2015-16 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 and reviewed monthly and reported to Policy and Resources Committee as part of the monthly 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 monthly through 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.
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

Report title:	**Capital strategy and programme 2017-20**
Date of meeting:	**6 February 2017**
Responsible Chief Officer:	**Executive Director of Finance and Commercial Services**
Strategic impact This report presents the proposed capital strategy and programme 2017-20 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 2017-20 and includes information on the funding available to support the programme.

Members are recommended to:

- **agree the proposed 2017-20 capital programme of £361.888m**
- **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;**
- **agree to recommend to the County Council the Minimum Revenue Provision statement attached at Appendix E;**
- **agree to recommend to the County Council the Prudential Indicators in Appendix F;**
- **note capital grant settlements summarised in Section 4;**
- **note the estimated capital receipts to be generated over the next three years and beyond to support those schemes not funded from other sources, as set out in Table 6.**

1. Introduction

1.1 The attached report introduces the proposed capital programme for 2017-20.

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.

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 2017-20. 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 2017-20

Report by the Executive Director of Finance and Commercial Services

1. Introduction

1.1. This report introduces the proposed overall capital programme for 2017-20 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. Information regarding the revenue implications of prudential borrowing is provided in Sections 6.

2. National and local context

2.1. Autumn Statement

The 2016 Autumn Statement contained relatively little in terms of specific capital funding for Norfolk. The Pothole Action Fund was announced in the 2015 Budget and £2.476m funding for Norfolk has been confirmed for 2017-18. A new National Productivity Investment Fund totalling £185 million in 2017-18 was announced in the Autumn Statement, with an announcement in January 2017 that Norfolk will receive £5.123m in 2017-18. Indirectly, Norfolk could potentially benefit from a new Digital Infrastructure Investment Fund, and investment in flood defence and resilience schemes.

2.2. National Infrastructure Delivery Plan 2016 to 2021

A National Infrastructure Delivery Plan was published in March 2016. The specific reference to Norfolk is the Northern Distributor Road which is currently under construction. Norfolk residents may also benefit from a new river crossing in Lowestoft, and improved roads around Cambridge, including an "expressway" to Oxford, and improvements to the A14 between Cambridge and Huntingdon.

2.3. Government Spending Reviews

The most recent Government spending review was in 2015. This review referred to a number of trunk road schemes (including dualling of stretches of the A47, Thickthorn junction and the Vauxhall roundabout, Great Yarmouth). As these schemes are on roads maintained by the Highways Agency, they are not included in this programme.

2.4. Flood alleviation

The Flood and coastal erosion risk management investment programme 2015 to 2021 - republished in August 2015 by the Environment Agency, listed a number of projects in

Norfolk, primarily in North and North West Norfolk. This is in the context of a £2.3bn 6 year nationwide plan entitled “Reducing the risks of flooding and coastal erosion: an investment plan” published by DEFRA on 2 December 2014.

2.5. **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 current projects including the NDR and the Norwich International Aviation Academy.

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. As a result, Museums capital projects, even if fully funded from external sources or on properties not owned by the Council (such as the Norwich Castle Keep), are included in the capital programme as and when funding is secured.

2.6. **Capital receipts**

The government is keen for the public sector, including local government, to dispose of potentially surplus assets. The One Public Estate programme supports local authorities to work with other local public sector property owners to design more efficient asset management strategies, and the government is keen to encourage local authorities to release sites which could be used for housing.

Estimates of the capital receipts which will be generated over the medium term are shown in section 5 to this report.

2.7. **Flexible use of capital receipts**

Under the 2015 Spending Review the government has allowed local authorities to spend fixed asset receipts on the revenue costs of reform projects. This freedom is particularly useful to debt free authorities.

Norfolk County Council has traditionally used its capital receipts to 1) pay for capital investment or 2) to re-pay debt. Given the requirement to fund capital projects and re-pay debt, and the large degree of uncertainty surrounding the exact timing of disposals, there are not likely to be sufficient guaranteed unallocated capital receipts available to make use of the new freedoms.

3. The Proposed Capital Programme 2017-20

3.1. Background

3.1.1. A four year capital programme for 2016-20 was agreed by the County Council in February 2016. This was prepared using information from the Government on known and forecast funding levels available at that time.

3.1.2. 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.

3.1.3. The proposed capital programme includes all funding currently re-profiled from 2016-17 to future years, as regularly reported to Policy and Resources Committee. The 2017-20 programme reflects all amounts re-profiled up to and including month 8 (November).

3.1.4. The new capital programme reflects known government grant settlements for 2016-17 and beyond. The programme also sets out borrowing to be approved.

3.1.5. 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.

3.1.6. Particular attention should be drawn to those schemes which are to be funded from borrowing and capital receipts. An analysis of receipts and their proposed use is included in Section 5.

3.2. **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 2017 as schemes are accelerated or delayed.

Table 1: Existing programme, excluding proposed new schemes

Service	2017-18 £m	2018-19 £m	2019-20+ £m	**Total £m**
Adult Social Care	12.014	0.995	0.000	**13.009**
Children's Services	53.375	69.816	0.000	**123.191**
CES Highways	80.664	3.933	0.602	**85.199**
CES Other	16.196	1.010	19.352	**36.558**
Finance and Commercial Services	18.502	22.600	1.600	**42.702**
Total	**180.750**	**98.354**	**21.554**	**300.659**

3.3. **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	2017-18 £m	2018-19 £m	2019-20+ £m	**Total £m**
Adult Social Care				
Children's Services	1.000	4.000	-	**5.000**
CES Highways	23.724	-	-	**23.724**
CES Other	6.685	7.650	1.950	**16.285**
Finance and Commercial Services	14.220	1.450	0.550	**16.220**
Total	**45.629**	**13.100**	**2.500**	**61.229**

3.4. **The Total Proposed Capital Programme (existing and new)**

The full Capital Programme for 2017-20, combining existing and proposed schemes, is summarised in the following table.

Table 3: Proposed Total Capital Programme

Service	2017-18 £m	2018-19 £m	2019-20+ £m	**Total £m**
Adult Social Care	12.014	0.995	-	**13.009**
Children's Services	54.375	73.816	-	**128.191**
CES Highways	104.388	3.933	0.602	**108.923**
CES Other	22.881	8.660	21.302	**52.843**
Finance and Commercial Services	32.722	24.050	2.150	**58.922**
Total	**226.379**	**111.454**	**24.054**	**361.888**

Note: tables on this page may be subject to small rounding differences

3.5. 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 approved during 2016-17 include

- ICT - new Voice & Data, server infrastructure and other improvements £3m.
- Library books capitalisation - £1.300m
- Capital project and procurement support - capitalisation £0.410m.

The full summary of schemes in the existing programme can be found in Appendix A.

3.6. The major new schemes proposed for addition to the capital programmes comprise:

Spend to save and projects, which will release internal efficiencies and savings:

- Delivery of CS Sufficiency Strategy – new in-county residential accommodation which will result in significant revenue savings

Examples of new projects requiring borrowing or unallocated capital receipts:

- Norwich Castle Keep development match funding of £2m, which will help bring in significantly more in external grant funding towards the £13m project, including c £9.2m HLF grant funding.
- Capitalisation of library books and ICT licences, which will have a significant and immediate positive impact on the Council's revenue budgets
- Further improvements to County Hall totalling £7m will further enable the rationalisation of the Council's property estate.
- IT server infrastructure and other IT transformation investment to enable the efficient operation of the authority's services
- NDR additional risks – an additional £6.8m required to address additional risks associated with the construction of the Northern Distributor Route.

New schemes (grant funded) not requiring additional borrowing

- Highways new DfT grants of £13m not already included in the programme

.

Details of all the new schemes above are given in Appendix B.

3.7. **Prioritisation**: 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. All schemes have exceeded a default threshold score associated with the repayment of debt

4. Financing The Programme

4.1. 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.

4.2. 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.

4.3. Proposed new schemes will result in an additional £48m of new borrowing over 3 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.

4.4. The funding of the proposed programme is set out in the table below:

Table 4: Funding of the Proposed Capital Programme £m

Funding Source	2017-18 £m	2018-19 £m	2019-20 £m	**Total £m**
Internal Funding				
Borrowing	101.663	41.296	15.194	**158.152**
Revenue and Reserves	4.196			**4.196**
External Grants and Contributions including Government grants	120.521	70.158	8.860	**199.539**
Total	**226.379**	**111.454**	**24.054**	**361.888**

Note: this table may be subject to small rounding differences

4.5. Grants and contributions funding the 2017-20 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.

4.6. The provisional 2017-18 local government finance settlement published in December 2016 made no direct reference to capital funding.

4.7. The Department for Education have provided forward notice of the Basic Need capital grant settlement used by Children's Services to invest in schools. The latest announcement was in March 2016 which confirmed capital funding up to 2018-19. These allocations are already included within the capital programme. Any further Capital Maintenance grant announcement will be added to the programme to support schemes in the programme for which specific funding has not yet been secured.

4.8. The Department for Transport announced in March 2014 highways maintenance block allocations for three years from 2015-18, with indicative allocations through to 2021. For all six years the Norfolk Integrated transport block allocation is £4.141m. The Highways Maintenance Block allocation for 2017-18 is £25.459m. On 28 November 2016 the Department for Transport announced a Pothole Fund allocation of £2.476m for Norfolk. More recently, in January 2017, the DfT announced that the National Productivity Investment Fund allocated to Norfolk is £5.123m, which will be added to the programme. Nationally, £175m is being made available for road safety, with proposals being invited from local highway authorities to upgrade the most dangerous local roads. At present, none of the eligible road sections are in Norfolk.

4.9. DCLG no longer provide an annual settlement for the Fire and Rescue Service. The service continues to have the opportunity to bid for further capital funding for specific projects.

4.10. Since 2016-17, DoH no longer provide any Social Care Capital Grant. A Disabled Facilities Grant (DFG) is received as part of the Better Care Fund. This grant is then forwarded to district housing authorities to administer.

5. Capital Receipts forecast

5.1. 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.

5.2. 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.

5.3. The figures included in the schedule are currently the best estimate of the value of properties available for disposal, pending formal valuations, planning decisions, timing of sales and delivery options, particularly in relation to housing schemes. More detailed valuations will become available as the properties are prepared for market.

5.4. 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

	2017-18	**2018-19**	**2019-20+**		**Total yrs**
Sales estimates	£m	£m	£m		**£m**
Forward Sales Summary exc farms	2.465	1.750	0.250		4.465
Farms Sales forecast	6.675	2.530	2.000		11.205
Total projected sales	**9.140**	**4.280**	**2.250**		**15.670**
Estimate of farms development gain to be allocated to general receipts	3.180	1.470	1.200		5.850
Use of receipts estimates					
Useable receipts - general	5.645	3.220	1.450		10.315
Useable receipts - farms	3.495	1.060	0.800		5.355
Total receipts	**9.140**	**4.280**	**2.250**		**15.670**

5.5. Forecast farms disposals are allocated separately, and this total is highly dependent on the sale of development land in Acle and a number of other development sites which comprise the majority of total potential sales by value. A broad estimate has been made of the element of potential planning gain on farm land designated for housing development, which may be made available for general purposes. Due to the uncertainties involved as to the arrangements, values and timing, the figures above are a guide and the outcomes will be reported as properties are sold.

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. Further information can be found in the MRP policy.

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 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.

6.3. The cumulative revenue impact of schemes funded from borrowing is set out below, assuming spend mid-year. For the purpose of calculating the impact of MRP, an average asset life of 25 years has been assumed, based on a weighted average.

Table 6: estimated revenue costs of new schemes

	2017-18	2018-19	2019-20	2020-21
	£m	£m	£m	£m
MRP impact of new schemes	-	1.290	1.814	1.914
Interest foregone - estimate	0.081	0.194	0.350	0.479
Cumulative revenue impact	0.081	1.484	2.164	2.393
Assumed interest rate on cash balances	0.50%	0.50%	0.75%	1.00%

Note: The assumed interest rate is based on interest assumptions for new in-year deposits. Expenditure assumed mid-year.

6.4. Schemes have been included in the table above where they are either supported, or “spend to save” schemes. Spend to save schemes will generate income or savings which will help mitigate the additional revenue costs shown above.

