

Norfolk County Council

Record of Cabinet Member decision

Responsible Cabinet Member: Cllr Andrew Jamieson	
Cabinet Member for Finance	
Background and Purpose:	
Finance Monitoring Report 2019-20 P11: February 2020	
<p>Subject to mitigating actions, the forecast revenue outturn for 2019-20 at the end of period 11 (February) was an overspend of £1.375m on a net budget of £409.293m. This was before the serious financial impact resulting from actions take to reduce the impact of the Covid-19 virus had become apparent. The final outturn position will depend on the costs and associated government support relating to additional costs incurred in March. General Balances are £19.6m and service reserves and provisions are forecast to total £76.4m.</p> <p>Having set revenue and capital budgets at the start of the financial year, the Council needs to ensure service delivery within allocated and available resources, which in turn underpins the financial stability of the Council. Consequently, progress is regularly monitored and corrective action taken when required.</p>	
Decision:	
<ol style="list-style-type: none">1. Recommend to County Council an addition to the capital programme to fund a Records Management Digitisation Facility at Scottow, £0.450m to be spent 2020- 21 and 2021-22, as set out in capital appendix 2, paragraph 4.1.2. Recommend to County Council an addition of £0.436m to the capital programme accommodation rationalisation scheme, to reflect the purchase price of Priory Nursery, Great Yarmouth as set out in capital appendix 2, paragraph 4.2.3. Note the period 11 forecast general fund revenue overspend of £1.375m noting also that Executive Directors will take measures to reduce or eliminate potential over-spends;4. Note the period 11 forecast shortfall in savings of £5.398m, noting also that Executive Directors will take measures to mitigate savings shortfalls through alternative savings or underspends;5. Note the forecast General Balances at 31 March 2020 of £19.623m, before taking into account any over/under spends;6. Note the expenditure and funding of the revised current and future 2019-22 capital programmes, including new schemes approved as part of the 2020-2023 capital budget.	
Is it a key decision?	Yes

Is it subject to call in?	Yes
If Yes – Deadline for Call in	4pm on Wednesday 15 April 2020
Impact of the Decision: <p>The impact of this report is primarily to demonstrate where, if applicable, the Council is anticipating financial pressures not forecast at the time of budget setting, together with a number of other key financial measures.</p> <p>The capital expenditure proposals will ensure sufficient capital funding is available for these newly identified purposes, without affecting the remainder of the capital programme.</p> <p>The need for a digitisation facility has increased as the need for digitisation of incoming post has increased in light of the UK wide actions being taken to slow down the progress of the Covid-19 virus.</p> <p>Having a dedicated building owned by Norfolk County Council in Great Yarmouth will secure the provision of childcare places on the Priory Nursery site. The property will be leased to NCC Nurseries Limited.</p>	
Evidence and reason for the decision: <p>Two appendices are attached to the council report giving details of the forecast revenue and capital financial outturn positions:</p> <p>Appendix 1 summarises the revenue outturn position, including:</p> <ul style="list-style-type: none"> • Forecast over and under spends • Changes to the approved budget • Reserves • Savings • Treasury management <p>Appendix 2 summarises the capital outturn position, and includes:</p> <ul style="list-style-type: none"> • Current and future capital programmes • Capital programme funding 480 • Income from property sales and other capital receipts. 	
Alternative options considered and rejected: <p>In order to deliver a balanced budget, no viable alternative options have been identified to the recommendations in this report. In terms of financing the proposed capital expenditure, no grant or revenue funding has been identified to fund the expenditure.</p>	
Financial, Resource or other implications considered: <p>As stated above, the forecast revenue outturn for 2019-20 at the end of P11 was an overspend of £1.375m (P10 £1.375m) linked to a forecast shortfall in</p>	

savings of £5.398m. Forecast reserves and provisions amount to £76.4m, and general balances £19.6m. Within the forecast overspend are significant financial pressures identified in Children's Services and Adult Social Services, partly balanced by underspends in other areas, primarily Finance General. The Children's Services net overspend is due mainly to high and increasing levels and complexity of need across placement and support budgets, including children looked after, young people leaving care and children at risk of harm, and transport costs. Transport costs of home to school transport, particularly Special Educational Needs, Disabilities and Alternative Provision (SEND & AP) transport, are under significant pressure due to the unit cost of provision. Within Adults, there are pressures on Purchase of Care budgets, mainly related to Older People and Mental Health services. A full narrative is given in Appendix 1 The Council's capital programme is based on schemes approved by County Council on 12 February 2019, as well as previously approved schemes brought forward plus schemes subsequently approved during the year. The programme has been updated to reflect County Council approval of new capital schemes on 17 February 2020. The proposals in this report will add £0.886m to the capital programme, to be funded by prudential borrowing. Borrowing costs will be off-set from the savings which will result from improving records storage at Scottow, and from the Priory Nursery lease rental income.

Resource Implications: The additional capital funding will allow the further development of the Scottow site, and provide funding for the acquisition of the Priory Nursery site. Otherwise, there are no direct staff, property or IT implications arising from this report.

Legal Implications: In order to fulfil obligations placed on chief finance officers by section 114 of the Local Government Finance Act 1988, the Executive Director of Finance and Commercial Services continually monitors financial forecasts and outcomes to ensure resources (including sums borrowed) are available to meet annual expenditure.

Record of any conflict of interest:

No conflict

Background Documents:

Date of Decision:

6 April 2020

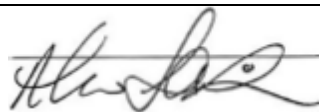
Publication date of decision:

6 April 2020

Signed by Cabinet member:

I confirm that I have made the decision set out above, for the reasons also set out

Signed:

A handwritten signature in black ink, appearing to read 'Andrew Jamieson', written over a horizontal line.

Print name: Cllr Andrew Jamieson

Date: 6 April 2020

Accompanying Documents:

Report to Cabinet

Item No. 11

Report title	Finance Monitoring Report 2019-20 P11: February 2020
Date of meeting	6 April 2020
Responsible Cabinet Member	Cllr Andrew Jamieson (Cabinet Member for Finance)
Responsible Director	Simon George (Executive Director of Finance and Commercial Services)
Is this a key decision?	Yes

Introduction from Cabinet Member

This report gives a summary of the forecast financial position for the 2019-20 Revenue and Capital Budgets, General Balances, and the Council's Reserves at 31 March 2020, together with related financial information.

Executive Summary

Subject to mitigating actions, the forecast revenue outturn for 2019-20 at the end of period 11 (February) was an overspend of **£1.375m** on a net budget of £409.293m.

This was before the serious financial impact resulting from actions take to reduce the impact of the Covid-19 virus had become apparent. The final outturn position will depend on the costs and associated government support relating to additional costs incurred in March.

General Balances are £19.6m and service reserves and provisions are forecast to total **£76.4m**.

