

Policy and Resources Committee

Date: **Monday 26 January 2015**

Time: **10am**

Venue: **Edwards Room, County Hall, Norwich**

SUPPLEMENTARY A g e n d a

9 Consideration of Revenue and Capital Budget 2015-18

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Policy and Resources Committee

Item No 9i

Report title:	2015-16 Budget: Summary report from the Managing Director
Date of meeting:	26th January 2015
Responsible Chief Officer:	Wendy Thomson, Managing Director
Strategic impact This report summarises the overall strategic and financial issues for Norfolk County Council which must be taken in to consideration in setting the 2015-16 County Council budget.	

Executive summary

This report provides a summary of the strategic and financial issues facing Norfolk County Council as it sets a budget for 2015-16 and considers subsequent years.

It sets out key points that Members will want to consider when recommending a budget to full Council, drawing on the information contained in the extensive technical reports from the Executive Director of Finance submitted to this meeting of Policy & Resources committee.

Recommendations:

Policy and Resources Committee is asked to note the report

1. Context

- 1.1. Two years ago, Norfolk County Council set out the scale of challenge facing its services, and under the auspices of Putting People First consulted with Norfolk people about a range of savings and changes needed to balance its budget, continue to effectively represent the county and provide quality services for its residents.
- 1.2. In the current year, the Council has been implementing cuts and efficiencies to meet a £69m shortfall in funding – this is an unprecedented scale of spending reductions for the Council and requires extensive change and transformation. To this, we have to add the one-off cost of the £33.7m Willows settlement.
- 1.3. For 2015-16, the Council had already agreed £40m in savings as an element of its Medium Term Financial Plan agreed in February 2014, but in early Autumn 2014, members of Policy and Resources were informed by the Executive Director of Finance that the Council needed to make further spending cuts in order to close the gap. The previous estimate of a gap of £3.8m rose, as a result of increasing pressures, risks and demands, such that a savings target of £17.5m was set.

- 1.4. Over the autumn, committees identified proposals for meeting that shortfall. There has been public consultation with Norfolk residents on the proposals affecting direct services to the public. The results of this consultation are reported on this agenda.

2. Process for developing the Council's 2015-16 Revenue Budget

- 2.1 The Council's financial position in the course of this year has changed as a result of a number of significant risks which have had an impact on the planning for the 2015-16 revenue budget. Among the reasons for these changes are the following:

- **Confirmation of additional risks and pressures** – it has taken time to confirm current spending levels in key areas and predict their impact going forward into 2015-16. In some cases, it has taken time to come to a judgement as to whether we were seeing a one-off spike, that did not have an impact for 2015-16, or were observing a trend, that should be taken into account in 2015-16. This was so in the case of waste where the Council is dependent on others for the volume of waste collected and the flow of data. Unfortunately, this has required an additional £3m provision for 2015-16.
- **Transformation** – the scale of transformation required to deliver the spending reductions already agreed across the Council's services and organisation is significant. Coupled with the scale, is the complexity of change. In practice it is proving to take longer to generate the cost reductions than originally envisaged, as a result of the scale and complexity of the transformation required, as well as the low baseline position in key enabling systems such as ICT and property.
- **Information received late due to statutory deadlines** – key information is received comparatively late in the budget-making process, in accordance with externally driven deadlines, such as Government funding announcements and release of Council Tax Base information from the Districts. In the case of the latter, the statutory release is not until January 31st. It is only as a result of the Council's good relations with the Districts, that they provide advance notice of their estimates, on the understanding that such estimates are subject to change up to the deadline. It is fortunate that the latest advice from the Districts (late-December) indicates that the council will receive a higher Council tax revenue as a result of an expanded tax base. However even with the additional revenue, further spending reductions have been necessary.
- **Better data** - more sophisticated analysis of this year's data and trends in Adults, Children's and Waste, led to upward revisions in cost. In the case of waste, this took time to be confirmed as an upward trend rather than a one-off spike. In adults and children's services, it reflects the time and analysis required to plan and deliver the financial impact of 'invest-to-save' strategies tied to sustainable service redesign.

3. Updated financial position

- 3.1 Taken together, the overall position reflected in reports to January service committee's shows:

- A reduction in our core Government funding of £42.1m (13% reduction) being a combination of an increase in business rates of £2.6m and a reduction in Revenue Support Grant of £44.7m

- An increase in the collection fund and our tax base generating additional Council tax revenue of £9.8m
- Additional demands and risks facing our services of £27.9m

3.2 Additional pressures and risks have been reported through service committees. Particular to note are:

- Children's services, where the service redesign being delivered requires an 'invest to save' approach requiring an additional budget provision of £2.1m in 2015-16.
- Adult social care – where service redesign and tighter control of the care budget are not yet able to fully contain the increasing budgetary impact of an aging population. Adult social care is also affected adversely by the crisis being experienced in the NHS.
- Waste – in this service the County is obliged to dispose of the waste that is collected by the District Councils, and therefore has only an indirect influence on the cost of the service that derives from the volume. A combination of factors have caused unexpected additional costs for the EDT Committee, including changes to recycling arrangements, more waste than forecast, and falling prices.