Officer Contact

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Appendices

Appendix A: Capital programme 2017-20 – existing schemes

Appendix B: New and extended capital schemes

Appendix C: Capital bids prioritisation

Appendix D: Capital strategy 2017-20

Appendix E: Minimum Revenue Provision Statement 2017-18

Appendix F: Prudential Code Indicators 2017-18

Appendix A: Capital programme 2017-20 – existing schemes

- **see following pages (all figures £m)**

Capital Programme 2017-20: Existing schemes

Capital on going schemes

Directorate	Service	Programme area	Project Description	2017-18 Borrowing and Capital Receipts	External Funding	Revenue and Reserves	2017-18 Total	2018-19 Borrowing and Capital Receipts	External Funding	2018-19 Total	2019-20 Borrowing and Capital Receipts	External Funding	2019-20 Total	Grand Total
				£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
Adult Social Care	Adult Social Care	Adult Social Care	SUPP LIVG-PEOPLE WITH L/D		0.014		**0.014**							0.014
			SOCIAL CARE IT INFRA GRNT	0.141			**0.141**							0.141
			Doh Social Care Grnt13/14	0.040	4.424	0.090	**4.554**							4.554
			Winterbourne Project		0.050		**0.050**							0.050
			Care Act Implemeentation		0.871		**0.871**							0.871
			Elm Road Community Hub		1.350		**1.350**							1.350
			Social Care Information System Reproc	5.034			**5.034**	0.995		**0.995**				6.029
		Adult Social Care Total		**5.215**	**6.709**	**0.090**	**12.014**	**0.995**		**0.995**				**13.009**
	Adult Social Care Total			**5.215**	**6.709**	**0.090**	**12.014**	**0.995**		**0.995**				**13.009**
Adult Social Care Total				**5.215**	**6.709**	**0.090**	**12.014**	**0.995**		**0.995**				**13.009**
Children's services	Children's services	A1 - Major Growth		0.751	16.423		**17.174**		34.131	**34.131**				51.304
		A2 - Master Planning			1.704		**1.704**		1.100	**1.100**				2.804
		A3 - Area Growth & Reorganisation			9.236		**9.236**		8.000	**8.000**				17.236
		A4 - Growth - Minor Adjustments			4.158		**4.158**		3.512	**3.512**				7.670
		A4 – Minor Adjustments			0.340		**0.340**							0.340
		B1 - Special Educational Needs (SEN)			7.746		**7.746**		0.238	**0.238**				7.984
		B2 - Additional Needs		1.394	0.014		**1.408**	0.353	4.975	**5.328**				6.736
		B4 - Early years		0.044	0.178		**0.222**	0.198	0.999	**1.197**				1.419
		C1 - Efficiency		0.030	0.915		**0.945**		1.000	**1.000**				1.945
		C2 - Major Capital Maintenance		0.764	4.706		**5.470**		10.800	**10.800**				16.270
		D - Other schemes		0.691	4.282	0.000	**4.973**		4.511	**4.511**				9.483
	Children's services Total			**3.674**	**49.701**	**0.000**	**53.375**	**0.551**	**69.265**	**69.816**				**123.191**
Children's services Total				**3.674**	**49.701**	**0.000**	**53.375**	**0.551**	**69.265**	**69.816**				**123.191**

Directorate	Service	Programme area	Project Description	2017-18 Borrowing and Capital Receipts £m	2017-18 External Funding £m	2017-18 Revenue and Reserves £m	2017-18 Total £m	2018-19 Borrowing and Capital Receipts £m	2018-19 External Funding £m	2018-19 Total £m	2019-20 Borrowing and Capital Receipts £m	2019-20 External Funding £m	2019-20 Total £m	Grand Total £m
CES	Highways	Northern Distributor Road		33.482	23.213		**56.695**	3.050	0.883	**3.933**	-1.098	1.700	**0.602**	61.230
		Schemes including Street Lighting				3.510	**3.510**							3.510
		Structural Maintenance			20.459		**20.459**							20.459
	Highways Total			**33.482**	**43.672**	**3.510**	**80.664**	**3.050**	**0.883**	**3.933**	**-1.098**	**1.700**	**0.602**	**85.199**
	Edt Other	Edt Other	Esco Investment Fund Nfk	6.150			**6.150**							6.150
			KINGS LYNN HWRC IMPROVE		0.067		**0.067**							0.067
			DRAINAGE ASSESSMENT	0.193			**0.193**							0.193
		Edt Other Total		**6.343**	**0.067**		**6.410**							**6.410**
	Edt Other Total			6.343	0.067		**6.410**							6.410
	Edt Other - Transport Total													**0.000**
	Economic Development	Economic Development	SEP Capital General	1.272			**1.272**							1.272
		Economic Development Total		1.272			**1.272**							1.272
	Economic Development Total			**1.272**			**1.272**							**1.272**
CES	Fire	Fire	REACT RETAINED STN REFURB		0.041		**0.041**							0.041
			Flood Rescue VPE (Lightweights)	0.068			**0.068**							0.068
			WATER RESCUE - DEFRA		0.093		**0.093**							0.093
			Portable Generators	0.023	0.192		**0.216**							0.216
			N Lynn Improvements	0.217			**0.217**							0.217
			D Market Station Rebuild			0.589	**0.589**							0.589
			Forward Command system and vehicles	0.095	0.111		**0.206**							0.206
			Unallocated CLG grant 2014-15		0.900		**0.900**							0.900
		Fire Total		0.404	1.337	0.589	**2.330**							2.330
	Fire Total			**0.404**	**1.337**	**0.589**	**2.330**							**2.330**
	Library	Librarys S106 Schemes			0.205		**0.205**		0.010	**0.010**				0.215
	Library Total				**0.205**		**0.205**		**0.010**	**0.010**				**0.215**
	Museum	Museum	Norwich Museums Capital Works	0.017			**0.017**							0.017
			SEAHENGE			0.007	**0.007**							0.007
			Castle Keep Improvements		0.539		**0.539**							0.539
		Museum Total		0.017	0.539	0.007	**0.563**							0.563
	Museum Total			**0.017**	**0.539**	**0.007**	**0.563**							**0.563**
	Better Broadband For Norfolk	Better Broadband For N	Better Broadband Scheme 2	0.500	4.915		**5.415**	1.000		**1.000**	12.192	7.160	**19.352**	25.767
		Better Broadband For Norfolk Total		0.500	4.915		**5.415**	1.000		**1.000**	12.192	7.160	**19.352**	25.767
	Better Broadband For Norfolk Total			0.500	4.915		**5.415**	1.000		**1.000**	12.192	7.160	**19.352**	**25.767**
Community & Environmental Services Total				**42.018**	**50.736**	**4.106**	**96.860**	**4.050**	**0.893**	**4.943**	**11.094**	**8.860**	**19.954**	**121.757**

ANNEXE 4

				2017-18			2017-18 Total	2018-19		2018-19 Total	2019-20		2019-20 Total	Grand Total
Directorate	**Service**	**Programme area**	**Project Description**	**Borrowing and Capital Receipts**	**External Funding**	**Revenue and Reserves**		**Borrowing and Capital Receipts**	**External Funding**		**Borrowing and Capital Receipts**	**External Funding**		
				£m	**£m**	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
Finance & Com Servs	Farms	Farms	Hall Fm, Mautby: Bdg Conv	0.120			**0.120**							0.120
			Roads Programme	0.020			**0.020**							0.020
			Land Drainage Schemes	0.100			**0.100**							0.100
			Hilgay Pleasant House Farm	0.070			**0.070**							0.070
			Crimplesham - Cattle Shed	0.200			**0.200**							0.200
			Unallocated funding	0.600			**0.600**	0.600		**0.600**	0.600		**0.600**	1.800
		Farms Total		**1.110**			**1.110**	**0.600**		**0.600**	**0.600**		**0.600**	**2.310**
	Farms Total			**1.110**			**1.110**	**0.600**		**0.600**	**0.600**		**0.600**	**2.310**
	Offices	Offices	DSBLD DISCRM ACT 00	0.254	0.001		**0.255**							0.255
			VARIOUS:FIRE SFTY REQUIRE	0.022			**0.022**							0.022
			ASBESTOS SURVEY & REMOVAL	1.554			**1.554**							1.554
			Corporate Offices Capital Maintenance	1.359			**1.359**	1.000		**1.000**	1.000		**1.000**	3.359
		Offices Total		**3.190**	**0.001**		**3.191**	**1.000**		**1.000**	**1.000**		**1.000**	**5.191**
	Offices Total			**3.190**	**0.001**		**3.191**	**1.000**		**1.000**	**1.000**		**1.000**	**5.191**
	Offices - C.Hall	Offices - C.Hall	County Hall North/South Wings Refurbishm	1.668			**1.668**							1.668
		Offices - C.Hall Total		1.668			**1.668**							1.668
	Offices - C.Hall Total			**1.668**			**1.668**							**1.668**
	Norfolk Workstyle	**Norfolk Workstyle**	**Workstyle Capital**	**0.005**			**0.005**							**0.005**
			Audio & Visual Equipment	0.029			**0.029**							0.029
		Norfolk Workstyle Total		**0.034**			**0.034**							**0.034**
	Norfolk Workstyle Total			**0.034**			**0.034**							**0.034**
	GNGB supported borrowing	GNGB supported borrowing facility		7.500			**7.500**	11.000		**11.000**				18.500
		GNGB supported borrowing facility Total		**7.500**			**7.500**	**11.000**		**11.000**				**18.500**
	GNGB supported borrowing facility Total			**7.500**			**7.500**	**11.000**		**11.000**				**18.500**
	NCC subsidiary companies	NCC subsidiaries	NORSE ENERGY LOAN					5.000		**5.000**				5.000
		NCC subsidiaries	NCC subsidiary companies capital facility	5.000			**5.000**	5.000		**5.000**				10.000
		NCC subsidiary companies Total		**5.000**			**5.000**	**10.000**		**10.000**				**15.000**
	NCC subsidiary companies Total			**5.000**			**5.000**	**10.000**		**10.000**				**15.000**
Finance & Commercial Services Total				**18.501**	**0.001**		**18.502**	**22.600**		**22.600**	**1.600**		**1.600**	**42.702**
Grand Total - existing schemes				**69.408**	**107.147**	**4.196**	**180.750**	**28.196**	**70.158**	**98.354**	**12.694**	**8.860**	**21.554**	**300.659**

Appendix B: New and extended capital schemes

Proposed new schemes added to the capital programme are listed below:

Children's Services Committee					
Service	**Title**	**2017-18**	**2018-19**	**2019-20**	**Summary of Bid**
		£m	**£m**	**£m**	
Children's Services	Delivery of CS Sufficiency Strategy	1.000	4.000		Development of between 16-24 operational beds in 8-10 units to be used as both residential provision and self-contained move-on beds for young people leaving care. Since Service Committee reports, the proposed timing of expenditure has been updated, with the overall expenditure remaining unchanged.
Total Children's Services		**1.000**	**4.000**		

EDT Committee					
Service	**Title**	**2017-18**	**2018-19**	**2019-20**	**Summary of Bid**
		£m	**£m**	**£m**	
Highways	Development of Ketteringham Site	1.000			Potential development of a joint base as part of the OPE.
Highways	Flood Mitigation measures	1.500			Market town drainage improvements and flood alleviation
Highways	DfT Challenge Fund	1.000			Match funding – Outline bids to be submitted Jan 2017.
Highways	North Area – new depot	0.050			Development of a new site
Highways	NDR – additional risks	6.800			As reported to 16 September 2016 EDT Committee, there are a number of risks costed at £6.8m that could impact on the cost of delivery. The cost risks set out in the report relate to additional costs of Rackheath Rail Bridge, land acquisition, and additional work resulting from design changes, utility apparatus and detailed site surveys.
Highways	Highways new DfT grants	13.374			The following grant and other funding has been confirmed or announced to support the 2017-18 Highways capital programme. £m DfT Challenge fund 4.193 DfT Incentive fund 2.384 DfT pothole funding 2.476 NCC reserves match funding 0.180 DfT Integrated Transport grant funding 4.141 **Total to be added to the programme 13.374** In addition, structural maintenance grant of £25.459m previously announced, and already included in the programme, has been confirmed. Further details have been reported to the 27 January 2017 EDT Committee in the Highways Capital Programme 2017/18/19 report.
Total Highways		**23.724**	**-**	**-**	