Recommendations

1. Recommend to County Council an addition to the capital programme to fund a Records Management Digitisation Facility at Scottow, £0.450m to be spent 2020-21 and 2021-22, as set out in capital appendix 2, paragraph 4.1.
2. Recommend to County Council an addition of £0.436m to the capital programme accommodation rationalisation scheme, to reflect the purchase price of Priory Nursery, Great Yarmouth as set out in capital appendix 2, paragraph 4.2.
3. Note the period 11 forecast general fund revenue overspend of **£1.375m** noting also that Executive Directors will take measures to reduce or eliminate potential over-spends;
4. Note the period 11 forecast shortfall in savings of £5.398m, noting also that

Executive Directors will take measures to mitigate savings shortfalls through alternative savings or underspends;

5. Note the forecast General Balances at 31 March 2020 of £19.623m, before taking into account any over/under spends;
6. Note the expenditure and funding of the revised current and future 2019-22 capital programmes, including new schemes approved as part of the 2020-2023 capital budget.

1. Background and Purpose

- 1.1. This report and associated annexes summarise the forecast financial outturn position for 2019-20, to assist members to maintain an overview of the overall financial position of the Council.

2. Proposals

- 2.1. Having set revenue and capital budgets at the start of the financial year, the Council needs to ensure service delivery within allocated and available resources, which in turn underpins the financial stability of the Council. Consequently, progress is regularly monitored and corrective action taken when required.

3. Impact of the Proposal

- 3.1. The impact of this report is primarily to demonstrate where, if applicable, the Council is anticipating financial pressures not forecast at the time of budget setting, together with a number of other key financial measures.
- 3.2. The capital expenditure proposals will ensure sufficient capital funding is available for these newly identified purposes, without affecting the remainder of the capital programme.
- 3.2 The need for a digitisation facility has increased as the need for digitisation of incoming post has increased in light of the UK wide actions being taken to slow down the progress of the Covid-19 virus.
- 3.3 Having a dedicated building owned by Norfolk County Council in Great Yarmouth will secure the provision of childcare places on the Priory Nursery site. The property will be leased to NCC Nurseries Limited.

4. Evidence and Reasons for Decision

- 4.1. Two appendices are attached to this report giving details of the forecast revenue and capital financial outturn positions:

Appendix 1 summarises the revenue outturn position, including:

- Forecast over and under spends
- Changes to the approved budget
- Reserves
- Savings
- Treasury management

Appendix 2 summarises the capital outturn position, and includes:

- Current and future capital programmes
- Capital programme funding

- Income from property sales and other capital receipts.

5. Alternative Options

- 5.1. In order to deliver a balanced budget, no viable alternative options have been identified to the recommendations in this report. In terms of financing the proposed capital expenditure, no grant or revenue funding has been identified to fund the expenditure.

6. Financial Implications

- 6.1. As stated above, the forecast revenue outturn for 2019-20 at the end of P11 was an overspend of **£1.375m** (P10 £1.375m) linked to a forecast shortfall in savings of **£5.398m**. Forecast reserves and provisions amount to **£76.4m**, and general balances **£19.6m**.

Within the forecast overspend are significant financial pressures identified in Children's Services and Adult Social Services, partly balanced by underspends in other areas, primarily Finance General.

The Children's Services net overspend is due mainly to high and increasing levels and complexity of need across placement and support budgets, including children looked after, young people leaving care and children at risk of harm, and transport costs. Transport costs of home to school transport, particularly Special Educational Needs, Disabilities and Alternative Provision (SEND & AP) transport, are under significant pressure due to the unit cost of provision. Within Adults, there are pressures on Purchase of Care budgets, mainly related to Older People and Mental Health services. A full narrative is given in Appendix 1

The Council's capital programme is based on schemes approved by County Council on 12 February 2019, as well as previously approved schemes brought forward plus schemes subsequently approved during the year. The programme has been updated to reflect County Council approval of new capital schemes on 17 February 2020.

The proposals in this report will add £0.886m to the capital programme, to be funded by prudential borrowing. Borrowing costs will be off-set from the savings which will result from improving records storage at Scottow, and from the Priory Nursery lease rental income.

7. Resource Implications

- 7.1. The additional capital funding will allow the further development of the Scottow site, and provide funding for the acquisition of the Priory Nursery site. Otherwise, there are no direct staff, property or IT implications arising from this report.

8. Other Implications

8.1. Legal Implications:

In order to fulfil obligations placed on chief finance officers by section 114 of the Local Government Finance Act 1988, the Executive Director of Finance and Commercial Services continually monitors financial forecasts and outcomes to

ensure resources (including sums borrowed) are available to meet annual expenditure.

8.2. Human Rights implications

None identified.

8.3. Equality Impact Assessment

In setting the 2019-20 budget, the Council consulted widely. Impact assessments are carried out in advance of setting the budget, the latest being published as "Budget proposals 2019-2020 Overall Summary: [Equality & rural impact assessment report](#)".

The Council's net revenue budget is unchanged at this point in the financial year and there are no additional equality and diversity implications arising out of this report.

9. Risk Implications/Assessment

- 9.1. The Council's Corporate Risk Register provides a full description of corporate risks, including corporate level financial risks, mitigating actions and the progress made in managing the level of risk. A majority of risks, if not managed, could have significant financial consequences such as failing to generate income or to realise savings.

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

10. Select Committee comments

- 10.1. None

11. Recommendation

- 11.1. Recommendations are set out in the executive summary to this report.

12. Background Papers

- 12.1. Joint Cabinet Member Decision Report – Acquisition of Priory Nursery, Priory Gardens, Great Yarmouth, NR30 1NW

Officer Contact

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

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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.

Norfolk County Council Finance Monitoring Report 2019-20

Appendix 1: 2019-20 Revenue Finance Monitoring Report Month 11

Report by the Executive Director of Finance and Commercial Services

1 Introduction

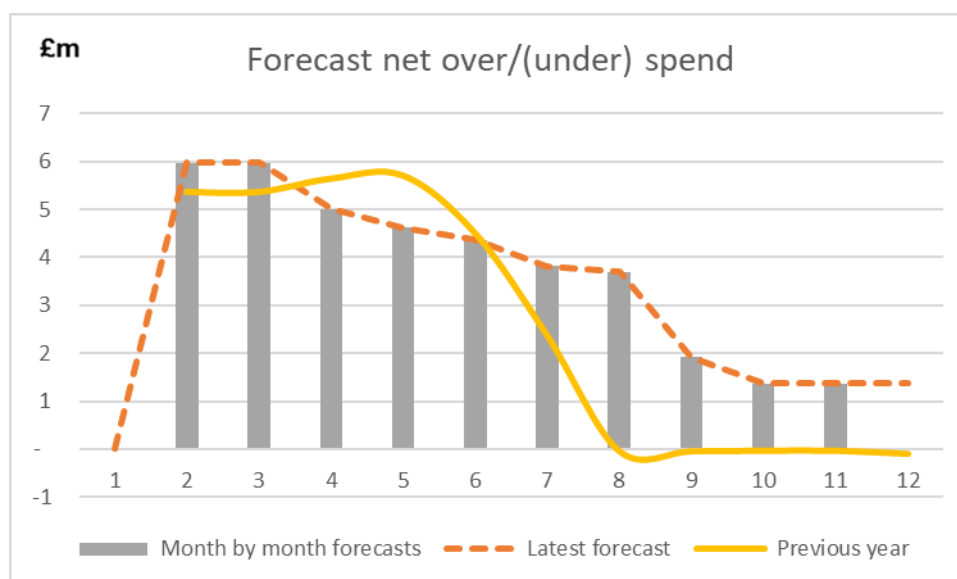
1.1 This report gives details of:

- the P11 monitoring position for the 2019-20 Revenue Budget
- forecast General Balances and Reserves at 31 March 2020 and
- other key information relating to the overall financial position of the Council.