Meeting the shortfall

3.3 The 2015-16 budget proposed from the Executive Director of Finance in his report entitled "County Council Budget 2015-18: Revenue Budget 2015-18" sets out:

- Efficiencies of £19.024m – efficiencies are defined as organisational changes, procurement savings, income generation, digital transformation and changes to risk assumptions and include savings categorised as follows: 1a, 1b, 1c, 1d, 2a, 2b, 3a, 4c (further details regarding these categories are provided in Appendix C in the report mentioned above).
- Service cuts of £10.5m – service cuts are defined as changes to standards of services we provide or commission and stopping doing things and include savings categories 4a and 4b (further details regarding these categories are provided in Appendix C in the report mentioned above)
- One-off savings of £3.1m - these include £2m revenue generated from County Farms, £1m savings on insurance negotiations and £0.1m sale of some antiquarian library books that do not relate to Norfolk or its history.
- Use of one-off reserves of £3.656m, as planned for adult care (£3.156m) and EDT (£0.5m)

3.4 The County Farms working group agreed to allocate a one-off sum of £2m from its accumulated revenue surplus to support the revenue budget, given the positive financial position of County Farms. In addition, the working group also agreed to an on-going transfer of its annual surplus of £0.5m per year to support the Council's revenue budget.

Additional external funding

3.5 The latest position on revenue has crystallised over the last few weeks. This sees:

- £9.8m additional Council tax revenue accruing to the County Council. This increase is as a result of changes to the way that Districts are funded for council tax benefit which has led to increases in the tax base and collection fund which were not previously expected. District Councils, as the collection authorities,

were not able until recently to analyse the full impact of these changes to the scheme. This has led to an increase accruing to the County Council – a position which is in line with the national picture. There is also a small element of increased income as a result of more homes being built across Norfolk.

- £8.204m for the implementation of additional responsibilities under the Care Act (these also come with additional costs)
- £3.5m – the Government has confirmed Council tax freeze grant for those councils which do not raise council tax above 2.0%.
- £1.5m – business rates and new homes bonus government grant funding.

4. Advice from the Section 151 Officer

- 4.1 Taken together, the savings and income allow a balanced budget to be recommended for member's consideration, without an increase in council tax for 2015-16.
- 4.2 When comparing the three year period 2015-18 with the previous three year period 2014-17, the data shows that the unfunded budgets for years two and three have increased from just under £26m, to just under £88 as shown in Table 8 below.

Deficits in years two and three

	Year 1	Year 2	Year 3	Total	
	£m	£m	£m	£m	
2014-17	0.0	3.8	22.0	25.8	
2015-18	0.0	42.9	44.8	87.7	
Increase in risk 2015-18 compared to 2014-17				61.9	or +240%

- 4.3 It is the view of the Section 151 Officer that whilst we can balance the budget for 2015-16, the revised shortfall for years 2 and 3 presents a high risk for the Council. It will require a significant change in national funding, and a far more radical pace of change than that achieved to date, in order to deliver a balanced budget in year 2 (2016-17) and year 3 (2017-18).
- 4.4 The following have contributed to the view of the S151 officer:
- The shortfall in 2016-17 is likely to worsen. The 2015-16 shortfall measured at £3.8m in January 2014 increased significantly during the budget planning process and required additional costs to be included in the January service committee reports. The learning point is that any Year 2 estimate, of a three year run, will increase as better data becomes available;
 - The savings need to be bigger for 2016-17 than has previously been planned or achieved. The level of ongoing cuts and efficiencies in 2015-16 is £29.3m (out of a total of £36.3m). For the following year, it needs to be 45% higher, at the current estimate of £42.9m. However, even this amount may now be considered too low (see previous point);

- The level of 2015-16 income benefitted from an increase of £16.7m that is unlikely to be replicated in future years. The revenue derives from the Better Care Fund and the increase to the Council Tax Base and surplus on Collection Fund.
 - It is increasingly difficult to reduce spending with the year-on-year extent of the cuts, both identifying viable methods of reducing costs in a tight timescale and achieving political agreement to approve their delivery.
- 4.5 The budget strategy places greater emphasis on reducing costs, than increasing income. The majority of County Councils have indicated that they will increase their Council Tax in 2015–16. By 2018, an increase in both 2016–17 and 2017–18 would result in net additional income of £12m to help reduce the level of cuts.
- 4.6 Given the current circumstances there are three avenues which must be pursued to realise our Medium Term Financial Plan: :
- Ensuring that the Government fully appreciates the effect of its spending decisions on Local Government residents and service users – the recent NAO report indicates that the DCLG has no accurate understanding of this impact.
 - Very early and urgent planning to radically ‘re-imagine’ the County’s role and service design in order to reduce expenditure;
 - Develop urgently strategies to increase our own income, of which Council Tax is one element.