Waste	Replacement HWRC Norwich		2.750		Provision of new recycling centre for Norwich as a replacement for the existing Mile Cross site, provided on a design build and operate contract that expires in September 2021 and cannot be extended.
Customer services	E-commerce digital development	0.173			This capital bid is for the development of a holistic e-commerce programme being run in collaboration with NCC Finance and ICT, The digital front end required for the ecommerce offer will be the customer view in to the organisation, and will primarily be used to promote, describe and sell events, activities and products on behalf of all relevant NCC services.
Customer services	Single Employee Portal	0.320			The current employee digital offer is disjointed and does not provide an optimal experience for staff and managers within NCC. In addition, the current content management platform (Oracle) for iNet and PeopleNet is out of support and needs to be replaced. It has been agreed that Sitecore will be used for the new employee digital platform, as for the externally facing customer offer. In designing and developing the new employee offer the following objectives need to be achieved • Overall cost to serve is reduced • Employee satisfaction is increased by seamless journeys and easy to use processes (workflow) • Management processes and performance information are enabled through self service • All internal customers fully utilise self-service where it is available • Professional resources are deployed effectively and where they add value
Scottow Enterprise Park	Scottow Enterprise Park development	3.952			Scottow Enterprise Park has 122 units totalling over 510,000 square feet of lettable space, and is currently 67% occupied by 61 businesses. In line with a report to 14 July 2016 Economic Development Committee, in order to facilitate the growth and economic development of the site relative to the current level of demand and enquiries, a total of capital budget of £9.500m is required. This is a further £3.952m over the current capital programme allocation for Scottow. Of the total £9.500m, £5.238m is required to make essential infrastructure improvements for existing and future tenants, including £3.900m to ensure a potable water supply exists throughout the site, the remainder covering adequate drainage, heating and safe asbestos removal. Building requirements comprise £2.700m to bring hangar buildings into a condition whereby prospective tenants can take up space, and a further £1.562m on other buildings to meet current demand.
Total EDT other		**4.445**	**2.750**	**-**	
Total EDT		**28.169**	**2.750**	**-**	

Communities Committee					
Service	**Title**	**2017-18**	**2018-19**	**2019-20**	**Summary of Bid**
		£m	**£m**	**£m**	
Public safety	Fire Premises :	0.150			Premises: Downham Market (non-insured shortfall in funding) Attleborough – Fire share of new joint building Stand-by power generators Fitting of NCC swipe card access to our fire stations to allow NCC staff access sites to aid mobile working. Potential contribution from insurance fund.
Public Safety	ICT – Control systems relocation from Hethersett to Wymondham	0.210			Move of NFRS Fire Control Room to Norfolk Constabulary Control Room to facilitate greater operational effectiveness.
Public Safety	Fire station fire detection systems	0.150			Installation of Fire Detection and Monitoring for all NFRS sites that currently have no provision
Public Safety	Live fire unit	0.080			To maintain Operational Firefighter training and to mitigate changes required by NNDC Environmental Health team: • Provision of gas fire units • Additional Fire Behaviour unit.
Public Safety	Replacement fire engines		0.950		Replacement of four fire engines.
Public Safety	Aerial Appliance	0.300			Replacement of current aerial appliance
Public Safety	Operational equipment	0.200	0.200	0.200	Capital fund for replacement of critical equipment replacement, (working at height, hose, airbags).
Cultural services - museums	Norwich Castle Keep development match funding		1.950		Norfolk Museums Service will deliver a major project to redevelop the medieval Keep at Norwich Castle Museum & Art Gallery. This £13m project will re-create the 12th century Norman royal palace and will develop a new British Museum Gallery of the Medieval Period, creating the first permanent presence for the British Museum in the East of England. This project is one of the highest profile heritage projects in the UK, delivering strongly against all four of the

					Norfolk County Council strategic priorities, with a bid to the Heritage Lottery Fund (£9.2m) accounting for the majority of funding.
Cultural services - museums	Norwich Castle museum business critical M&E services	0.150		0.750	The ability to deliver services and programming at NCM is currently threatened by significant failures affecting two critical elements of site M&E infrastructure including the critical M&E systems that control RH and temperature in exhibition galleries, and the external lift.
Cultural services - Libraries	Replacement of Self Service Kiosks in Libraries		0.800		Norfolk Library and Information Service have 106 self-service kiosks in libraries that customers use for around 90% of standard transactions. Originally introduced in 2008, the kiosks were refreshed in 2013/14 and have an effective life expectancy of 6 years. This bid is for 106 replacement kiosks in 2018-19, 50 of which will accept coins/notes and 56 of which will accept money and electronic payments.
Cultural services - Libraries	Capitalisation of library books	1.000	1.000	1.000	The majority of expenditure on library books has previously been treated as revenue expenditure within the Council's accounts. To the extent that library books form a class of "non-current assets" with a life of more than one year they can be capitalised. The actual amount capitalised and impact on the revenue budget will depend on the exact mix of library purchases in any one year.
Total Communities		**2.240**	**4.900**	**1.950**	
Total CES		**30.409**	**7.650**	**1.950**	

Policy and Resources Committee					
Service	**Title**	**2017-18**	**2018-19**	**2019-20**	Summary of Bid
Finance & Property		**£m**	**£m**	**£m**	
Corporate Property Team (CPT)	Norfolk One Public Estate programme	0.250	0.250	0.250	NCC are a partner in Norfolk One Public Estate (OPE) programme This bid enables the County Council to fully participate in the programme through small capital schemes combining buildings and releasing sites from the portfolio thereby producing capital receipts and making revenue savings. Decisions on which projects to support will be made by Corporate Property Strategy Group, supported by the Corporate Property Team based on business cases detailing the benefits to NCC services and Norfolk citizens and service users.
CPT	Basement/Lower Ground	3.700			Proposed refurbishment of the lower ground and basement at County Hall to form maximum occupation office accommodation including a number of meeting rooms and storage space, Together with the refurbishment of the North Wing work this will allow the release of the Annexe and Vantage House. To be commissioned same time a North Wing. Further work is required to refine the cost estimate.
CPT	County Hall North Wing	3.300			Refurbishment of the North Wing at County Hall to form maximum occupation office accommodation including a number of meeting rooms allowing decant from The Annexe & Carrow House subject to final location plans. The project includes the re-siting of the ITS control room. Total cost £4.300m, office accommodation plus provisional £0.500m for democratic spaces, less £1.500m already committed.
CPT	Replacement room booking system	0.050			Replacement room booking system to enable better control of available venues reducing costs associated with hire and lost time.
Finance	Capitalisation of corporate capital staff costs where applicable	0.300	0.300	0.300	The Council spends over £100m each year on its capital programme. Included in this cost can be staff time where it relates to specific projects and assets. This budget represents the cost of a number of staff providing support and advice to various elements of the capital programme, previously funded from the revenue budget.
ICT	Member ICT refresh	0.420			Updating technology used by NCC members

ICT	Server infrastructure	2.400			The authority's server infrastructure is now 5 years old and has reached the end of economic life. Replacement servers will be able to meet enhanced storage and recovery standards. The estimated cost of server replacements and licencing is £3.4m, of which £1m is forecast to be spent in 2016-17.
ICT	Technology and investment programme (transformation)	2.600			This bid is for a number of transformation projects to improve ICT services, including: • further development of online self-service portals for residents, staff and partners (£1.1m) • refresh of the corporate mobile phone estate (£0.5m) • Improvements to corporate Wi-Fi (£0.5m) • mobile and flexible working technologies to improve the effectiveness and efficiency of front line Social Care workers (£0.5m).
ICT	Licencing and generic capital improvements	1.200	0.900		A number of ICT projects have been proposed to enhance services throughout NCC, principally through the development of a range of self-service portals. As much as £3m will be required in total, including £1.2m approved in 2016-17. In addition, it is likely that a further £0.3m will be required in respect of long term licences in 2017-18.
Total Finance		**14.220**	**1.450**	**0.550**	
Total P&R		**14.220**	**1.450**	**0.550**	
Total NCC		**45.629**	**13.100**	**2.500**	

Other projects which are in development for future capital programmes

Highways Capital Programme Targeted Improvements: as and when government infrastructure funding is made available, experience suggests that government would be looking for 'shovel-ready' projects. Officers are developing strategic schemes (with partners where applicable) which may attract funding, and whether up-front capital funding could act as a lever for government support. Examples of schemes being considered are:

- A47 Acle Straight dualling, Tilney to East Winch dualling, Longwater Junction improvements
- Great Yarmouth Third River Crossing (the DfT has made £1.080m available for development work up to and including the production of an outline business case)
- A11 Thetford junction and other improvements
- A140 Long Stratton bypass
- Rail enhancements in the area to accommodate planned passenger and freight services
- Rail halt at Broadland Business Park
- Great Yarmouth Flood Defence Infrastructure
- Great Yarmouth Port development

Norwich Western Link: An extension of the Norwich Northern Distributor Road (NDR) from the A1067 to the A47 at its western end, members have previously discussed the project with Highways England in the context of a potential programme to dual sections of the A47. The Wensum Valley Link would provide improved highway infrastructure in response to local concerns about existing traffic impacts on communities, and would provide the potential to improve linkages between housing and employment areas, enhancing job opportunities. Further development works are planned with the first gateway phase expected to be completed by June 2017.

Shrublands site, Great Yarmouth: discussions with the PCT are taking place which may result in a potential bid relating to the development of health centre on site. This will be subject to an outline proposal from the PCT and acceptable commercial terms. In addition, NCC is considering how the remainder of the site can be best developed.

Whitlingham Outdoor Education Centre: while capital money has been approved to reduce future maintenance costs by addressing immediate capital maintenance concerns (currently subject to discussion with the relevant planning authorities), officers are considering capital improvements which will improve the medium and long term financial sustainability of the centre.

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

Project	**Description**	**Project Delivery (subject to minimising disruption to education provision)**
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
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

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.

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. Capital schemes which have been approved during the year, including for example additional funding for ICT schemes, outside the annual capital prioritisation round but subject to P&R approval.

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 adopted last year, and has been strengthened with a detailed scoring matrix.

4. The prioritisation process gives a high weighting to schemes which have funding secured. Where non-ringfenced capital grants are received there will be an initial assumption that they will allocated to their natural home: for example DfT grants to highways, and DfE grants to the schools capital programme.

    a. 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;
    b. If there are unallocated capital receipts, these may be used to provide funding for higher priority unfunded schemes.

A capital project marking guide has been produced based on the suggestions made in previous years

Development of the prioritisation model
The corporate capital prioritisation model is based on the model first used in preparing the 2015-18 capital programme, and which has been re-presented to the November 2016 P&R Committee.

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 should all come through the Council's Corporate Property team.

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.

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.

Capital programme 2017-20 – officer prioritisation scores

	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 2016-20 capital programme								
Highways Capital Improvements	3	5	2	5	5	2	5	84
Highways Structural Maintenance	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	1	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
Customer Service Strategy	2	4	4	2	0	3	5	54
NEFL Borrowing Facility	0	3	2	4	2	5	0	52
Scottow Enterprise Park capital	0	5	4	2	0	3	3	50
Norse, additional loan facility	0	1	1	4	3	5	2	49
Farm property capital maintenance	2	1	0	5	0	3	4	47
Libraries Open+	2	2	1	3	0	4	5	47
Corporate offices capital maint	2	2	5	1	0	5	4	45
Voice and data contract – capital	2	2	4	1	2	2	4	43
Whitlingham capital repairs	1	2	3	2	0	2	4	38
Managing Asbestos Exposure	5	1	1	0	0	5	5	36
Repay Debt (Dummy reference bid)	**0**	**0**	**0**	**5**	**0**	**5**	**0**	**35**
New schemes								
Delivery of CS Sufficiency Strategy	5	3	3	4	0	3	4	62
CES								
Highways new DfT grants	4	4	2	5	2	2	5	73
NDR additional risks	3	5	1	2	4	1	5	62
Replacement fire engines	4	4	0	3	0	4	5	57
DfT Challenge Fund	4	4	1	0	5	4	2	53
Aerial Appliance	4	3	0	3	0	4	4	51
Operational equipment	4	3	0	3	0	4	4	51
Scottow Enterprise Park development	0	5	4	2	0	3	3	50
Flood Mitigation measures	3	4	1	1	3	3	3	50
Norwich Castle Keep development match funding	2	4	1	1	5	2	1	48

Norwich Castle museum business critical M&E services	4	3	2	2	0	2	4	46
ICT – Control systems relocation from Hethersett to Wymondham	3	1	3	3	0	2	5	45
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
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
North Area – new depot	2	2	1	2	0	3	3	36
Fire Premises: Downham Mkt	4	3	3	0	0	1	4	36
Replacement of Self Service Kiosks in Libraries	2	2	0	2	0	3	4	36
Director of Finance								
Norfolk One Public Estate programme	3	2	4	1	5	5	2	56
Server infrastructure	2	2	3	3	2	3	5	55
Technology and investment programme (transformation)	2	2	3	3	2	4	3	53
Licencing and generic capital improvements	2	2	1	3	2	4	1	45
Basement/Lower Ground	0	2	3	3	0	3	2	39
County Hall North Wing	0	2	3	3	0	3	2	39
Member ICT refresh	1	2	2	3	0	3	2	39
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
Repay Debt (Dummy reference bid)	**0**	**0**	**0**	**5**	**0**	**5**	**0**	**35**

Appendix D: Capital strategy 2017-18

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.