2 Revenue outturn – over/underspends

2.1 **At the end of February 2020** an **overspend of £1.375m** was forecast on a net budget of £409.293m.

Chart 1: forecast /actual revenue outturn 2019-20, month by month trend:



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

- 2.3 Details of all under and over spends for each service are shown in detail in Revenue Annex 1 to this report, and are summarised in the following table:

Table 1: 2019-20 forecast (under)/over spends by service

Service	Revised Budget	Net (under)/over spend	%	RAG
	£m	£m		
Adult Social Services	241.568	2.186	0.9%	A
Children's Services	180.033	13.700	7.6%	R
Community and Environmental Services	157.972	-0.346	-0.2%	G
Strategy and Governance	8.747	-0.057	-0.7%	G
Finance and Commercial Services	30.080	-0.085	-0.3%	G
Finance General	-209.107	-14.023	6.7%	G
Totals	409.293	1.375	0.3%	G

Notes:

- 1) the RAG ratings are subjective and take into account risk and both the relative (%) and absolute (£m) impact of overspends.
- 2.4 **Children's Services:** Existing commitments within NCC Funded Children's Services have resulted in significant pressures during 2019-20 particularly within placements and support for children looked after, young people leaving care, as well as support and intervention around families to enable children and young people to stay safe at home, including staff costs where they are the intervention as well as third party support.
- 2.5 The service pressures have been long identified by the department, including front line social care staffing pressures where there is a need to have sufficient resource to manage demand and focus on the presenting complexity of need. The impact of these pressures continues to be reviewed and are being addressed through a sustained multi-year programme of transformation.
- 2.6 Additionally, market conditions this financial year have resulted in a significant, unexpected unit cost increase for home to school transport, particularly for children and young people with Special Educational Needs, Disabilities and Alternative Provision (SEND & AP).
- 2.7 Further details relating to the Children's Services position are included in Revenue Annex 1.
- 2.8 **Dedicated Schools Grant:** A review of the financial year's commitments for each of the blocks of the Dedicated Schools Grant (DSG) have highlighted pressures within the High Needs Block. The pressures for the High Needs Block were anticipated and built into the plan shared with the Secretary of State when the application to move funds from the Schools Block to the High Needs Block for 2019-20 was agreed.

- 2.9 The DfE recently issued a consultation upon the grant conditions of the DSG that could have implications upon the planned contributions from NCC General Fund to the DSG. As a result, the budgeted £2m contribution from NCC General Fund in 2019-20 was removed from the DSG forecast. The ongoing impact of these revised grant conditions will be considered as part of the Council's strategic budget planning.
- 2.10 The current outturn forecast indicates an overall overspend on the DSG in the region of £7.9m. This in-year overspend will be combined with the cumulative overspend of £10.887m brought forward from prior years.
- 2.11 Significant work is being undertaken through the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) part of the Transformation programme both to ensure that the right specialist provision is in the right place to meet needs, whilst also progressing work to transform how the whole system supports additional needs within mainstream provision.
- 2.12 The Council submitted its DSG recovery plan to the DfE at the end of June and are awaiting a meeting with the DfE to explore this plan further. The Council also submitted a response to the DfE's call for evidence at the end of July.
- 2.13 There are new arrangements for handling overspends with effect from the end of the 2019 to 2020 financial year, as a result of changes to The School and Early Years Finance (England) Regulations 2020 which came into force in February 2020. The practical impact of these statutory provisions will be that a local authority with a DSG deficit from the previous year must carry the whole of the deficit forward to be dealt with in the schools budget for the next or following financial year, deducting it from the money available for that financial year. This will make it entirely clear on a statutory basis that a deficit must be carried forward to be dealt with from future DSG income.
- 2.14 CIPFA, MHCLG and the DfE are working on issuing guidance about the changes, including statutory accounting implications. The DfE will remain in contact with those LAs who have significant DSG deficits in order to offer advice and help on their future handling
- 2.15 **Adult Social Services:** The forecast outturn as at Period 11 (end of February 2020) was an overspend of £2.186m. The main area of overspend is on Older People and Mental Health services within the Purchase of Care budget, which relates to direct provision of care services. This is largely due to the underlying position, which in 2018-19 was mitigated through the use of £4.2m of winter pressures funding and expected shortfall in delivery of demand management savings in this financial year.
- 2.16 Despite a year on year reduction in the number of packages of care and the net spend, the number of packages of care that are currently being delivered to service users exceed those budgeted for to achieve savings. Work is ongoing to manage this and identify actions to reduce the pressure. The senior management team is directly overseeing a recovery plan, focused

primarily on purchase of care costs that could be influenced during the year. The overspend is lessened by additional recharges from the NHS for specific cases to cover health related costs.

- 2.17 The serious financial consequence resulting from actions take to reduce the impact of the Covid-19 virus was not apparent at the time of the P11 forecast. The final outturn position will depend on the costs and associated government support relating to additional costs being incurred in March.
- 2.18 **CES:** Community and Environmental Services are currently forecasting an underspend of £0.346m for 2019-20, with forecast underspends around staff vacancies and forecast additional income within Highways. However, the department is managing a number of issues:
- 2.19 Residual Waste - A risk is emerging in relation to potential additional costs within the council's residual waste budgets which relates to the implementation of import taxes on Refuse Derived Fuel (RDF) in the Netherlands from January 2020. The impact will be subject to contractors' decisions about export RDF material. Overall waste volumes for 2019-20 are currently forecast to be lower than anticipated, therefore any additional cost as a result of the new tax will be absorbed within the overall waste budget.
- 2.20 Fire Service – We anticipated there would be continuing cost pressures within 2019-20 and proposed to manage these through budget control of other areas, where possible, and a planned use of reserves. The longer-term impacts of managing these issues being picked up through the 2020-21 budget planning cycle and the development of the 2020 IRMP (integrated Risk Management Plan).
- 2.21 Following the outcomes of the HMICFRS (Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services) inspection, and the subsequent improvement plan that has been developed, we have had the opportunity to work up in more detail the estimated additional costs of the various activities.
- 2.22 The additional pressure arises from the delivery of the Improvement plan and the need to ensure appropriate capacity/resources in place to deliver this. For 2019-20 this is likely to be an additional £0.201m. Where possible we will manage this within the wider CES departmental budget and we will continue to look at opportunities to offset this with further budget control within the service.
- 2.23 Museums Services – based on the latest information and updated forecasts we are projecting a deficit for 2019-20 of £0.155m. This is subject to several factors which are difficult to estimate, and the Museums Service will be working hard to mitigate the immediate impact on earned income through a new programme of exhibitions and additional events, including those relating to the acquisition of Walton Bridges by JMW Turner. This is partially offset by small underspends elsewhere within the services.
- 2.24 **Corporate services:** The Strategy and Governance directorate is forecasting a modest underspend at this early stage of the year, with Finance and

Commercial Services forecasting a small underspend due to vacancy management.