5. Recommendations and feedback from Service Committees

- 5.1 Service Committees have met in early January to review their financial position, and the findings of public consultation on savings proposals. Details of this are elsewhere on this agenda and unconfirmed minutes will be published for all members as soon as they are available. There are some changes to report to Members of Policy and Resources:
- Children’s services agreed their set of proposals, with the additional recommendation to remove the saving on post-16 transport which was previously agreed;
 - Communities Committee – agreed their set of proposals
 - EDT – agreed their set of proposals
 - Adult Services Committee - noted the removal of a saving of £0.750m sourced from EU funding based on officer advice that it was no longer deliverable. Following debate, Adults Committee was unable to recommend a budget.

6. Alignment with Council priorities

- 6.1 The budget recommended to members in the report from the Executive Director of Finance reflects the priority given to the services provided to the County’s most vulnerable residents. Whilst adults and children’s services have still had to make cuts and efficiencies, overall this budget allows Members to put some money back in to those services.

- 6.2 Taken overall, the table at Appendix 1 shows that when compared with the net budget for 2014-15, taking into account inflation and additional service demands and savings. Children's services committee has increased by £2.740m, Adult services committee by £7.465m, and Environment Development and Transport committee by £0.697m. In contrast, the Communities Committee has decreased by £1.684m and Resources by £7.383m
- 6.3 For example:
- A saving of £0.750m has been removed from adults
 - Post-16 saving on college transport £1m will not go ahead
 - Additional monies will ensure we build and embed a sustainable early help offer – with our partners – for all Norfolk families
 - Continued 'invest to save' support to help reduce looked after children numbers. The downward trend is now established, but true transformation requires a dual focus - preventing youngsters coming into care through better early help, and proactive work to move young people out of the care system.
- 6.4 After taking in to account funding increases, funding decreases and cost neutral changes the overall 2015–16 revenue budget is £318.239m as detailed in appendix B of the Revenue Budget 2015–18 report.

7. Conclusion

- 7.1 A range of factors has shaped the development of the 2015-16 budget. The new governance system has given more Members the opportunity to engage more directly in that process over a longer period. Despite this engagement and the months of discussion, the financial position has continued to rapidly evolve in the last few weeks.
- 7.2 It is clear that the financial position is finely balanced for the Council. A balanced budget is being recommended which seeks to sustain improvements in Children's and mitigate some of the pressures for Adult Social Care. But overall, the budget is one which is drawing on one-off funding and use of reserves for which alternatives will be required in coming years.
- 7.3 In common other shire authorities, the prospects for subsequent years are similarly daunting when measured at the same point in the planning cycle, and for this reason the advice of the Executive Director of Finance and Section 151 Officer should be given serious consideration by Members.
- 7.4 It will also be imperative for the Council to produce a far-reaching strategy to ensure its services are sustained in the medium term. Member workshops will be taking place in March and April to review council services and begin to develop future strategies.
- 7.5 It has been a very difficult year for Councils up and down the country, a situation made more difficult for Norfolk as a result of the one-off costs of settling the incinerator contract and thus being able to finally put this episode behind us.
- 7.6 We have, throughout this budget process, had to make some very tough choices, carefully reviewing all our priorities. As a result of a rigorous budget planning process, we have actually managed to marginally increase spending on the

services that we provide to the people of Norfolk by some £9.8m this year over last, giving priority to services for vulnerable adults and children as detailed in appendix B of the Revenue Budget 2015–18 report.

- 7.7 The fact that we have been able to do this in such testing circumstances is a tribute to the sound financial stewardship that this Council has shown over the last year.

8. Recommendation

- 8.1 Policy and Resources Committee is asked to note the report

9. Background

- 9.1 Background information is contained in the extensive technical reports included elsewhere on this agenda from the Executive Director of Finance.