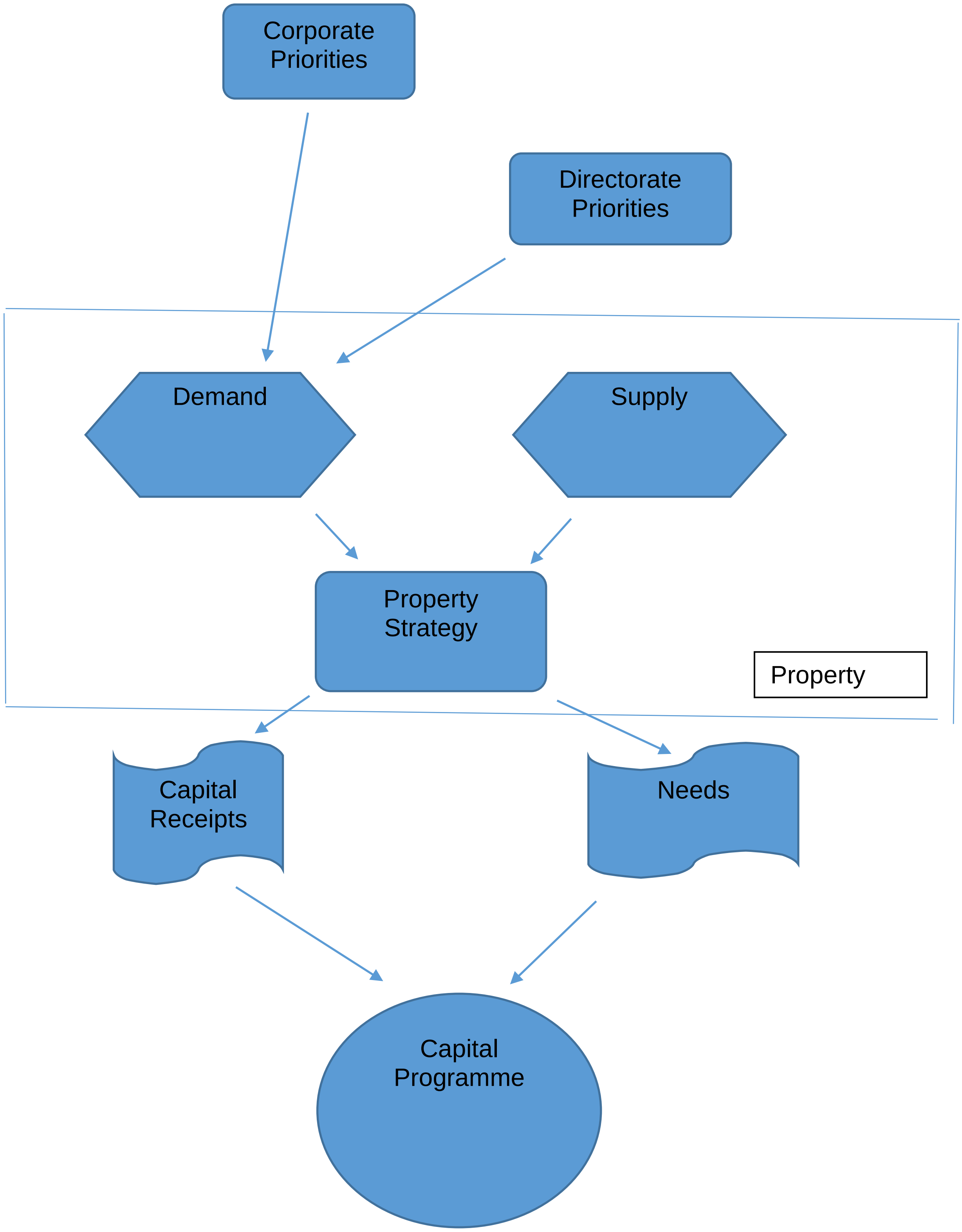
2.4 Formation and delivery of asset management plans are vital to the implementation of the Capital Strategy and to the delivery of the Capital Programme. The Council's primary asset management plan is supplemented by its:

- 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 funding for future capital schemes.

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 £0.090m pa in ongoing revenue financing costs for an asset with an assumed life of 25 years, or up to £0.250m 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 Although the principles behind the calculation of MRP do not change, the method is set each year in the Council’s MRP policy. A separate paper suggesting a change to the method of calculation is on this agenda.

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) is 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 will be initially applied by a group of officers representing major service areas and appropriate support skills such as property management and finance. Results will be discussed and moderated by Chief Officers and through discussions with relevant members before the capital programme is proposed to the 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	2013-14	2014-15	2015-16
	£m	£m	£m
Capital expenditure	115.5	140.9	129.1

The Council's 2015-16 capital programme was split by funding type as follows:

Funding type	**£m**	**%**
Capital grants and contributions	100	78%
Revenue and reserves	2	2%
Capital receipts	4	3%
Borrowing	23	18%
Total	**129**	**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 8-9% 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 revenue cost i.e. for every £1 million of borrowing our revenue borrowing costs are as much as £0.090 million pa, or as much as £0.250m pa for an asset with a 5 year life.

7.4 Local Authorities have to earmark sufficient revenue budget each year as provision for repaying debts incurred on capital projects.

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 capital programme and reducing the level of borrowing.

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 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. A new structure for the team has been in place since April 2015. Roles include - reviewing policies relating to property. - co-ordinating the Council's asset management plan - corporate property scheme prioritisation
The Children's Services Capital Priorities Group	A member and officer group which oversees the development and delivery of the Schools capital programme.
Highways	EDT Committee
County Farms member working group	A member working group was set up in 2014 to oversee County Farms strategy and policy.

Appendix E: Minimum Revenue Provision Statement 2017-18

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 2017-18:

- 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.

Appendix F: Prudential Code Indicators 2016-17

1. Background

1.1 First introduced in 2004, the Prudential Code (the Code) for local government capital investment replaced the complex regulatory framework which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation by local authorities. All borrowing undertaken is self-determined under the Code.

1.2 Under Prudential arrangements, local authorities can determine their own borrowing limits for capital expenditure. The Government does retain reserve powers to restrict borrowing if that is required for national economic reasons.

1.3 The Code supports the framework of strategic planning, local asset management and options appraisal, ensuring that capital investment plans of local authorities are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. The Code requires the Council to set and monitor performance on:

- capital expenditure
- affordability & prudence
- external debt
- treasury management

1.4 In accordance with best practice, a number of specific Treasury Management prudential indicators are included in the 2017-18 Annual Investment & Treasury Strategy, presented elsewhere on this agenda.

1.5 Indicators presented in this report include:

- **Capital Expenditure Payment Forecast**
- **Ratio of Capital Financing Costs to Net Revenue Budget**
- **Incremental Impact of Capital Programme on Band D Council Tax**
- **Capital Financing Requirement**
- **Gross Debt and the Capital Financing Requirement**
- **Authorised Limit for External Debt**
- **Operational Boundary Limit for External Debt**
- **Actual External Debt**
- **Adoption of the CIPFA Treasury Management Code**

1.6 Once determined, the indicators can be changed so long as this is reported to the Council.

1.7 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.

1.8 Prudential indicators are not designed to be comparative between local authorities. They are designed to support and record local decision-making.

1.9 At the end of this appendix is a diagrammatic view of the indicators, setting out the relationship between indicators and their bases of calculation. The diagram shows for example, that the decision to finance capital expenditure from borrowing will increase outstanding debt on the balance sheet; which in turn results in interest payable on borrowing. Interest payable on borrowing is then compared with the net revenue budget to calculate the ratio of capital financing costs to net revenue budget indicator. Interest payable is also used to calculate the incremental impact on Band D Council Tax.

2. The Indicators

2.1 The actual capital expenditure incurred in 2015-16 and the latest estimates of capital expenditure in 2016-17 (as contained in the latest Finance Monitoring Report plus finance leases) are shown below. The table also shows estimates for future years, as detailed in the Capital Programme.

Capital Expenditure Payment Forecast

	2015-16 Actual £m	2016-17 Revised Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Adult Social Care	4.431	9.375	12.014	0.995	-
Children's Services	26.965	44.967	54.375	73.816	-
CES Highways	85.711	140.438	104.388	3.933	0.602
CES Other			22.881	8.660	21.302
Resources	0.779	-	-	-	-
Finance	13.022	12.285	32.722	24.050	2.150
Total	**130.908**	**207.065**	**226.379**	**111.454**	**24.054**

2.2 The Council Plan and 2017-18 Budget report seeks approval for the overall level of Capital programme based on the level of capital financing costs contained within the revenue budget.

2.3 The ratio of capital financing costs to net revenue budget is the estimated annual revenue costs of borrowing (net interest payable on debt or foregone on balances, and the minimum revenue provision for repaying the debt), as a proportion of annual income from council taxpayers and government.

2.4 Estimates of the ratio of capital financing costs to net revenue budget for the current and future years, and the actual figures for 2015-16 are:

Ratio of Capital Financing Costs to Net Revenue Stream				
2015-16 Actual £m	**2016-17 Revised Estimate £m**	**2017-18 Estimate £m**	**2018-19 Estimate £m**	**2019-20 Estimate £m**
8.44%	**6.16%**	**6.15%**	**6.14%**	**5.71%**

2.5 The figure for 2015-16 is based on actual net expenditure with estimates shown for later years. While the authority's Net Revenue Stream is likely to decrease over the next three years as a result of reductions in Revenue Support Grant, this will be more than off-set by a change in the application of the current MRP policy over the period covered above.

2.6 The significant reduction in the estimated ratios from 2016-17 is due to the way in which the MRP policy will be applied in the medium term, reducing the MRP charge to revenue while previously over-provided MRP is absorbed. From 2021, (based on current projections) the ratio will increase back to a ratio consistent with the 2015-16 percentage.

2.7 These estimates are based on the Council taking no additional borrowing in 2017-20 in line with recent years, apart from a specific project related PWLB loan of £40m in respect of the Norwich Northern Distributor Road which will be funded from CIL receipts.

2.8 The incremental impact on Band D Council Tax resulting from the new schemes in the Capital Programme is:

Incremental Impact of Capital Programme on Band D Council Tax		
2017-18 £	**2018-19** £	**2019-20** £
0.28	4.91	2.36

2.9 This reflects the impact of funding new capital schemes from cash balances and associated capital commitments each year. The actual impact will be reduced in the medium term due to the current application of the Council's MRP policy as described above.

2.10 The **capital financing requirement** represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or other sources of external funding. Estimates of the end of year capital financing requirement for the Council for the current and future years and the actual capital financing requirement at 31 March 2016 are:

Capital Financing Requirement

2015-16 Actual £m	2016-17 Revised Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
673.445	711.399	813.062	854.358	869.552

2.11 The capital financing requirement measures the County Council's underlying need to borrow for a capital purpose.

2.12 The Capital Financing Requirement is increasing as the Council has a number of previously approved schemes which require borrowing to finance them. Further schemes requiring prudential borrowing are proposed in the 2017-20 capital programme which will have the effect of increasing the CFR. Actual increases in CFR will be delayed if major schemes are re-profiled into future years.

2.13 The guidance on **gross debt and the capital financing requirement** advises that:

> **"In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."**

2.14 Gross debt refers to the County Council's total external borrowing. The Council already works within this requirement.

2.15 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases and PFI schemes. It is recommended that Council approve the 2017-18 and future years limits.

2.16 For 2017-18 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003

2.17 As required by the Code, the Council is asked to delegate authority to the Executive Director of Finance and Commercial Services, within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long term liabilities. Any such changes made will be reported to the Policy and Resources Committee.

Authorised Limit for External Debt

	2016-17 Revised Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Borrowing	697.565	803.073	836.325	844.690
Other long term liabilities	59.532	57.874	61.099	60.862
Total	**757.097**	**860.947**	**897.425**	**905.552**

2.18 These proposed limits are consistent with the indicative Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements.