- 2.25 **Finance General:** The forecast underspend in Finance General is unchanged. The net impact of revised business rates projections, insurance fund assumptions, flexible use £3.0m of capital receipts to support transformation costs, along with revised redundancy costs, a dividend relating to the sale of shares in Norwich Airport, interest receivable and interest payable assumptions have resulted in a forecast underspend of £14.023m. The assumed use of capital receipts is subject to the completion of the sale of land to Repton Property Developments.

3 Agreed budget, changes and variations

- 3.1 The 2019-20 budget was agreed by Council on 11 February 2019 and is summarised by service in the Council's Budget Book 2019-22 (page 21) as follows:

Table 2: 2019-20 original and revised net budget by service

Service	Approved net base budget	Revised budget P10	Revised budget P11
	£m	£m	£m
Adult Social Services	247.606	241.568	241.569
Children's Services	211.667	180.033	180.014
Community and Environmental Services	160.712	157.972	157.899
Strategy and Governance	8.657	8.747	8.747
Finance and Commercial Services	26.395	30.080	30.083
Finance General	-245.744	-209.107	-209.019
Total	409.293	409.293	409.293

Note: this table may contain rounding differences.

- 3.2 During period 11, there were a number of minor budget adjustments, the largest being an accounting adjustment to reflect changes to the landfill provision required for closed landfill sites. This cost neutral adjustments was made for statutory accounting purposes, and none of the movements have affected the general fund or the ability of services to spend.
- 3.3 The Council's overall net budget for 2019-20 has remained unchanged.

4 General balances and reserves

General balances

- 4.1 On 11 February 2019 Council agreed the recommendation from the Executive Director of Finance and Commercial Services for a minimum level of General Balances of £19.536m through 2019-20. The balance at 1 April 2019 was £19.623m. The forecast for 31 March 2020 is unchanged at £19.623m, before any over or underspends

Reserves and provisions 2019-20

- 4.2 The use of reserves anticipated at the time of budget setting was based on reserves balances anticipated in January 2019. Actual balances at the end of March 2019 were higher than planned, mainly as a result of grants being carried forward, and reserves use being deferred.
- 4.3 The 2019-20 budget was approved on the basis of a forecast reduction in earmarked revenue reserves and provisions (including schools reserves but excluding LMS and DSG reserves) from £85.6m to £61.3m, a net use of £24.5m.

Table 3: Reserves budgets and forecast reserves and provisions (excluding LMS/DSG)

Reserves and provisions by service	Budget book forecast balances 1 April 2019	Actual balances 1 April 2019	Increase in opening balances after budget setting	2019-20 Budget book forecast March 2020	Latest forecast balances 31 March 2020
	£m	£m	£m	£m	£m
Adult Social Services	27.463	32.101	4.638	13.619	16.081
Children's Services (inc schools, excl LMS/DSG)	6.521	8.184	1.663	1.568	1.962
Community and Environmental Services	34.030	37.992	3.962	29.935	39.596
Strategy and Governance	1.809	2.680	0.871	1.422	2.664
Finance & Commercial Services	1.746	3.147	1.401	1.510	3.148
Finance General	14.247	17.429	3.182	13.215	12.978
Reserves and provisions excluding LMS and DSG balances (see below)	85.816	101.533	15.717	61.269	76.429

- 4.4 Forecast overall provisions and reserves (excluding capital, DSG and LMS reserves) at 31 March 2020 are approximately £15m in excess of 2019-20 budget book assumptions. This is due primarily to the increases in reserves, including unspent grants and contributions, brought forward after budget setting.
- 4.5 In addition to the service reserves above, the Council also holds LMS reserves, forecast to be £12.0m at 31 March 2020, and a negative DSG reserve forecast to be £18.4m.

4.6 Provisions included in the table above

The table above includes provisions of £28m comprising £9m insurance provision, £12m landfill provision (this provision is not cash backed), £6m provisions for bad debts, and a small number of payroll related provisions.

5 Budget savings 2019-20 summary

- 5.1 In setting its 2019-20 Budget, the County Council agreed net savings of £31.605m. Details of all budgeted savings can be found in the 2019-20 Budget Book. A summary of the total savings forecast to be delivered is provided in this section.
- 5.2 The latest monitoring reflects total forecast savings **delivery of £26.207m** and a **total shortfall of £5.398m** forecast at year end.
- 5.3 The RAG status and forecast savings delivery is anticipated as shown in the table below:

Table 4: Analysis of 2019-20 savings forecast and RAG status

RAG status and definition	Adult Social Care	Children's Services	Community and Environmental Services	Strategy and Governance Department	Finance and Commercial Services	Finance General	Total
	£m	£m	£m	£m	£m	£m	£m
Savings shortfall	-5.066	-0.332	0.000	0.000	0.000	0.000	-5.398
Red Significant concern saving may not be delivered, or there may be a large variance (50% and above).	-0.583	0.000	0.000	0.000	0.000	0.000	-0.583
Amber Some concern saving may not be delivered or there may be some variance (up to 50%).	-6.000	-0.168	0.000	0.000	0.000	0.000	-6.168
Green Confident saving will be delivered (100% forecast).	-6.245	-6.322	-3.891	-0.931	-0.945	-1.122	-19.456
Total forecast delivery	-12.828	-6.490	-3.891	-0.931	-0.945	-1.122	-26.207
Total budget savings	-17.894	-6.822	-3.891	-0.931	-0.945	-1.122	-31.605