Officer Contact

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

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Changes to Committee Budgets 2015-16 (excluding funding increases, funding decreases and transfers between committees)

	Children's Services	Adults	EDT	Communities	Policy & Resources
	£m	£m	£m	£m	Resources
Base Budget 2014-15	161.903	248.490	105.908	50.916	50.709
Additional Costs					
Inflation	2.979	5.066	1.428	0.675	0.637
Legislative Requirements	3.417	8.204	0.000	-0.145	0.126
Demand / Demographic	7.661	10.591	2.978	0.000	0.000
NCC Policy	-2.960	0.000	-0.250	0.000	-3.077
Total budget increase	11.097	23.861	4.156	0.530	-2.314
Savings					
Efficiencies	-7.895	-3.640	-2.099	-0.438	-1.861
Income and Rates of Return	0.000	-0.150	-0.882	-1.024	-1.208
Reductions to standards or services	-0.462	-9.450	0.023	-0.652	0.000
One Off items (including Use of Reserves)	0.000	-3.156	-0.500	-0.100	-2.000
Total budget decrease	8.357	16.396	3.459	2.214	5.069
Committee Budgets 2015-16 (excluding funding increases, funding decreases and transfers between committees)	164.643	255.955	106.605	49.232	43.326
Year on year change	2.740	7.465	0.697	-1.684	-7.383

Policy and Resources Committee

Item No 9iii

Report title:	County Council Budget 2015-18: Revenue Budget 2015-18
Date of meeting:	26 January 2015
Responsible Chief Officer:	Peter Timmins - Executive Director of Finance (Interim)
Strategic impact This report 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 2015-16 Revenue Budget, initial growth and savings budget proposals for 2016-17 and 2017-18, and different options for the level of Council Tax 2015-16.	

Executive summary

This report sets out the detailed revenue budget proposals covering 2015-16 and the different options for proposed level of Council Tax/Precept for 2015-16. This paper is one of a suite of reports to this meeting that support decisions on the budget recommendations to County Council.

The key information to support the budget recommendations are contained in separate reports under this agenda item. This report has been prepared on the basis of a Council Tax freeze.

Recommendations:

1. Policy and Resources Committee is asked to agree to recommend to County Council:

- a) An overall County Council Net Revenue Budget of £318.239m for 2015-16, including budget increases of £99.242m and budget decreases of £89.400m as set out in Table 3 of this report and the actions required to deliver the proposed savings.
- b) The budget proposals set out for 2016-17 and 2017-18, including authorising Chief Officers to take the action required to deliver budget savings for 2016-17 and 2017-18 as appropriate.
- c) With regard to the future years, further plans to meet the budget shortfall for 2016-17 and 2017-18 are urgently developed and brought back to Members before June 2015.
- d) Note the comments of the Section 151 Officer, at paragraphs 5.1 to 5.2 and 6.5 to 6.8, on the financial impact of an increase in Council Tax, as set out in paragraph 5.6, and confirm, or otherwise, the assumption that the Council's 2015-16 budget will include a Council Tax freeze (shown at Annex D1).

- e) That the Executive Director of Finance 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 2015-16 Budget, to make payments, to raise and repay loans and to invest funds.

1. Introduction and purpose of report

- 1.1. Reports to Policy & Resources on 14 July 2014, marked the start of the Council's planning cycle for 2015-18. They set out the forecast changes to the service, financial context for medium term planning, the parameters and timetable for services to follow, in reshaping services and developing budget plans leading up to the County Council budget meeting on 16 February 2015. Budget proposals were subject to consultation. The Council launched the Budget Consultation in September, the response to which is reported on this agenda. Policy and Resources Committee has also received reports, elsewhere on this agenda, providing additional information for the Committee in considering the recommendations for the revenue budget. These are:

- Findings from the Budget Consultation and the outcome of the Equality Impact Assessments of budget proposals;
- Robustness of the estimates 2015-18;
- Statement on the adequacy of provisions and reserves 2015-18;
- Medium Term Financial Strategy 2015-18;
- Capital Programme 2015-18;
- Annual Investment Treasury Strategy 2015-16.

- 1.2. The purpose of this report is to set out the detailed revenue budget position for 2015-16, medium term budget plans for 2015-18 and implications for Council Tax for 2015-16 in line with the Policy and Resources Committee recommendations.

2. Background Information

National Planning Context

- 2.1 Department of Communities and Local Government announced the detailed provisional finance settlement for local government on 18 December 2014. A briefing paper was circulated to all Members and Chief Officers in December 2014 and reported to service committees in January 2015. The briefing paper provided provisional details for 2015-16:

- The Business Rates Retention Scheme including:
 - Uplifts to the business rates baseline and top-ups
 - Revenue Support Grant
 - Pooled figures for the Norfolk Business Rates Pool
- Council Tax Freeze Grant
- Specific grants
- Some capital grants

- 2.2 The publication marks the beginning of the consultation on the 2015-16 Draft Local Government Finance Report, which ended on 15 January 2015. The final settlement details are expected 4 February 2015.