2.19 The Code also requires the Council to approve an **operational boundary limit for external debt** for the same time period. The proposed operational boundary for external debt is the same calculation as the authorised limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring

2.20 Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified again. The Council is asked to delegate authority to the Executive Director of Finance and Commercial Services, within the total operational boundary for any individual year, to make any required changes between the separately agreed figures for borrowing and other long-term liabilities.

Operational Boundary Limit for External Debt

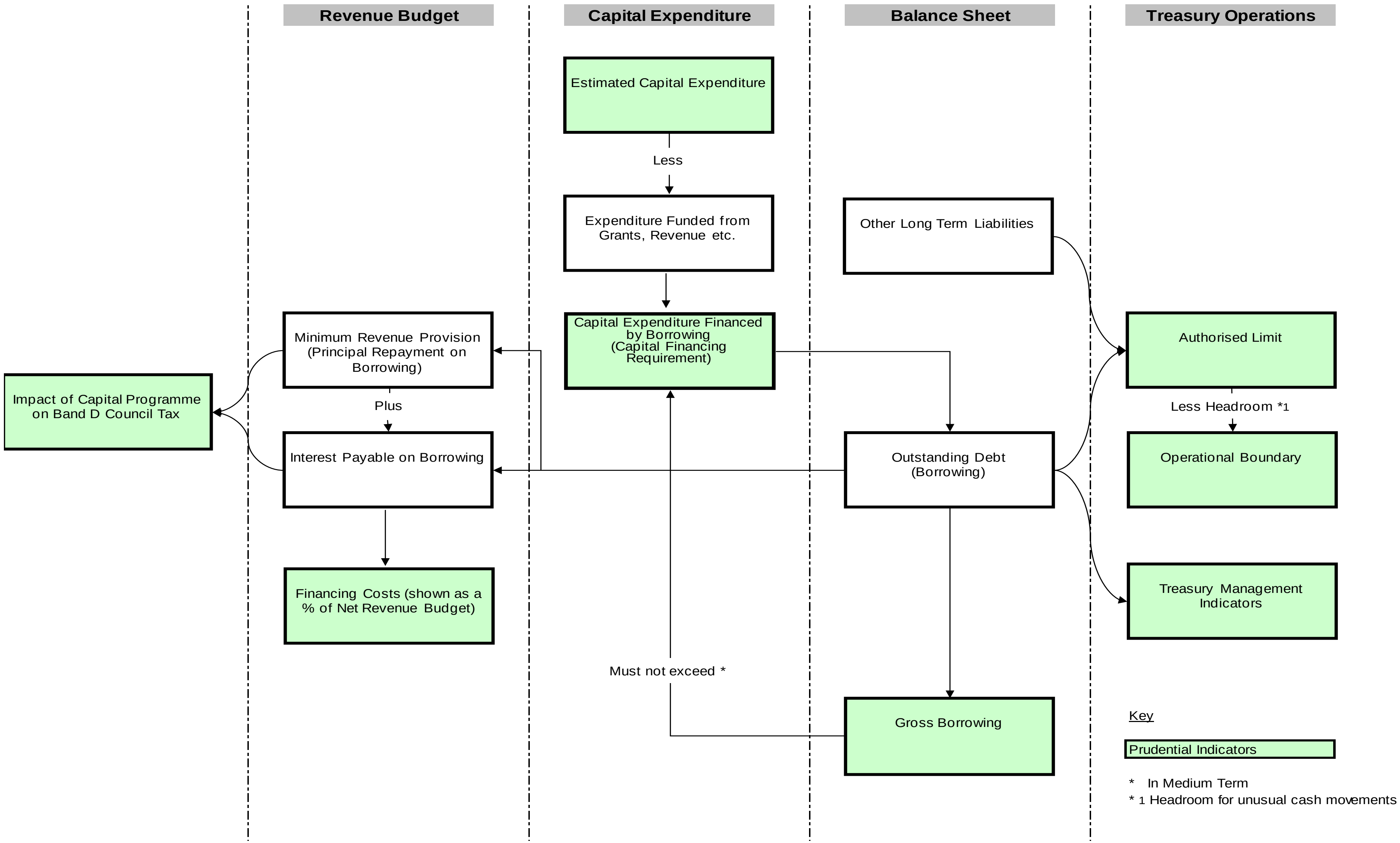
	2016-17 Revised Estimate £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Borrowing	498.207	502.103	494.264	487.435
Other long term liabilities	58.532	56.874	55.099	53.361
Total	556.739	558.977	549.363	540.796

2.21 The Council’s actual external debt at 31 March 2016 was £496m. This is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

2.22 The County Council has adopted the four specific clauses in the Treasury Management Policy Statement contained with the CIPFA Treasury Management in the Public Services: Code of Practice.

ANNEXE 4

DIAGRAMMATIC PRESENTATION OF PRUDENTIAL INDICATORS



ANNEXE 5

Policy and Resources Committee

Report title:	**Annual Investment and Treasury Strategy 2017-18**
Date of meeting:	**6th February 2017**
Responsible Chief Officer:	**Executive Director, 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 2017-18, including the criteria for choosing investment counterparties.

Despite an improvement in general economic and financial indicators, the environment in which the Council's treasury activity operates remains challenging. On the 4th August 2016 the Bank of England reduced the bank base rate from 0.5% to 0.25%. The previous rate had stood since March 2009.

The proposed 2017-18 Strategy is largely unchanged from that approved for 2016-17; the strategy incorporates a diversified pool of high quality counterparties with a maximum deposit duration of three years.

A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short-term.

At the 31st December 2016, the Council's external debt was £483M and its investments totaled £151M.

Recommendation:

It is recommended that the Policy and Resources Committee endorse and recommend to County Council; the Annual Investment and Treasury Strategy for 2017-18, including the treasury management Prudential Indicators detailed in Section 8.

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 annex summarises:

- The Treasury Management Function
- Capita Asset Services Economic Forecast
- Investment Strategy 2017-18 - Background
- Investment Strategy 2017-18 – Counterparty Criteria
- Investment Strategy 2017-18 – Specified & Non-Specified Investments
- Investment Strategy 2017-18 – Counterparty Monetary & Time Limits
- Borrowing Strategy 2017-18
- Treasury Management Prudential Indicators
- Leasing

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 2017-18 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 2017-18 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. They have been produced in accordance with best practice and guidance and in consultation with the Council's external treasury advisors.

Officer Contact

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

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IN TRAN communication for all

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Annual Investment and Treasury Strategy 2016-17

1. The Treasury Management Function

1.1 The CIPFA Code defines treasury management activities as "the management of the Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity before considering investment return.

1.3 A further function of the treasury management service is funding of the Council's capital plans. These capital plans provide a guide to the borrowing requirement of the Council, essentially the longer term cash flow planning, typically 30 years plus, to ensure the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using internal cash balances on a temporary basis. Debt previously borrowed may be restructured to meet Council risk or cost objectives.

1.4 The County Council has delegated responsibility for the implementation of its treasury management policies and practices to the Council's Policy and Resources Committee. Day to day execution and administration of treasury management decisions has been delegated to the Executive Director, Finance and Commercial Services. The cross party Treasury Management Panel has specific responsibilities regarding the monitoring of treasury management activities.

1.5 External treasury management services are provided by Capita Asset Services. Capita Asset Services provides a range of services which include:

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of long term borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service for the three main credit rating agencies (Fitch, Moody's and Standard & Poors).

1.6 Whilst Capita Asset Services provides support to the treasury function, under market rules and in accordance with the CIPFA Code of Practice, the final decision on treasury matters remains with the County Council.

1.7 The Council also receives information and guidance from a number of professional sources operating in the financial markets, such as money brokers and investment managers. The Council's finance staff regularly participate in practitioner networks and organisations which share treasury management information and best practice. The Council's Chief Investment Manager is a member of CIPFA's Treasury Management Network Advisory Panel.

1.8 Member consideration of treasury management matters and the need to ensure that officers dealing with treasury management are trained and kept up to date, requires a suitable training process for both Members and officers. The County Council has addressed this important issue by:

- Providing training presentations to Members of the Treasury Management Panel as part of the meeting agenda.
- Providing treasury related briefings to Members on specific issues.
- Providing treasury management induction training for all new staff and refresher training for existing staff.
- Supporting treasury management related Continued Professional Development targets as part of the annual appraisal process.
- Maintaining a training log within the Treasury Management Practices manual.

1.9 In accordance with the Code of Practice on Treasury Management, performance will continue to be monitored and reported to Policy and Resources Committee as part of the Revenue Monitoring Report and regularly to the Treasury Management Panel.

1.10 The Council's treasury management and debt management performance is also benchmarked externally against other local authorities as part of the Council's membership of CIPFA's benchmarking clubs. Through the active participation in treasury management networking groups, the Council is also able to benchmark its investment strategy with other local authorities. The Council's current strategy is closely aligned with its peers.

2. Capita Asset Services Economic Forecast

2.1 Economic Overview

UK - The Monetary Policy Committee, (MPC), cut Bank Base Rate from 0.50% to 0.25% on 4th August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half of 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November 2016 and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is unlikely that the MPC will do anything that might dampen growth prospects, (i.e. raising Bank Base Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not forecast until quarter 2 of 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

USA – Despite some data set backs, the US is still probably the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation. To this end, the Federal Open Market Committee (FOMC) raised it's key policy rate by 25 basis points, in December 2016, taking the benchmark rate of 0.50% to 0.75%. It was the first rise in 2016, with the previous rise in December last year and only the second one since June 2006.

If the newly elected Presentident Donald Trump goes on to implement his election promises then there is likely to be a significant increase in inflationary presure which in turn will mean that the pace of further Fed rate increases will be quicker and stronger than had previously been expected.

Eurozone – Dispite its massive programme of quantitive easing, the measures introduced by the European Central Bank (ECB) have failed to make a significant impact in boosting economic growth and in helping inflation to rise significantly towards it target of 2%. There is also significant risk from on-going structural reforms, consitiution referendums and presidential/general elections.

2.2 Economic and interest rate forecasting remains difficult with so many internal and external influences weighing on the UK. In particular, given the current uncertainty over the final terms of Brexit and the timetable for its implementation, it is likely that:

- Investment returns are likely to remain low during 2017-18 and beyond;
- Government Gilt yields (Public Works Loans Board, PWLB Borrowing rates) have risen sharply in recent months due to concerns around a 'hard Brexit', the fall in sterling and an increase in inflation expectations. Despite this PWLB rates remain low by historical standards. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue cost between borrowing costs and investment returns.

2.3 The following table gives Capita Asset Services central view of UK Base Rate and Public Works Loan Board (PWLB) borrowing rates:

Quarter	Base Rate	PWLB Borrowing Rates (%)

Ending	(%)	5 year	25 year	50 year
Dec 2016	0.25	1.60	2.90	2.70
Mar 2017	0.25	1.60	2.90	2.70
June 2017	0.25	1.60	2.90	2.70
Sept 2017	0.25	1.60	2.90	2.70
Dec 2017	0.25	1.60	3.00	2.80
Mar 2018	0.25	1.70	3.00	2.80
June 2018	0.25	1.70	3.00	2.80
Sept 2018	0.25	1.70	3.10	2.90
Dec 2018	0.25	1.80	3.10	2.90
Mar 2019	0.25	1.80	3.10	3.00
June 2019	0.50	1.90	3.20	3.00
Sep 2019	0.50	1.90	3.30	3.10
Dec 2019	0.75	2.00	3.30	3.10
Mar 2020	0.75	2.00	3.40	3.20
Increase over the 3 year period	+0.50	+0.40	+0.50	+0.50

3. Investment Strategy 2017-18 - Background

3.1 Forecasts of short-term interest rates, on which investment decisions are based, suggest that the 0.25% Bank Rate will remain unchanged until the second quarter of 2019.

3.2 The investment earnings rates which most closely match our average deposit profile is the 3 month LIBID (London Intra Bank Bid rate for money market trades) forecast. The interest rates suggested for budget planning purposes by Capita Asset Service for the following 3 financial years are as follows:

Financial Year	Budgeted Interest Earnings
2017-18	0.25%
2018-19	0.25%
2019-20	0.50%

3.3 The 2017-18 County Council net budget provision (after adjusting for internal interest earning accounts) for interest receivable is approximately £1.0M.

3.4 There are 3 key considerations to the treasury management investment process. CLG's Investment Guidance ranks these in the following order of importance:

- security of principal invested,
- liquidity for cash flow, and
- investment return (yield).

Each deposit is considered in the context of these 3 factors, in that order.