Commentary on savings shortfalls

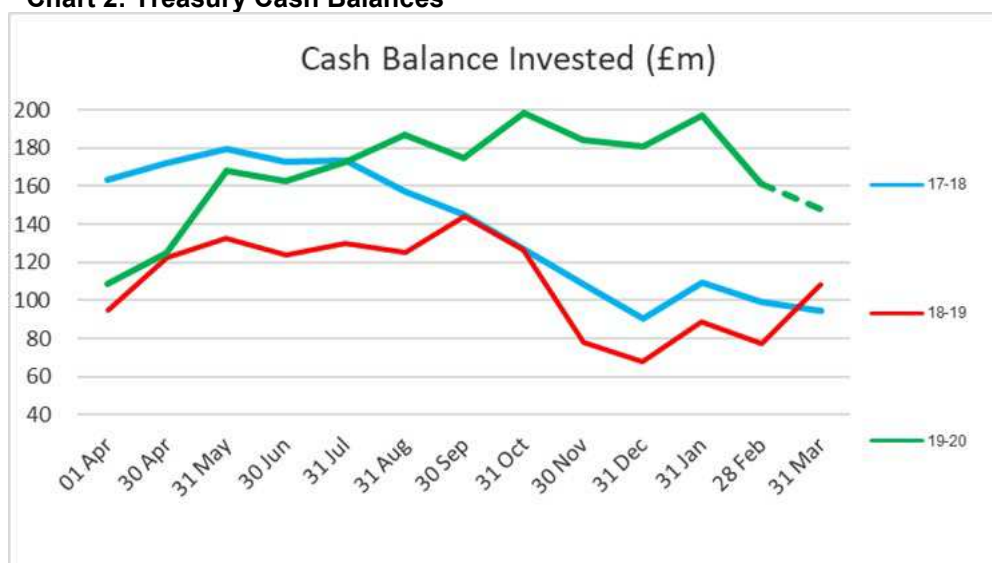
5.4 Six savings have been rated as RED, and two rated as AMBER, where partial delivery of savings is forecast. This equates to an overall forecast savings shortfall of £5.398m (17% of total budgeted savings).

5.5 The overall savings shortfall forecast is unchanged since period 10.

6 Treasury management summary

6.1 The corporate treasury management function ensures the efficient management of all the authority's cash balances. The graph below shows the level of cash balances over the last three years, to March 2020.

Chart 2: Treasury Cash Balances



6.2 The forecast closing balance of approximately £150m is higher than closing balances in March 2018 and 2019 due partly to borrowing undertaken, and the higher than expected capital grants received and likely to be carried forward into 2020-21.

6.3 The balances in the graph above include the total of £87.1m borrowed in the year to date. This is £7.1m more than originally forecast, and includes £17.1m borrowed at a favourable “infrastructure rate” of 1.7% in November. No further borrowing is anticipated in 2019-20.

6.4 In the short term, new borrowing effectively replacing cash balances which have been used on a temporary basis to fund capital expenditure, which avoids the cost of ‘carrying’ unnecessary debt. Since 9 October 2019 an additional 1% has been added to PWLB (Public Works Loans Board) borrowing rates, excluding certain infrastructure loans. The impact of this increase may change following a Treasury consultation on PWLB future lending terms.

6.5 PWLB and commercial borrowing for capital purposes was £705.6m at the end of February 2020. Associated annual interest payable is £28.997m.

Revenue Annex 1

Forecast revenue outturn

Revenue outturn by service

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

Service	Revised Budget	Net total over / (under) spend	Over / (under) spend as %	Forecast net spend
	£m	£m		£m
Adult Social Services	241.568	2.186	0.9%	243.754
Children's Services	180.033	13.700	7.6%	193.733
Community and Environmental Services	157.972	-0.346	-0.2%	157.626
Strategy and Governance	8.747	-0.057	-0.7%	8.690
Finance and Commercial Services	30.080	-0.085	-0.3%	29.995
Finance General	-209.107	-14.023	6.7%	-223.13
Forecast outturn this period	409.293	1.375	0.3%	410.668
Prior period forecast	409.293	1.375	0.3%	410.668

Reconciliation between current and previously reported underspend

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

	£m
Forecast overspend brought forward	1.375
Movements February 2020	
Adult Social Services	-
Children's Services	-
Community and Environmental Services	-
Strategy and Governance	-
Finance and Commercial Services	-
Finance General	-
Outturn over/(under) spend	1.375

Revenue Annex 1 continued

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

Revenue budget outturn by service – detail

Adult Social Services	Over spend	Under spend	Changes
	£m	£m	£m
Business Development		-0.177	
Commissioned Services	0.871		
Early Help & Prevention		-0.821	
Services to Users (net)	1.585		
Management, Finance & HR	0.728		
Forecast over / (under) spends	3.184	-0.998	
Net total	2.186		
Children's Services	Over spend	Under spend	Changes
	£m	£m	£m
Social Care including placements	11.600		
Education Services including Home to School Transport	5.100		
Early Help, Prevention & Commissioning	0.800		
Performance, Challenge & Quality	0.200		
Re-allocation of budget provision for High Needs Block due to proposed change in DSG grant conditions		-2.000	
Schools capital funded by borrowing		-2.000	
Forecast over / (under) spends	17.700	- 4.000	
Net total	13.700		
<i>Dedicated schools grant</i>			
Post 16 Further Education High Needs Provision	1.000		
Independent special school places	6.000		
Maintained special schools		-0.300	
Alternative provision	0.700		
Short Stay School for Norfolk	1.000		
Personal Budgets	0.400		
Specialist Resource Bases		-0.200	
Inter-authority recoupment		-0.200	
Other	0.600		0.400
Schools block		-1.100	
Increase in net deficit to be carried forward		-7.900	-0.400
Forecast over / (under) spend	9.700	-9.700	-
Net total		-	

Community and Environmental Services	Over spend	Under spend	Changes
	£m	£m	£m
Culture & Heritage	0.136		
Support & Development		-0.065	
Economic Development	0.049		
Highways & Waste		-0.488	
Community Information & Learning	0.005		
Public Health		-0.184	
Fire Service	0.201		
Provision for CES departmental risks			
Forecast over / (under) spend	0.391	-0.737	
Net total		-0.346	

Strategy, Finance and Finance General	Over spend	Under spend	Changes
	£m	£m	£m
Strategy and Governance			
Communications		-0.055	
Democratic Services		-0.002	
Forecast over / (under) spend	-	-0.057	
		-0.057	
Finance and Commercial Services			
Vacancy management		-0.085	
Forecast over / (under) spend		-0.085	
Finance General (see below for narrative)			
Net impact of business rates income projections		-2.700	
Business rates payments		-0.080	
Extended rights to free travel grant		-0.268	
Legislator dividend		-0.500	
Insurance fund		-1.000	
Interest on balances		-0.650	
Interest on LIF loans		-0.800	
Lower than anticipated costs of redundancy / use of organisational review reserves		-1.500	
Additional use of capital receipts to repay debt		-3.525	
Use of capital receipts to support transformation costs (amount over £2m subject to County Council approval)		-3.000	
Forecast over / (under) spend		-14.023	
Net total		-14.023	

Revenue Annex 1 continued

Children's Services Commentary

Existing commitments within NCC Funded Children's Services have resulted in significant pressures during 2019-20 particularly within placements and support for children looked after, young people leaving care, as well as support and intervention around families to enable children and young people to stay safe at home, including staff costs where they are the intervention as well as third party support, and home to school transport for children and young people with high special educational needs.