- 2.3 The Draft Local Government Finance Settlement confirmed the expected reduction in key funding for local authorities, with Norfolk County Council receiving a 13.2% reduction in its Settlement Funding Assessment (Revenue Support Grant and Business Rates) for 2015-16. Based on the national projections, further reductions are expected in 2016-17 and 2017-18, assumed to be higher than reductions suffered between 2011-12 and 2015-16.
- 2.4 The Government has announced that council tax freeze funding will continue and that council tax freeze funding, equivalent to a 1% increase, will be available to authorities that do not increase Council Tax in 2015-16. Like 2014-15, the 2015-16 Council Tax freeze compensation has been built into the spending review baselines for subsequent years.
- 2.5 Kris Hopkins, Parliamentary Under Secretary of State for Communities and Local Government announced on 18 December 2014 that any council proposing an increase of 2% or more will need to allow local people the opportunity to approve or veto the increase in a referendum.

NCC budget planning process and framework

- 2.6 A report to Policy and Resources Committee 29 September 2014 set out the latest budget planning forecasts and the planning direction for the period 2015-18. Policy and Resources Committee agreed the following budget planning timetable shown below and the approach for developing budget proposals for the budget consultation that was launched in September 2014.

Table 1: Budget and service planning timetable

Activity/Milestone	Time frame
The start of the public examination of the budget and County Council Plan and publication of the financial context and challenges over the short and medium term for wider views and comment.	5 September 2014 – Policy & Resources Committee
September round of Service Committee meetings	September 2014
Consider discussions of Service Committees and identify any outstanding savings to be made	29 September 2014 - Policy & Resources Committee
Service Committees meet again to identify proposals to achieve further savings to close the budget gap.	October 2014
Consider budget proposals in the round and ensure that cumulative impact on disadvantaged groups is evaluated.	27 October 2014 - Policy & Resources Committee
Chancellor's Autumn Statement 2014 and Provisional Local Government Finance Settlement 2015-16	December 2014
Public Consultation closes. Analysis of issues carried out between 19 December and the New Year, to ensure the findings can be reported to the January round of Service Committees	19 December 2014
Service Committees review the findings of the consultation, the outcome of the Local Government Finance Settlement and other risk and impact assessments.	January 2015
Review recommendations from all Service Committees and take a whole council view on the revenue budget and capital programme recommendations to County Council	26 January 2015 – Policy & Resources Committee
County Council agree County Council Plan, revenue budget, capital programme and level of Council Tax	16 February 2015

- 2.7 In September 2014, Policy and Resources Committee received a report setting out a revised funding shortfall of £147.5m for 2015-18. This was based on the

latest forecasts of Government funding and estimates of expected increased costs such as inflation, volume change from increased demand and demographics and the costs of legislative changes.

- 2.8 During the autumn, Chief Officers and Members have undertaken challenge reviews of all budget plans and spending proposals. This has included peer review and 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 relate to Adults, Children's Services, and Waste, and in particular:
- Implementing a new strategy for Adults service delivery, incorporating new integrated arrangements with Health (Better Care Fund), preparing for major legislative change (Care Act), whilst dealing with rising demographic pressures;
 - Children's Services continuing the implementation of changed service provision, whilst transitioning from interim to permanent staffing arrangements;
 - Increased waste tonnages, arising from climate and societal change
- 2.9 Together with the funding announcements within the Draft Local Government Funding Settlement for 2015-16 and identified savings, the forecast shortfall for 2016-17 and 2017-18 is now £88m. Further details on the draft Local Government Finance Settlement were circulated to members and have been included as an appendix to Strategic and Financial Planning 2015-18 report elsewhere on the agenda.

Income

- 2.10 The Council has four main funding streams:

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

- 2.11 The main highlights to consider are:

- (a) Business Rates Retention Scheme – the Draft Local Government Funding Settlement included information on the Settlement Funding Assessment, which includes the authority's Revenue Support Grant and business rates baseline funding level uprated 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. The below tables show the component elements of the Settlement Funding Assessment and how the Council will receive this funding. In overall terms this shows a reduction of £42.094m or 13.15% to core government funding compared to 2014-15.

Table 2: Breakdown of Settlement Funding Assessment and funding

	Settlement Funding Assessment		
	2014-15 £	2015-16 Planned £	2015-16 Provisional Settlement £
Upper-tier Funding	221,986,401	186,144,243	184,193,958
Fire and Rescue Funding	15,353,596	14,061,152	13,977,317
Learning Disability and Health Reform	41,706,675	41,692,906	41,550,009
2011-12 Council Tax Freeze Grant	8,515,023	8,512,172	8,482,588
Early Intervention	22,049,109	20,166,585	20,083,909
Lead Local Flood Authorities	195,629	195,563	194,875
Rural Service Delivery Grant*	565,271	565,271	761,887
Local Welfare Provision*	2,274,588	0	1,712,607
2014-15 Council Tax Freeze Compensation*	3,512,000	3,512,000	3,511,834
2013-14 Council Tax Freeze Compensation	3,490,892	3,490,892	3,490,892
Returned Funding	404,459	0	0
Total	320,053,642	278,340,784	277,959,876