3.5 DCLG's Investment Guidance requires local authorities to invest prudently and give priority to security and liquidity before yield, as described above. In order to facilitate this objective, the Guidance requires the County Council to have regard to CIPFA's Code of Practice for Treasury Management in the Public Sector.

3.6 The key requirements of both the Code and the Investment Guidance are to produce an Annual Investment and Treasury Strategy covering the following:

- Guidelines for choosing and placing investments – Counterparty Criteria (Section 4).
- Details of Specified and Non-Specified investment types (Section 5).
- Identification of the maximum period for which funds can be committed – Counterparty Monetary & Time Limits (Section 6).

4. Investment Strategy 2017-18 - Counterparty Criteria

4.1 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.

4.2 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 <u>both</u> the short and long term ratings issued by at least <u>one of the three</u> 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 <u>one of the three</u> credit rating agencies. The respective Fitch, Standard and Poors and Moody's Short and Long term ratings are detailed in Appendix 1.

- **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:** If the credit ratings of the County Council's corporate banker (Barclays Bank plc) fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time.

- **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.

- **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 the approved service level agreement and the monetary and duration limits detailed in Section 6.

4.3 The Executive Director, 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 (Appendix 2).

4.4 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.

4.5 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.

5. Investment Strategy 2017-18 – Specified & Non-Specified Investments

5.1 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 4, 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.

5.2 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 days.
- Any Euro deposits specifically related to the management of Euro cash balances held by the County Council.

5.3 The categorisation of ‘Non-Specified’ does not in anyway detract from the credit quality of these institutions, but is merely a requirement of the Government’s guidance.

5.4 The Council’s proposed Strategy therefore includes both Specified and Non-Specified Investment institutions.

6. Investment Strategy 2017-18 - Counterparty Monetary & Time Limits

6.1 The level of cash balances represents money received in advance of it being required to meet the cost of County Council services. Balances are also required to support the Council’s cash backed reserves and provisions which are held for specific purposes. Cash balances fluctuate on a daily basis as the receipt of this income does not exactly match the timing of the expenditure. Whilst the average level of daily cash balances is forecast to be around £150M in 2017-18, the timing of receipts over payments could increase this to nearer £190M on occasions.

6.2 The County Council also provides treasury management services to other bodies (the Norse Group, Independence Matters and the Norfolk Pension Fund). The average daily cash balance of these other bodies is expected to total £25M.

6.3 Lending limits have been calculated to accommodate forecast cash balances and to achieve diversification of counterparty. Separate lending limits have been determined for the County Council and the other bodies and assigned to each counterparty on the Approved Authorised Counterparty List.

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)

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 TSB 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.

6.4 It is estimated that in 2017-18, the maximum level of Council funds invested for periods greater than 364 days (and therefore categorised as a non-specified investment – see Section 5) will be no more than £100M based on current projected cash balances.

7. Borrowing Strategy 2017-18

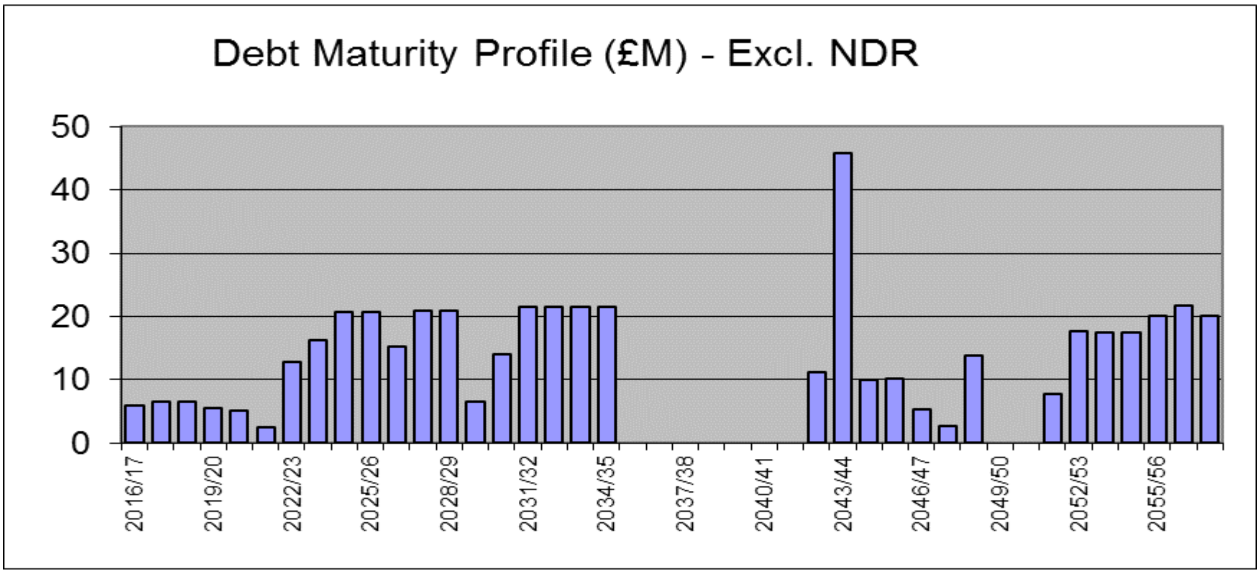
7.1 The County Council undertakes capital expenditure on long-term assets. Capital expenditure can either be paid for immediately by applying capital receipts, capital grants or revenue contributions or by borrowing which spreads the costs over future generations who use the asset. The Council's need to borrow is measured by the Capital Financial Requirement, which simply represents the total outstanding capital expenditure, which has not yet been paid for from either capital or revenue resources.

7.2 For the County Council, borrowing principally relates to long term loans (i.e. loans in excess of 364 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

7.3 The main source of long term loans is the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years.

7.4 In accordance with the approved 2016-17 Investment and Treasury Strategy, the County Council has postponed any new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. "Cost of carry" is the difference between interest paid and interest earned on borrowed monies while temporarily held as cash balances until used to fund capital expenditure. Delaying borrowing and running down the level of investment balances also reduces the County Council's exposure to investment counterparty risk. The option of continuing to postpone borrowing into 2017-18 will be considered as part of the on-going management of the 2017-18 borrowing strategy.

7.5 The Council has not undertaken any new borrowing since 2008-09 when the level of debt outstanding was £602M. The Council's debt portfolio is currently £483M (Dec. 2016). The profile of debt maturities is shown in the table below. A further £19M of debt is scheduled for repayment over the next 3 years.



7.6 The Council is currently maintaining an under-borrowed position of approximately £170M. 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 day to day cash flow has been used as a temporary internal source of borrowing. This strategy is prudent as investment returns are low. As long term borrowing rates continue to rise, the "cost of carrying" debt in the short term increases. By avoiding the "cost of carrying" debt the County Council is currently saving over £4M pa (assuming a net interest rate differential of 2.5%). Short and long term interest rates must be closely monitored to ensure that delaying any new borrowing to avoid the "cost of carrying" debt remains prudent, sustainable and affordable in current and future years.

7.7 The challenging and uncertain economic outlook outlined by Capita Asset Services in Section 2, together with managing the cost of “carrying debt” requires a flexible approach to borrowing. The Executive Director, Finance and Commercial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in Capita Asset Services economic overview.

7.8 While not having borrowed itself, the County Council has borrowed an initial £17M on behalf of the Greater Norwich Growth Board for the Northern Distributor Road (NDR) project. The application to the PWLB was made in two stages the first in July 2016 securing a £8.5M 25 year loan at 1.79%, the second application was made in August again for £8.5M over 25 years at a rate of 1.74%. Interest rates will be closely monitored to determine when further borrowing applications are made on behalf of the Greater Norwich Growth Board for the NDR project.

7.9 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities to do so when circumstances permit. This can result in net savings in overall interest charges. The Executive Director, Finance and Commercial Services and Capita Asset Services will monitor prevailing rates for any opportunities during the year.

7.10 The County Council has flexibility to borrow funds in the current year for use in future years. For example, the Executive Director, Finance and Commercial Services may do so under delegated powers where a sharp rise in interest rates is expected and so borrowing early at fixed interest rates may be economically beneficial or meet budgetary constraints. Whilst the Executive Director, Finance and Commercial Services will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing will be undertaken to fund the approved capital programme. Risks associated with any advance borrowing will be subject to appraisal in advance and subsequent reporting through the established reporting process.

7.11 PWLB borrowing has become less attractive in recent years, due to its policy decision to increase the margin payable over interest rates (Gilts). In response, the Local Government Association has recently launched a “Municipal Bond Agency.” While it is hoped that the Agency’s borrowing rates will be lower than those offered by the PWLB, this is by no means guaranteed. Initially it is unlikely that the Agency will be able to offer the same degree of operational flexibility as the PWLB regarding loan advances and repayments. The County Council will continue to use the most appropriate source of borrowing at the time of making application, including; the PWLB, commercial market loans and the Municipal Bond Agency.

8. Treasury Management Prudential Indicators 2017-18

8.1 There are four treasury related Prudential Indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:

- **Upper Limits on Variable Interest Rate Exposure –** This identifies a maximum limit for variable interest rates based upon the debt position net of investments. It is recommended that the County Council set an upper limit on its variable interest rate exposures for 2017-18, 2018-19 and 2019-20 of 30% of its net outstanding principal sums. This is consistent with policy followed in previous years.

- **Upper Limits on Fixed Interest Rate Exposure –** Similar to the previous indicator, this covers a maximum limit on fixed interest rates. It is recommended that the County Council set an upper limit on its fixed interest rate exposures for 2017-18, 2018-2019 and 2019-2020 of 100% of its net outstanding principal sums.

- **Maturity Structures of Borrowing –** These gross limits are set to reduce the County Council's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the County Council sets the following limits for the maturity structures of its borrowing. These limits follow existing treasury management policy and are unchanged from 2016-2017:

	Lower Limit	Upper Limit
Under 12 months	0%	15%
12 months and within 24 months	0%	15%
24 months and within 5 years	0%	45%
5 years and within 10 years	0%	75%
10 years and above	0%	100%

- **Total Principal Funds Invested for Greater than 364 Days –** This limit is set with regard to the County Council's liquidity requirements. As stated in para. 7.4 above, it is estimated that in 2017-18, the maximum level of Council funds invested for periods greater than 364 days will be no more than £100M.

9. Leasing 2017-18

9.1 It is anticipated that leasing facilities totaling £4M will be drawn-down in 2017-18, relating to a variety of vehicles and general equipment. In recent years there have been significant changes in the regulations affecting leasing in the public sector, resulting in more freedom and flexibility. As a consequence, the Council's leasing policy has been replaced with comprehensive leasing guidance reflecting industry best practice. External leasing advice continues to be provided by Capita Asset Services.

ANNEXE 5

Appendix 1

Moody's		S&P		Fitch		
Long-term	**Short-term**	**Long-term**	**Short-term**	**Long-term**	**Short-term**	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	F1	Upper medium grade
A2		A		A		
A3	P-2	A-	A-2	A-	F2	
Baa1		BBB+		BBB+		Lower medium grade
Baa2	P-3	BBB	A-3	BBB	F3	
Baa3		BBB-		BBB-		
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB-		BB-		
B1		B+		B+		Highly speculative
B2		B		B		
B3		B-		B-		
Caa1		CCC+	C	CCC	C	Substantial risks
Caa2		CCC				Extremely speculative
Caa3		CCC-				In default with little prospect for recovery
Ca		CC				
		C				
C		D	/	DDD	/	In default
/				DD		
/				D		

Indicative List of Approved Counterparties for Lending

UK Banks
Barclays Bank
Bank of Scotland Plc(*)
Close Brothers
Goldman Sachs
HSBC Bank Group
Lloyds TSB Bank(*)
Santander UK

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
Federated Investors
Standard Life Investments

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.

Recommendations of the Pensions Committee meeting held on 7 February 2017

Norfolk Pension Fund Governance: LGPS Investment Pooling Inter-Authority Agreement

Introduction

This report will be presented by Councillor Jason Law, Chairman of the Pensions Committee.

It sets out the Governments agenda and timetable for the reform of Local Government Pension Scheme (LGPS) investment arrangements into investment 'pools'.

Council is asked to agree the recommendation put forward by Pensions Committee that Norfolk County Council enter into an Inter Authority Agreement to support the pooling of investments.