The service pressures have been long identified by the department. These are being addressed through a sustained multi-year programme of transformation. The primary reasons for the pressures are:

- that the level of pressure rose during the latter part of 2018-19 beyond that which was covered by the additional growth monies allocated, resulting in additional pressures for 2019-20 particularly because of the full year effect of what was seen in quarter 4 of last year;
- that the savings to be achieved through transformation during 2019-20 have begun to impact with the expected impact anticipated already in the outturn forecast. The various initiatives aimed at reducing the number of children in care and changing the placement mix continue to be profiled to impact in phases throughout 2019-20;
- front line social care staffing pressures, where there is a need to have sufficient resource to manage demand and focus on the presenting complexity of need to allow for increased levels of intervention earlier to reduce escalation of need and to prevent and reduce placement spend;
- the increased duties in relation to supporting young people leaving care that were not fully funded by new burdens funding and that are having an increasing impact as the eligible cohort age and the complexity of need of those leaving care increase;
- the current commitments currently show more children with higher costs than we anticipated having when the budget was set, with the transformation expected to impact later in the year.

During this financial year, there has been a significant, unexpected unit cost increase due to very challenging market conditions outside of the County Council's control and not anticipated when the budget was set for Home to School transport for children with Special Educational Needs and Disabilities (SEND) and in receipt of Alternative Provision (AP), resulting in a forecast overspend of £4.0m. The rurality of Norfolk means that pupils often have to travel significant distance to attend a school that meets their educational needs and it is not always viable for journeys to be shared. The £120m capital SEND transformation programme will ensure that children are able to attend a school place closer to their home, which in turn will reduce down the spend on SEND transport in future years as this provision comes on board.

In relation to the financial costs for children looked after, there have been significant, positive trends since the beginning of the year that will continue to reduce the

pressure over time and have mitigated further increase in placement pressures. As a result of the positive impact of the Transformation Programme through effective earlier intervention, the number of children in care has reduced from a high of 1227 in January 2019 to 1114 at the end of January (of which 73 were unaccompanied asylum-seeking children). Significant focus is now being employed to ensure that children are able and supported to leave care as soon as it is safe for them to do so. We would expect this to result in an increase in the number of children ceasing care as well as reducing the average length of time that a child is in care for.

As well as enabling a reduction in the number of children looked after, Children's Services are already seeing a good level of success in relation to one of the key changes targeted in our placement mix with the increased in-house fostering provision and reduction in the independent fostering performing better than anticipated, with savings estimated for 2019-20 at £1.5m. A large proportion of cost is driven by residential placement numbers, these have remained stable since the start of the year. Key to bringing down the overall pressure will be the level of success we have in moving away from this provision in the medium term. Our new semi-independent provision is currently forecast to deliver approximately £0.6m savings in 2019-20, and the enhanced fostering service has recently begun

This forecast includes significant assumptions with respect to the anticipated impact of the transformation programme as it continues to evolve and as changes are embedded in business as usual. Review of children looked after placements costs over the most recent months shows a reducing trend in the monthly spend that supports the expectation that the transformation impact would begin to take effect as the year progressed. Ongoing review is required to inform future forecasts, alongside reviewing the accuracy of predictions both in relation to growth and savings. This will allow more specific forecasting and a clearer picture of where the year-end position will be. The department is already taking a number of actions to enable this clarity to be gained and to keep a careful track of progress, alongside colleagues within support services.

Since the previous report to Cabinet, the service has identified small adjustments to forecasts across a range of services. As the financial year-end approaches, the expected final outturn position becomes clearer as risks either crystallise or dissipate.

To partially mitigate previously identified pressures, Children's Services plan to capitalise £2m of equipment spend and revenue contributions to capital expenditure by schools in line with the approach utilised in 2018-19 alongside utilising £2m that had been budgeted as a contribution from the NCC General Fund to support the DSG High Needs pressure that is no longer required following a recent revised DfE guidance in relation to 2019-20 DSG grant conditions. Taking these mitigating actions into account, the projected overspend at period 11 for NCC Funded Children's Services remained at £13.7m.

Work was undertaken to understand the potential impact of the pressures seen in 2019-20 upon future years, in particular 2020-21, as part of the Council's revenue budget planning work. These assumptions, that were based upon the best information available at the time, were built into the Council's revenue budget which was approved by County Council on 17 February 2020.

Finance General forecast over and underspends

Explanations for the Finance General forecast under and overspends are as follows:

Net impact of business rates income projections (underspend £2.700m)

This forecast underspend relates to the net impact of revised business rates projections from district councils, received after the Council set its 2019-20 budget.

Business rates payments forecasts (underspend £0.080m)

Impact of revised forecast of business rates payments across the Council's property estate.

Extended rights to free travel grant (underspend £0.268m)

Additional grant received in respect of extended rights to free travel.

Legislator dividend (underspend £0.500m)

This forecast underspend is the result of a dividend anticipated from Legislator 1656 Limited following a sale of the company's shares in Norwich Airport.

Insurance fund (underspend £1.000m)

This forecast underspend is the result of a forecast over-provision in the light of recent insurance fund valuations.

Interest on balances (forecast underspend £0.650m)

The 2019-20 interest payable/receivable budget was prepared on the basis of a number of assumptions including cash flows, interest rates and the extent of actual borrowing. The cost and timing of borrowing has resulted in a forecast underspend.

Interest on LIF loans (underspend £0.800m)

This forecast underspend is an estimate of interest which will be accrued during 2019-20 on Local Infrastructure Fund loans made to developers to accelerate the construction of new homes in Norfolk.

Lower than anticipated costs of redundancy (forecast underspend £1.500m)

Based on the latest projections, officer forecasts for 2019-20 suggest that spend on redundancy costs will be £1.5m lower than was anticipated at the time of budget setting

Additional use of capital receipts to repay debt (underspend £3.525m)

This forecast underspend is the result of the availability of capital receipts available in the year to date over and above the £2m budget and the £2m receipts required to support transformation costs (ref Appendix 2 Capital monitoring paragraph 3.3).

Use of capital receipts to support transformation costs (underspend £3.000m)

On 25 September 2017 Policy and Resources Committee considered a report entitled Demand Management & Prevention Strategy: Children's Services. This resulted in the allocation of a one-off investment of £12-£15m into children's services over the four years 2018-22. Subject to the achievement of property sales in 2019-20, a maximum of £3m capital receipts will be allocated to fund transformation through the "flexible use of capital receipts".