* Previously shown as specific grant

	2014-15 £m	2015-16 £m	2015-16 Provisional Settlement £m
Settlement Funding Assessment	320.053	278.340	277.960
Received through:			
Revenue Support Grant	181.993	136.470	137.262
Business Rates Baseline	138.060	141.870	140.698
<i>via Top-up</i>	<i>112.578</i>	<i>115.685</i>	<i>114.729</i>
<i>Retained rates</i>	<i>25.482</i>	<i>26.185</i>	<i>25.969</i>

(b) Council Tax – the Government has extended the Council Tax Freeze Grant for a further year for those councils that choose to not increase council tax, equivalent to a 1% increase for 2015-16. The 2014-15 Council Tax Freeze Grant has been built into the settlement funding assessment for subsequent years, which means that it will not be removed in future years. Whilst this change to the grant provides some additional stability, if the freeze grant is accepted, it remains subject to Government funding interventions, including continued reduction of Revenue Support Grant to ensure councils operate within the Government Departmental Expenditure Limits.

However, the level of Council Tax remains a matter for local councils and the four options open to the council are to:

- Freeze council tax and accept the council tax freeze grant;
- Increase council tax below the council tax referenda limits;
- Increase council tax above the council tax referenda limits and undertake a council tax referendum within Norfolk;
- Decrease council tax and accept the council tax freeze grant.

(c) Other income – a table on total government grant funding is included in this report at Appendix A. Changes to NHS Social Care funding are being implemented from 2015-16 and work has been undertaken with the Norfolk Clinical Commissioning Groups to agree the Better Care Fund plan, including the level of funding that NCC will receive to fund its commitments and the risk sharing arrangements. The pressures remaining, following the agreement of the fund, have been reflected in the 2015-18 budget. Further details are included in the Medium Term Financial Strategy report elsewhere on this agenda.

Expenditure - underlying trends

- 2.12 The aim of the budget planning process is to deliver a robust three year budget that supports the Council's priority areas but is affordable within reduced funding.

The major areas of cost affecting Norfolk County Council and that have been incorporated into the 2015-18 budget plans are:

- a) Price inflation – more of the Council's services continue to be delivered externally to the County Council – through partners and private sector contracts and via the Council's own company Norse – therefore contractual arrangements are a key driver of the Council's cost pressures. Over half 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 helping to stem the increases. In areas such as supporting looked after children, new strategies developed in 2014 are starting to take effect and to deliver the planned improvements reflected in the planned savings.
- c) National single tier pension – funding plans for 2016-17 include provision for increased costs of new government legislation that will increase national insurance employer costs for the Council. Currently, for employees in the Local Government Pension Scheme, the council pays a reduced employer National Insurance rate.

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 of 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, or to repay debt. The future annual revenue cost of prudential borrowing can be significant (approximately 10% of the amount borrowed) and these costs are reflected in the revenue budgets presented in this report. A separate report to Policy and Resources Committee, elsewhere on this agenda, sets out the detail of the Capital Strategy, the 2015-18 programme and funding plans.

- 2.13 Our financial planning assumptions for future years take account of the latest monitoring position for 2014-15, as reported to Policy & Resources Committee elsewhere on this agenda.
- 2.14 The financial planning context is set out in the Medium Term Financial Strategy 2015-18 report to Policy & Resources Committee elsewhere on this agenda.
- 2.15 The report on the Robustness of Estimates 2015-18 sets out the Executive Director of Finance's (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 2015-18 budget estimates are set out in that report. The level of reserves has been analysed in terms of risk and is reported separately to Policy & Resources Committee elsewhere on this agenda. The recommended level of general balances is £19.2m for 2015-16 and the Medium Term Financial Strategy 2015-18 assumes that general balances will remain at or above this level.

Expenditure and savings – proposals

- 2.16 During January, service committees have had further reports and opportunity to review all pressures and savings proposals, along with consideration of the outcome of the public consultation. As set out in paragraph 2.8, the funding shortfall has changed following challenge and review during the autumn and following the Government's funding announcements in December 2014.

3. Council Tax/Precept Implications

- 3.1. 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 2015-16 has been provisionally announced as 2%. This level is usually finalised within the publication of the Final Local Government Finance Settlement.
- 3.2. 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.

- 3.3. 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.
- 3.4. 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.
- 3.5. In light of the current planning assumptions Policy and Resources Committee is asked to consider and confirm, or otherwise, the assumption that the Council's 2015-16 budget will include a Council Tax freeze.