1. Executive Summary

1.1 Norfolk County Council is the Administering Authority for the Norfolk Pension Fund. This includes the management of over £3.3bn of funds that are invested to pay the current and future pensions of over 85,000 members of the Local Government Pension Scheme (LGPS) in Norfolk. It also involves managing the scheme on behalf of over 300 LGPS employers. As the administering authority the County Council has fiduciary and public law duties to manage the fund in the best interests of scheme members and scheme employers.

1.2 In the summer 2015 budget the Chancellor announced the Government's intention to invite Administering Authorities to make proposals for pooling LGPS investments. Following the Autumn Statement on 25 November 2015 the Department for Communities and Local Government (DCLG) published its criteria for pooling investments focusing on 4 elements:

1. Scale – it is the Government's desire that pools of assets are created with at least £25bn of assets per pool.
2. Strong Governance – authorities are charged with defining the mechanisms by which they can hold the pool to account.
3. Reduced costs – including estimated savings over the next 15 years.
4. Improved capacity to invest in infrastructure through pooling.

1.3 Subsequently the Government published revised LGPS Management and Investment of Funds Regulations that came into force on 1 November 2016. The Regulations include the power for the Secretary of State to direct a fund to change its investment strategy or direct that a fund's investment function is undertaken by another organisation if the Secretary of State determines that a fund is failing to act in accordance with guidance issued, including the guidance to pool investments according to the criteria above.

1.4 Pensions Committee has previously agreed that Norfolk County Council join the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool, which made a submission to the Government for pooling in July 2016, and which was reported to Pensions Committee. Norfolk County Council has already signed a Memorandum of Understanding (MoU) with the 10 other authorities in the pool to underpin the initial work of establishing the group and developing detailed proposals for investment pooling. ACCESS contains the following other funds:

Cambridgeshire	Kent
East Sussex	Hampshire
Essex	Northamptonshire
Hertfordshire	Suffolk
Isle of Wight	West Sussex

1.5 ACCESS's July 2016 submission to Government was based on pooling investments via a Collective Investment Vehicle (CIV) that would be administered and maintained by a third party Operator, which it was believed at that time to be the Government's preferred means of investment pooling. Following an initial letter to the Secretary of State for Communities and Local Government in September 2016 all of the ACCESS funds agreed that the Government's pooling criteria could be met without the cost and complexity of a CIV Operator, through Collaborative Joint Procurement. In this way, greater savings could be achieved. ACCESS therefore put forward an amendment to its July 2016 submission in December 2016 to base the pool on Collaborative Joint Procurement instead of a CIV Operator.

1.6 The Minister has by letter dated 27 January 2017 indicated that ACCESS should form its pool based on a CIV Operator rather than through Collaborative Joint Procurement. However, the rationale for this, given the additional costs associated with the CIV Operator approach is unclear. It is also not clear whether the Minister's letter constitutes a direction under the 2016 Investment Management Regulations. The ACCESS funds are conscious that they have fiduciary and public law duties to manage their funds in the best interests of scheme members and employees. The ACCESS group is therefore seeking further clarification from the Minister before deciding on the appropriate approach to implement pooling, taking into account the Minister's views and also the fiduciary and public law duties.

1.7 Regardless of which version of investment pooling ACCESS pursues, a legally binding Inter-Authority Agreement will be required in order to define the governance and cost sharing arrangements for the future operation of the pool.

1.8 This paper seeks approval on appropriate decisions, which have been discussed and are recommended to the County Council by Pensions Committee, to enable Norfolk County Council as Administering Authority of the Norfolk Pension Fund to continue to participate in the ACCESS Pool.

2. Summary of pooling proposals

2.1 Investment pooling is intended to create the scale that will enable access to lower Investment Manager fees and deliver cost savings to LGPS funds. In the pooled investment structure individual funds, like Norfolk, will still be responsible for their own investment strategy and asset allocation decisions.

2.2 In either of the pooling options (a CIV Operator or Collaborative Joint Procurement) there will be initial setup costs for the project to create the pool, agree the relevant legal documents and appoint the necessary suppliers. It was agreed as part of the MoU that the cost of establishing the pool would be shared equally between the 11 ACCESS funds.

3. Inter-Authority Agreement

3.1 The ACCESS funds have jointly commissioned the external legal firm Eversheds to provide assistance to the ACCESS Monitoring Officers, Pensions Committee Chairmen and Officers in drafting a legally binding Inter Authority Agreement ("IAA") for the pooling of investments. It is not intended that the ACCESS funds will sign an IAA until a decision is made by the ACCESS Authorities on the form of the pool (either a CIV Operator or Collaborative Joint Procurement) following the conclusion of discussions with the Government.

3.2 The IAA will be based on the governing principles that were agreed by the ACCESS pension funds at the outset of their collaboration in February 2016, including:

- working collaboratively,
- all Councils having an equitable voice in governance,
- avoiding unnecessary complexity, and
- running economically and applying value-for-money considerations.

3.3 The most significant principles that will be reflected in the IAA are as follows:

Governance

3.4 The ACCESS Pool will be governed by a Joint Committee constituted under s101 of the Local Government Act 1972 and made up of one elected councillor chosen by each authority from their Pensions Committee. The Joint Committee (or "Joint Governance Committee" as it will be known) will be "hosted" by one of the ACCESS local authorities. The host authority will undertake the secretariat function for the Joint Governance Committee. It is proposed that Kent County Council will be the initial host authority. A Chairman and Vice-Chairman of the Joint Governance Committee will be appointed by the members of the Joint Governance Committee. Each elected member will have one vote in any decision requiring a vote, and decisions will be carried by a simple majority with the Chairman having a casting vote if necessary. The full draft constitution of the Joint Governance Committee is attached at Appendix 1.

3.5 The specific functions that would be delegated to the Joint Governance Committee will depend on the form that the pool takes which is currently being negotiated with the Government;

- If the Pool is based on a CIV Operator the functions delegated to the Joint Governance Committee are specified in Appendix 2.
- If the Pool is based on Collaborative Joint Procurement the functions delegated to the Joint Governance Committee are specified in Appendix 3.

Procurement

3.6 If the Pool is based on a CIV Operator, then The Joint Governance Committee will oversee the procurement of a CIV Operator. The procurement itself would be undertaken by a “Lead Authority” (one of the ACCESS authorities) on behalf of all of the group. Whilst the Joint Governance Committee will oversee the procurement process and make a recommendation on the preferred supplier, each of the 11 ACCESS local authorities will make their own decisions to enter into a contract with the Operator.

3.7 If the Pool is based on a Collaborative Joint Procurement Model, then the Joint Governance Committee will oversee the procurement and maintenance of a framework which each of the ACCESS local authorities will be able to use to call off investment managers as required.

Cost Sharing

3.8 It is the aim of the ACCESS Pool that costs are shared equitably between the member funds. Some costs will be shared equally between the member funds, or costs will be shared according to the value of investments by each fund as follows:

3.9 Costs to be shared equally between the member funds are:

- The pool establishment costs including strategic and technical advice, legal advice, project management costs and the costs associated with running either the procurement process to appoint a CIV Operator or to set up a collaboratively procured framework of investment managers.
- Under the CIV Operator pool model, any set-up costs charged by the Operator for the overall creation of the sub-fund structure.
- The ongoing costs of managing and governing the pool including the host authorities’ costs of hosting the Joint Governance Committee and providing the secretariat function, the cost of any external advice commissioned by the Joint Governance Committee and the periodic re-procurement processes for either the CIV Operator or investment manager framework.

3.10 Costs in relation to funds’ investments will be shared according to the value of each fund’s investments, either:

- As charged by the CIV Operator for the sub-funds that each fund is invested in; or
- Charged directly to the funds by Investment Managers they have invested with through Collaborative Joint Procurement.

3.11 Other costs will not be shared and will be borne by the fund that they are incurred by, which include:

- Each fund's costs of participating in the pool, such as attendance at meetings.
- Any transition costs of moving assets to or within the pool.

Withdrawal and termination

3.12 Any fund can withdraw from the IAA and therefore the ACCESS Pool by giving 12 months notice. Following the signing of the IAA, any fund that wishes to withdraw from the pool will be liable for its share of the costs (not relating directly to investments) for the remainder of the contract period of the CIV Operator or in the case of Collaborative Joint Procurement a period to be agreed by the Joint Committee after the exit date that could extend to the period of commitment for any open frameworks.

Other Provisions

3.13 The IAA will cover a number of other standard areas including dispute resolution, information and confidentiality, data protection, freedom of information, equal opportunities, and change in identity of Administering Authorities.

4. Timescales

4.1 Government requires LGPS funds to begin transferring their investments into pools by no later than April 2018. In order for the ACCESS Pool to meet this deadline, the procurement processes for either a CIV Operator or Investment Manager Frameworks will need to commence in or around April 2017 and the ACCESS Pool has committed to move forward in a way that will enable either proposal to meet the Government's April 2018 deadline.

4.2 It is therefore necessary to seek decisions now to enable establishment of the Joint Governance Committee and commence the procurement processes for either proposal. To achieve this, it is necessary for all of the ACCESS Authorities to make decisions at Council meetings in February/March 2017.

4.3 In the circumstances, agreement is sought to continue to participate in the ACCESS Pool and to delegate authority to the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund, in consultation with the Chairman of Pensions Committee, to agree the final approach the County Council will take, based on further discussion with Government and the views of the local authorities that make up the ACCESS Pool, and to agree the final wording of the IAA with the other ACCESS local authorities accordingly.

4.4 Further, at this stage, a decision from the County Council to delegate the relevant functions to the Joint Committee for either approach is needed.

4.5 Pensions Committee has fully considered this matter most recently at a special meeting of the Committee on 7 February 2017. The Committee resolved to make the recommendations below to the County Council.

RECOMMENDATIONS

That on a recommendation from the Norfolk Pensions Committee, the County Council agrees:

a) To delegate authority to the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund, in consultation with the Chairman of Pensions Committee to agree the approach to pooling that Norfolk County Council will take, based upon the Government's responses to the two options put forward by the ACCESS Pool and the views of the local authorities that make up the ACCESS Pool.

b) If the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund, in consultation with the Chairman of Pensions Committee agrees to adopt pooling based on the use of a CIV Operator, then authority is delegated to the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund, in consultation with the Chairman of the Pensions Committee to finalise and agree the terms of the IAA in order to implement this model of Pooling, and the Council resolves to delegate the functions to the joint committee as specified in Appendix 2 with effect from the date of execution of the IAA.

c) If the Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund, in consultation with the Chairman of Pensions Committee agrees to adopt pooling based on Collaborative Joint Procurement, then authority is delegated to Executive Director of Finance and Commercial Services and the Head of the Norfolk Pension Fund, in Consultation with the Chairman of the Pensions Committee to finalise and agree the terms of an IAA to implement this model and the Council resolves to delegate the functions to the joint committee as specified in Appendix 3 with effect from the date of execution of the IAA.

d) That authority is delegated to the Chief Legal Officer to make consequential amendments to the County Council's Constitution to reflect the agreed approach to pooling and the creation of the Joint Governance Committee. Any amendments to the Constitution will be reported to a future meeting of the County Council.

Officer Contact

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

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Appendix 1

Draft Constitution of the Joint Committee

Part 1 Membership

1. The Joint Committee shall consist of one elected councillor appointed by each Council. The member so appointed must, at the time of the appointment, be an elected councillor serving as a member of the Committee of a Council which discharges the functions of that Council as pension administering authority.

2. Each Council may appoint a substitute. Any substitute must meet the eligibility requirements in paragraph 1. The substitute may attend any meeting of the Joint Committee or any of its sub-Committees in place of that authority's principal member if notice that the substitute will attend is given to the Secretary of the Joint Committee by the Council concerned

3. Where a substitution notice is in effect with respect to a particular member at a particular meeting, the substitute shall be a full member of the Joint Committee for the duration of the meeting in place of the principal member

4. Each Council may remove its appointed member and appoint a different member by giving written notice to the Secretary to the Joint Committee.

5. Each appointed member shall be entitled to remain on the Joint Committee for so long as the Council appointing them so wishes, but shall cease to be a member if he or she ceases to meet the eligibility criteria in paragraph 1l or if that Council removes the appointed member.

6. Any casual vacancies will be filled as soon as reasonably practicable by the Council from which such vacancy arises by giving written notice to the Secretary to the Joint Committee or his or her nominee.

7. The Joint Committee may co-opt any other person whom it thinks fit to be a non-voting member of the committee. The Joint Committee may from time to time make rules as to:

7.1 Registration and declaration of interests by co-opted members.

7.2 Standards of behaviour required to be observed by co-opted members when acting as such.

8. The Chairman of the Joint Committee will be appointed from time to time by the members of the Joint Committee. Subject to paragraph 5, the Chairman of the Joint Committee shall hold that office until their replacement is appointed which shall be at the first meeting to take place after the second anniversary of their appointment.