Norfolk County Council Finance Monitoring Report 2019-20

Appendix 2: 2019-20 Capital Finance Monitoring Report

Report by the Executive Director of Finance and Commercial Services

1 Capital Programme 2019-20

- 1.1 On 11 February 2019, the County Council agreed a 2019-20 capital programme of £307.858m with a further £240.734m allocated to future years', giving a total of £548.592m.
- 1.2 Additional re-profiling from 2018-19 resulted in an overall capital programme at 1 April 2019 of £617m. Further in-year adjustments have resulted in the outturn capital programme shown below:

Table 1: Capital Programme budget

	2019-20 budget	Future years
	£m	£m
New schemes approved February 2019	87.207	167.28
Previously approved schemes brought forward	220.651	73.454
Totals in 2019-22+ Budget Book (total £548.592m)	307.858	240.734
Schemes re-profiled after budget setting	58.373	5.766
Other adjustments after budget setting including new grants	4.821	
Revised opening capital programme (total £617.551m)	371.051	246.500
Re-profiling since start of year	-174.374	174.374
Other movements including new grants and approved schemes	57.370	117.407
Total new schemes approved February 2020 County Council		45.911
Total capital programme budgets total £838.239m	254.046	584.193

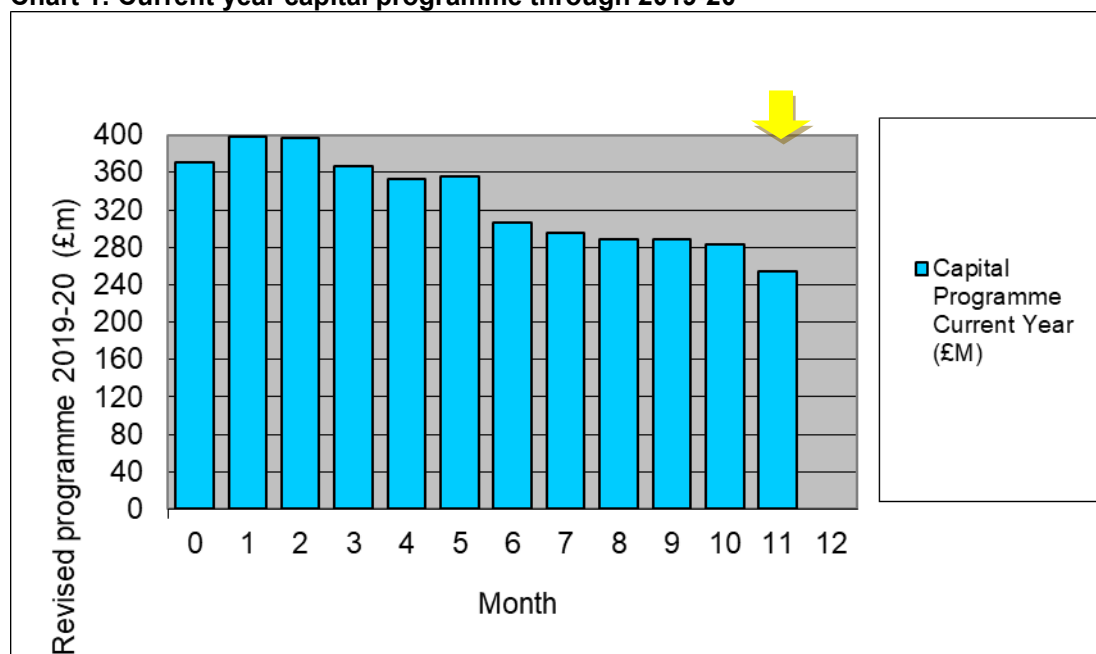
Note: this table and the tables below contain rounding differences

The "future years" column above includes new schemes previously approved as part of the 2019-22 capital strategy and programme, plus new schemes approved at 17 February 2020 County Council.

Changes to the Capital Programme

- 1.3 The following chart shows changes to the 2019-20 capital programme through the year.

Chart 1: Current year capital programme through 2019-20



- 1.4 Month “0” shows the 2019-20 outturn future capital programme with a number of highways schemes added in month 1. The arrow shows the latest current year position. The current year programme will change as additional funding is secured, and as schemes are re-profiled to future years where timings become more certain.
- 1.5 The current year’s capital budget for each service is set out in the table below:

Table 2: Service capital budgets and movements 2019-20

Service	Opening programme	Previously reported Programme	Reprofilng since previous report	Other Changes since previous report	2019-20 latest Capital Budget
	£m	£m	£m	£m	£m
Children's Services	154.474	86.510	-13.731	0.003	72.782
Adult Social Care	18.388	12.395	0.039	0.045	12.478
Community & Environmental Services	119.188	135.894	-1.157	-2.724	132.014
Finance & Comm Servs	79.001	48.384	-11.612	0.000	36.772
Total	371.051	283.182	-26.460	-2.676	254.045
				-29.136	

Note:: this table may contain rounding differences

- 1.6 The revised programme for future years (2020-21 to 2021-22 and beyond) is as follows:

Table 3: Capital programme future years 2020+

Service	Previously reported future programme	Reprofil ng since previous report	Other Changes since previous report	2020+ Future Capital Budget
	£m	£m	£m	£m
Children's Services	183.485	13.731	5.340	202.556
Adult Social Care	40.934	-0.039	0.000	40.896
Community & Environmental Services	231.668	1.157	0.000	232.854
Finance & Comm Servs	95.805	11.612	0.000	107.887
Strategy and Governance	0.500			
Total	552.392	26.460	5.340	584.193
			31.801	

Note: this table may contain rounding differences

- 1.7 New schemes for the the 2020-21 capital programme as approved at 17 February 2020 County Council are reflected in the table above.
- 1.8 Actual expenditure to P11 is as follows:

Table 4: Actual expenditure to date

Service	Expenditure year to date
	£m
Children's Services	40.825
Adult Social Care	11.300
Community & Environmental Services	61.409
Finance and Commercial Services	12.845
Total to date	126.379
Projected expenditure to 31 March 2020	15.000
Forecast accounting accruals at 31 March 2020	28.000
Rounding adjustment	0.621
Forecast total expenditure	170.000

The rate of capital spend is averaging approximately £14m per month. Total spend in 2019-20 is therefore forecast to be £170m, compared with £158.5m in 2018-19. The current level of spend indicates that a significant amount of re-profiling of schemes into 2020-21 will take place in the month of 2019-20 to reflect the actual timing of schemes.

2 Financing the capital programme

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

Table 5: Financing of the capital programme

Funding stream	2019-20 Programme	Future Years Forecast
	£m	£m
Prudential Borrowing	124.708	352.083
Use of Capital Receipts	-	-
Revenue & Reserves	0.174	-
<i>Grants and Contributions:</i>	-	-
DfE	52.836	43.718
DfT	50.685	122.994
DoH	8.135	0.700
MHCLG	0.074	0.259
DCMS	0.768	5.048
Developer Contributions	20.227	16.216
Other Local Authorities	6.337	-
Local Enterprise Partnership	9.685	-
Community Infrastructure Levy	2.868	-
National Lottery	3.252	9.652
Other	3.433	1.722
Total capital programme	283.182	552.393

Note: this table may contain rounding differences

- 2.2 Significant capital receipts are anticipated over the life of the programme. These will be used either to re-pay debt as it falls due, for the flexible use of capital receipts to support the revenue costs of transformation, with any excess receipts used to reduce the call on future prudential borrowing. For the purposes of the table above, it is assumed that all capital receipts will be applied directly to the re-payment of debt and transformation projects, rather than being applied to fund capital expenditure.
- 2.3 Developer contributions are funding held in relation to planning applications. Section 106 (Town and Country Planning Act 1990) contributions are held in relation to specific projects: primarily schools, with smaller amounts for libraries and highways. The majority of highways developer contributions are a result of section 278 agreements (Highways Act 1980).