This will need to be considered at the County Council meeting on 16 February 2015.

- 3.6. Set out in Appendix D1 is the calculation of total payments of £318.239m due to be collected from District Councils in 2015-16 based on a Council Tax freeze and £324.306m in Appendix D2 based on a 1.95% increase in Council Tax, together with the instalment dates and the council tax level for each valuation band A to H.
- 3.7. The Council is also required to authorise the Executive Director of Finance 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 2015-16 budget in order that he can make payments, raise and repay loans, and invest funds.

4. Consultation

- 4.1 The response to the budget consultation is set out in a separate report to Policy and Resources Committee elsewhere on this agenda.

Representatives of non-domestic ratepayers

- 4.2 The Council has a statutory duty under Section 134 of the Local Government Act to consult with representatives of non-domestic ratepayers. A meeting with representatives of the business sector was held on 22 January 2015. Representatives were provided with a summary of the financial challenges facing the Council in 2015-18.
- 4.3 A verbal update regarding discussions will be provided to members during the meeting.

5. Draft Budget 2015-18

- 5.1. The development of the 2015-18 revenue budget was one of constant change. During most of the budget development, additional costs were greater than the additional income. The generation of savings has been difficult. Even with the revelation of the increase in the Council Tax yield forecast during late-December, it was still the case that further cuts were required. This also included pressing for the implementation of some cuts that were regarded as hard to deliver, for there was no other funding source. There are three reasons for this difficulty:
- a) Time to establish the direction of travel - in some cases, it has taken time to come to a judgement as to whether we were seeing a one-off spike, that could be ignored for 2015-16, or were observing a trend, that should be taken into account in 2015-16. This was especially so in the case of waste where the Council is dependent on others for the flow of data. Unfortunately, this added an extra £3m to cost pressures.
 - b) Transformation – experience with Children's Services and the Digital Norfolk Ambition (DNA) roll-out, illustrated the greater complexity of transforming services. Compared to the first plans, we now know it can take longer. It can also require more deep reaching change, which can cost more. Whilst the savings were already included, the rise in costs were another addition.
 - c) Statutory deadlines – such as Government funding announcements and release of Council Tax Base information from the Districts, are comparatively late in the budget planning process. In the case of the latter, the statutory release is not until January 31st. However, we have good relations with the Districts, and they tell us of their estimates, on the understanding that they are subject to change, up to the deadline. All Counties (Society of County Treasurers meeting January 15th) are reporting higher than expected Council Tax income, which relates to the unwinding of assumptions around the change on benefit subsidy in 2013-14.
- 5.2 Furthermore, the improvement in service understanding of data and how it is changing, in Adult Social Care, Children's Services and Waste, led to upward revisions in costs. These have all been reflected in the January service committee reports.
- 5.3 The overall net budget proposed for 2015-18 is £318.239m. This takes into account the Provisional Local Government Finance Settlement for 2015-16.
- 5.4 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.

- 5.5 At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2015-16 net budget may need to be altered to reflect any changes to the government grant amount for 2015-16 following the final settlement publication, due to be announced 4 February 2015. Service and budget planning for 2016-17 will be based on an expected reduction in core government funding of £42m (Settlement Funding Assessment incorporating Business Rates and Revenue Support Grant).
- 5.6 Reports to service committees in January 2015 detailed additional costs of £28.907m, savings of £36.315m and base adjustments of £18.257m (Base adjustments include funding reductions and funding increases as detailed in Appendix B). However estimates of business rates collection, the impact of council tax decisions and cost neutral adjustments had not been included within service committee reports. The estimated surplus from District Councils' of Business Rates collection is £0.490m. In relation to council tax, if the County Council agrees to freeze council tax, a 2015-16 council tax freeze grant will be payable to the council amounting to £3.542m (specific grant not within the 2015-16 settlement funding assessment in Table 2). For comparative purposes a 1.95% increase in Council Tax would generate £6.070m additional funding in 2015-16, but would be offset by not receiving the council tax freeze grant, resulting in a net increase in funding of £2.528m. Further details are included within Appendix D2.
- 5.7 The Policy and Resources Committee report setting out the policy and position of reserves and balances recommended that the minimum level of General Balances be increased to £19.2m reflecting budget risks and uncertainty around future government funding. The forecast position for General Balances at 31 March 2015 is £19m, however, there is currently a forecast underspend on the 2014-15 budget of £0.328m (As at 30 November 2014).
- 5.8 The Policy & Resources Committee is asked to recommend to County Council the 2015-16 budget proposals, as reported to service committees in January 2015, taking into account the comments below. The proposed overall budget is shown in Table 3 and detailed in Appendix B and C.
- £1m of the early help investment proposal of £2.110m reported to the Children's Services Committee is now being funded by Public Health funding. Public Health is working closely with Children's Services on planning and commissioning these new services.
 - Adult Social Care Committee did not agree a budget to recommend to Policy and Resources Committee. The budget included in this report reflects that proposed by the Executive Director of Adult Social Services previously reported to the Adult Social Care Committee.
- 5.9 At the time of writing this report, minutes on the budget proposals of the Service Committees are not yet available. These will be available to the Policy and Resources Committee meeting on 26 January.