9. The Vice-Chairman of the Joint Committee will be appointed from time to time by the members of the Joint Committee. Subject to paragraph 5, the Vice-Chairman of the Joint Committee shall hold that office until their replacement is appointed which shall be at the first meeting to take place after the second anniversary of their appointment.

10. The Joint Committee may appoint sub-committees from among its membership as it thinks will help it to enable it to fulfil its remit. The Joint Committee may delegate its responsibilities to such sub-committees. Sub-Committees may co-opt non-voting members.

11. The Joint Committee may set up working groups to advise it on matters within it remit. Such working groups may be formed of members or officers of the constituent authorities or any other third party as the Joint Committee sees fit. Such working groups are advisory only and the Joint Committee may not delegate its responsibilities to such working groups.

12. Each member of the Joint Committee and any Sub-committee shall comply with any relevant code of conduct of their Council when acting as a member of the Joint Committee.

13. The Chairman may direct the Secretary to call a meeting and may require any item of business to be included in the summons.

14. Any 5 members of the Joint Committee may by notice in writing require the Chairman to call a meeting to consider a particular item of business and if the Chairman fails to do so within 20 working days of receipt of the notice then those 5 members may direct the Secretary to call a meeting to consider that business.

15. The Committee may, if the law permits, arrange for attendance at meetings via video conferencing. Any such attendance shall be in accordance with the law and any other requirements imposed by the Joint Committee from time to time.

Part 2 Proceedings

16. Time and Place of Meetings

The Joint Committee will meet at least four times each year. All meetings of the Joint Committee will take place at a suitable venue and at a time to be agreed by the Councils.

17. Notice of and Summons to Meetings

The Secretary to the Joint Committee will give notice to the public of the time and place of any meeting in accordance with Part VA of the Local Government Act 1972. At least five clear days before a meeting, the Secretary to the Joint Committee will send a summons by email and if a member so requests by post to every Member at their last known address. The summons will give the date, time and place of each meeting and specify the business to be transacted, and will be accompanied by such reports as are available.

18. **Chairing of Joint Committee**

The Vice Chairman shall preside in the absence of the Chairman. If there is a quorum of members present but neither the Chairman nor the Vice-Chairman is present at a meeting of the Joint Committee, the other members of the Joint Committee shall choose one of the members of the Joint Committee to preside at the meeting.

19. **Quorum**

19.1 The quorum of a meeting will be at least 8 members who are entitled to attend and vote.

19.2 If there is no quorum present at the start of the meeting the meeting may not commence. If after 1 hour from the time specified for the start of the meeting no quorum is present then the meeting shall stand adjourned to another time and date determined by the Secretary.

20. **Voting**

20.1 **Majority**

Each elected member shall have one vote. Co-opted members will not have a vote. Any matter will be decided by a simple majority of those members of the Councils represented in the room at the time the question is put. In the event of equality of votes the person presiding at the meeting will be entitled to a casting vote under paragraphs 39(1) and 44 of Schedule 12 of the Local Government Act 1972.

20.2 **By Substitutes**

The member appointed as a substitute shall have the same voting rights as the member for whom he or she is substituting. Where notice of substitution has been given for a particular meeting the principal member may not vote unless the notice of substitution is withdrawn before the start of the meeting.

20.3 **Show of hands**

The Chairman will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.

20.4 **Recording of individual votes**

The minutes of the meeting shall record how a member of the Committee voted on a particular question if, at the time that the vote is taken or immediately thereafter, that member asks the Secretary or his or her representative at the meeting to record his vote.

21. **Minutes**

21.1 The Secretary to the Joint Committee shall arrange for written minutes to be taken at each meeting of the Joint Committee and shall present them to the Joint Committee at its next meeting for approval as a correct record. At the next meeting of the Joint Committee, the Chairman shall move that the minutes of the previous meeting be signed as a correct record. If this is agreed, the Chairman of the Joint Committee shall sign the minutes. The only part of the minutes that can be discussed is their accuracy.

21.2 Draft minutes or a summary of the decisions taken at the meeting and a note of the actions arising shall be circulated to the Committee and to each Council by email no later than 7 days after the date of the meeting.

22. Any elected member of the Councils who is not a member of the Joint Committee may speak at a meeting of the Joint Committee if the Chairman of the Joint Committee invites him or her to do so but an elected member of the Councils who is not a member of the Joint Committee shall not be entitled to vote at a meeting of the Joint Committee.

23. Meetings of the Joint Committee shall be open for members of the public to attend unless the Joint Committee determines that it is necessary to exclude members of the public in accordance with Part VA of the Local Government Act 1972 or the Joint Committee determines that it is necessary to close the meeting to the public because of a disturbance.

23.1 Copies of the agenda for meetings of the Joint Committee and any reports for its meetings shall be open to inspection by members of the public at the offices of the Councils with the exception of any report which the Secretary to the Joint Committee determines relates to items which in his or her opinion are likely to be considered at a time when the meeting is not to be open to the public.

24. Minutes of the meeting shall be published by the Host Authority to the extent required by Part VA of the Local Government Act 1972.

25. If a member of the public interrupts proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will arrange for their removal from the meeting room and will suspend the meeting until the member of the public has left or been removed.

26. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared.

27. **Overview and Scrutiny**

27.1 Each Council has overview and scrutiny committees which have the right to scrutinise the operation of the Joint Committee and the Joint Committee and the Host Authority will co-operate with reasonable requests for information from any of the Councils’ overview and scrutiny committees.

27.2 The decisions of the Joint Committee are not subject to call-in.

28. **Regulation of Business**

28.1 Any ruling given by the Chairman as to the interpretation of this constitution with respect to the regulation of proceedings at meeting shall be final.

28.2 Subject to the law, the provisions of this Constitution and the terms of any contract, the Joint Committee may decide how it discharges its business.

Appendix 2

Draft Terms of Reference of the Joint Committee for a CIV Operator

Part 1 Functions in relation to the Operator

1. **Specifying Operator services:** Deciding, in consultation with the Councils, the specification of services and functions that the Operator will be required to deliver including the sub-funds and classes of investments required to enable each Council to execute its investment strategy.

2. **Procuring the Operator:** agreeing the method and process for the procurement and selection of the Operator.

3. **Appointing the Operator**: Making a recommendation to the Councils as to the identity of the Operator and the terms upon which the Operator is to be appointed.

4. **Reviewing the Performance of the Operator:** Keeping the performance of the Operator under constant review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:

4.1 the performance of the Operator against its contractual requirements and any other performance measures such as any Service Level Agreement (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;

4.2 sub-fund investment performance;

4.3 investment and operational costs including the annual review of investment manager costs;

4.4 performance against the strategic business plan agreed by the Councils.

5. **Managing the Operator:** The Joint Committee shall:

5.1 Make recommendations to the Councils on the termination or extension of the Operator Contract and

5.2 Make decisions about any other action to be taken to manage the Operator Contract including the giving of any instruction or the making of any recommendation to the Operator including but not restricted to recommendations on investment managers (within any regulatory constraints that may apply).

6. **Appointment of Advisers**

6.1 The Joint Committee may appoint such professional advisers on such terms as it thinks fit. Any procurement of advisers must comply with the constitution of the Authority designated to undertake the procurement and that Authority will enter into a contract with the appointed adviser on behalf of the Authorities.

6.2 The Joint Committee may appoint such professional advisers on such terms as it thinks fit. Any procurement of advisers must comply with the constitution of the Authority designated to undertake the procurement and that Authority will enter into a contract with the appointed adviser on behalf of the Authorities.

6.3 The Joint Committee shall decide which tasks shall be performed by the Client Unit and which Council shall manage the Client Unit including the employment arrangements for employees in the Client Unit.

Part 2 Functions in relation to management of Pool Assets

7. The Joint Committee shall make recommendations to the Councils on the strategic plan for transition of assets that are to become Pool Assets.

Part 3 Functions Concerning Pool Aligned Assets

8. Making recommendations to the Councils about Pool Aligned Assets (including proposals concerning the migration of investments-such as passive investments via life fund policies-to become Pool Aligned Assets) in accordance with this Agreement or any other delegation to the Joint Committee by the Councils.

Part 4 Functions concerning Business Planning and Budget

9. Make recommendations to the Councils about the annual strategic business plan for the Pool

10. Determine the budget necessary to implement that plan and meet the expenses of undertaking the Specified Functions (insofar as they will not be met by individual transaction costs paid by Councils to the Operator) in accordance with Schedule 5 hereof.

11. Keep the structures created by this Agreement under review from time to time and make recommendations to the Councils about:

11.1 the future of the Pool;

11.2 any changes to this Agreement; and

11.3 as to the respective merits of continuing to procure operator services by means of a third party or by creation of an operator owned by the Councils.

12. The Joint Committee is required to commence the first review of this Agreement by the second anniversary of its first meeting.

13. The Joint Committee is required to undertake a review of the Pool and this Agreement:

13.1 to be completed 18 months before the expiry of each and every Operator Contract including as a result of the exercise of any option to terminate the Operator Contract;

13.2 whenever a Council gives notice of withdrawal under clause 12 of this agreement

Appendix 3

Draft Terms of Reference of the Joint Committee for Collaborative Joint Procurement

Part 1 Functions in relation to Contractors

1. **Specifying shared procurements:** Deciding, in consultation with the Councils, the specification of services and functions that will be procured jointly by the Councils in order to enable each Council to execute its investment strategy.

2. **Managing shared procurements:** agreeing the method and process for the procurement and selection of Contractors.

3. **Appointing Contractors**: Making a recommendation to the Councils as to the identity of the Contractor and the terms upon which the Contractor is to be appointed to the framework.

4. **Reviewing the Performance of Contractors:** Keeping the performance of Contractors under constant review and making arrangements to ensure that the Joint Committee is provided with regular and sufficient reports from the Officer Working Group to enable it to do so including but not limited to:

4.1 the performance of Contractors against contractual requirements and any other performance measures such as any Service Level Agreement (SLA) and key performance indicators (KPIs) and Officer Working Group recommendations on any remedial action;

4.2 investment performance;

4.3 investment and operational costs including the annual review of investment manager costs;

4.4 performance against the strategic business plan agreed by the Councils.

5. **Managing Contractors:** The Joint Committee shall:

5.1 Make recommendations to the Councils on the termination or extension of contracts with Contractors and

5.2 Make decisions about any other action to be taken to manage the Contracts with Contractors including the giving of any instruction or the making of any recommendation to Contractors including but not restricted to recommendations on investment managers (within any regulatory constraints that may apply).

6. **Appointment of Advisers**

6.1 The Joint Committee may appoint such professional advisers on such terms as it thinks fit. Any procurement of advisers must comply with the constitution of the Authority designated to undertake the procurement and that Authority will enter into a contract with the appointed adviser on behalf of the Authorities.

6.2 The Joint Committee may appoint such professional advisers on such terms as it thinks fit. Any procurement of advisers must comply with the constitution of the Authority designated to undertake the procurement and that Authority will enter into a contract with the appointed adviser on behalf of the Authorities.

6.3 The Joint Committee shall decide which tasks shall be performed by the Client Unit and which Council shall manage the Client Unit including the employment arrangements for employees in the Client Unit.

Part 2 Functions in relation to management of Pool Assets

6.4 The Joint Committee shall make recommendations to the Councils on the strategic plan for transition of assets that are to become Pool Assets.

Part 3 Functions Concerning Pool Aligned Assets

7. Making recommendations to the Councils about Pool Aligned Assets (including proposals concerning the migration of investments-such as passive investments via life fund policies-to become Pool Aligned Assets) in accordance with this Agreement or any other delegation to the Joint Committee by the Councils.

Part 4 Functions concerning Business Planning and Budget

8. Make recommendations to the Councils about the annual strategic business plan for the Pool

9. Determine the budget necessary to implement that plan and meet the expenses of undertaking the Specified Functions (insofar as they will not be met by individual transaction costs paid by Councils) in accordance with Schedule 5 hereof.

10. Keep the structures created by this Agreement under review from time to time and make recommendations to the Councils about:

10.1 the future of the Pool;

10.2 any changes to this Agreement.

11. The Joint Committee is required to commence the first review of this Agreement by the second anniversary of its first meeting, or whenever a Council gives notice of withdrawal under clause 12 of this agreement