3 Capital Receipts

- 3.1 The Council's property portfolio is constantly reviewed to ensure assets are only held where necessary so that capital receipts or rental income can be generated. This in turn reduces revenue costs of the operational property portfolio.
- 3.2 The capital programme, approved in February 2019, gave the best estimate at that time of the value of properties available for disposal in the three years to 2021-22, totalling £23.6m. Revised estimates produced for the 2020-21 capital strategy show that the total of £23.6m remains achievable.

Table 6a: Disposals longer term forecast

Financial Year	Property sales forecast £m
2019-20	8.6
2020-21	10.6
2021-22	1.5
2022-23	1.9
2023-24	1.0
	23.6

The timing of future year sales is the most optimistic case, and may slip into future years if sales completions are delayed.

- 3.3 The revised schedule for current year disposals is as follows:

Table 6b: Capital receipts current financial year £m

Capital receipts 2019-20	£m
Capital receipts reserve brought forward	0.413
Actual property sales to P11 net of associated capital costs	2.121
Anticipated sale of land at Acle to Repton Property Developments	2.201
Loan repayments received	1.679
Airport shares disposals	1.797
Loan repayments from subsidiaries anticipated	0.044
Sales/further loan repayments anticipated	0.270
	8.525
Forecast use of capital receipts	
Budget 2019-20 to repay debt	2.000
Total use of capital receipts to repay debt (max £5.525m PWLB maturity debt repayments)	3.525
Flexible use of capital receipts to support transformation costs (maximum £3m)	3.000
	8.525

In addition to the receipts from the disposal of property shown above, further sales may be completed in the final months of 2019-20 which will be applied as and when payments have been received.

4 New schemes to be added to the Capital Programme

4.1 NCC Records Management Digitisation Facility (Scottow) £0.450m

4.1.1 This bid is for improvements to building and infrastructure to ensure compliance with national guidance for record storage & digitisation £0.450m:

4.1.2 As part of the Transformation Boards initiative for Digitisation and improved management of physical records, capital funding is required to make building improvements and install specialist infrastructure at Scottow. This requirement is based on national guidelines and input from specialists, including the Norfolk Records Office.

4.1.3 The works will ensure NCC compliance with both GDPR & national guidance regarding storage and management of Personal Data, and forms part of the programme of enabling smarter working by reducing on-site storage at other NCC sites thereby freeing up work space for staff. In addition capital improvements at the facility will accelerate the reduction of direct costs in the region of £150k pa incurred by council directorates for the storage of physical records and rental of storage space with other companies across the County. The spend is likely to be £0.300m in 2020-21 with the balance in 2021-22.

4.2 Accommodation rationalisation programme – addition to reflect purchase of Priory Nursery (£0.436m)

4.2.1 As reported to this Cabinet, the Cabinet Members for Commercial Services and Assets and Children's Services have approved the purchase of Priory Nursery, Great Yarmouth.

4.2.2 The purchase will be funded from the approved accommodation rationalisation programme, and the property will be leased back to NCC Nurseries Limited to ensure service continuity, and to help fund the associated costs of borrowing.

4.2.3 When the capital bid for accommodation rationalisation was made in advance of the 2019-20 capital programme being approved, this purchase was not anticipated. As a result, this proposal seeks to replenish the funding for accommodation rationalisation across the Council in 2020-21 and 2021-22.

Capital Annex 1 - changes to capital programme since last Cabinet

Changes to capital programme since previous capital monitoring report			19-20	19-20	20-21+	20-21+	
Service	Project	Funding Type	Change (£m)	REPROFILE	Change (£m)	REPROFILE	Reason
Adult Social Care							
	Disabled Facilities Grant	External	0.045				
	Social Care Grant	External		0.039		- 0.039	Reprofiled for allocation to Burman House and Curtis Fields
Total Adult Social Care			0.045	0.039	0.000	-0.039	
Childrens Services							
	Cringleford Primary	External	0.003				Contribution received direct from Diocese
	Sprowston Academy	External	-	0.154		0.154	Fees only this year, rest moved to 20/21
	Gayton Primary	External		0.150	-	0.150	Moved back to cover in year expenditure
	School based projects	External	-	4.518		4.518	Reprofiled to cover projects in 20/21+
	Gt Yarmouth SEMH School	External		0.700	-	0.700	Moved back to cover in year expenditure
	SEND	External	-	7.500		7.500	Reprofiled for allocation in 20/21+
	St Michaels Aylsham	External		0.016	-	0.016	Moved back to cover in year expenditure
	Swaffham Sports Hall reroofing	External	-	0.240		0.240	Reprofiled as not needed in this year
	Silfield Primary Academy	External	-	0.590		0.590	Reprofiled according to latest details
	Wymondham Secondary Expansion	External	-	1.502		1.502	Reprofiled as per fees profile
	Trowse Primary	External	-	0.093		0.093	Reprofiled as per cost report
	School based projects	Sif			0.037		Income/Clawbacks direct from schools
	School based projects	External			0.030		Income/Clawbacks direct from schools
	S106 projects	Developer contributions			5.273		S106 income received
Total Children's services			0.003	-13.731	5.340	13.731	

Highways			-2.724				Details requested from Linda and Kevin
Fire	Swipe Cards/North Lynn Improvements	NCC Borrowing		0.008	-	0.008	Budgets moved back to cover in year expenditure
Libraries	Self Service Kiosk	NCC Borrowing		-0.422		0.422	Reprofiled according to expected spend for 19/20
	Library Building improvements	NCC Borrowing		-0.208		0.208	Reprofiled according to expected spend for 19/20
	Wymondham Improvements	NCC Borrowing		-0.041		0.041	Reprofiled according to expected spend for 19/20
	Various S106 Schemes	S106 funding		-0.140		0.140	Reprofiled according to expected spend for 19/20
Museums	Norwich Castle Critical M&E	NCC Borrowing		-0.261		0.261	Reprofiled according to expected spend for 19/20
	Gateway to Medieval England	NCC Borrowing		-0.093		0.093	Reprofiled according to expected spend for 19/20
Total CES			-2.724	-1.157	0.000	1.157	
GNGB	Supported Borrowing Facility	NCC Borrowing		-	11.612	11.612	Reprofiling balance of loan
Total Finance			0.000	-11.612	0.000	11.612	
Total			-2.676	-26.460	5.340	26.460	