Overall Budget Proposals 2015-16

- 5.10 Table 3 below summarises the overall proposed final budget for 2015-16. The total net budget requirement is £318.239m. The table below shows the cash limited budgets by service.
- 5.11 Base adjustments reflect the changes to core government grants received including the changes due to the Business Rates Retention Scheme (BRRS) and localisation of the Council Tax Support Scheme, which has been rolled into the BRRS and is therefore now reflected in the gross funding of the budget. As in the current year, the net budget only reflects the council tax requirement. A detailed table of the proposed changes for each service is shown at Appendix C.
- 5.12 At the time of drafting this report, the final Local Government Finance Settlement has not been announced (due to be announced 4 February 2015) and the proposed 2015-16 service budgets may need to be altered to reflect any changes to the government grant amount for 2015-16. Likewise final changes to the District Councils' collection funds will not be known until the end of January and may alter the proposed 2015-16 net budget. The structure of the budget is based on the current organisational framework.

Table 3: 2015-16 Revenue Budget £m

	2014-15 Base Budget £m	Budget increase incl. costs & Funding decreases £m	Budget decrease incl. savings & Funding increases Note 1 £m	2015-16 Recommended Budget £m
Children's Services	161.903	25.644	-13.051	174.496
Adult Social Care	248.490	29.934	-36.954	241.470
Environment Transport and Development	105.908	5.409	-4.278	107.039
Community Services	50.916	1.062	-3.629	48.349
Policy and Resources	-258.820	37.193	-31.488	-253.115
TOTAL	308.397	99.242	-89.400	318.239

Note 1: The total budget decreases of £89.400m include £36.322m savings, £24.430m funding increases and £28.649m of cost neutral changes – See Appendix B. Of the budget savings, £6.756m relate to one-off savings in 2015-16, of which £6.656m will be a pressure in 2016-17 and £0.100m will give rise to a pressure in 2017-18. These are detailed in Table 4 below.

Note 2: Budget decreases include funding increases of £24.430m consist of:

	£m
Business Rates	-1.075
New Homes Bonus	-0.462
Council Tax Freeze Grant	-3.542
New burdens adult social care funding – for the Care Act	-5.629
Local reform and community voices: New Social Care in Prisons (a new duty under the Care Act)	-0.371
Increased NHS Social Care Funding – the Better Care Fund	-13.351
Total Increase in funding	-24.430

Table 4: One-off savings £m

		2015-16	2016-17	2017-18
Committee	Saving	£m	£m	£m
Adults	One-off use of earmarked reserves	-3.156	3.156	0
P&R	County farms (one-off)*	-2.000	2.000	0
P&R	Insurance (one-off)	-1.000	1.000	0
EDT	One-off use of earmarked reserves	-0.500	0.500	0
Communities	One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history	-0.100	0	0.100
	Total	-6.756	6.656	0.100

*In addition to the one-off saving for County Farms, the budget proposals contain £0.500m ongoing saving to support the revenue budget 2015-16.

- 5.13 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 5: Categorisation of Saving £m

	2015-16	2016-17	2017-18	2015-18
	£m	£m	£m	£m
Organisational Change – Staffing	-4.976	-0.528	0.000	-5.504
Organisational Change – Systems	-10.300	-13.753	0.000	-24.053
Procurement	-5.667	-1.020	-0.135	-6.822
Shared Services	-0.190	-0.205	-2.000	-2.395
Capital	-0.614	-0.727	0.000	-1.341
Terms & Conditions of employees	-0.705	-1.102	0.000	-1.807
Income and Rates of Return	-7.558	-6.045	-2.900	-16.504
Assumptions under Risk Review	4.230	5.156	0.000	9.386
Back office sub total	-25.780	-18.224	-5.035	-49.040
Reducing Standards	-4.244	-6.725	-0.800	-11.769
Cease Service	-6.297	-3.090	0.000	-9.387
Front line sub total	-10.541	-9.815	-0.800	-21.156
Total	-36.322	-28.039	-5.835	-70.196

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

- 5.14 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 2015-16 was announced in December. This sees the DSG being split into three main funding blocks: The Schools block, the High Needs block and the Early Years block, plus additional funding to meet the new statutory requirement for early learning for some two years old. The statutory requirement covers around 40% of two year olds.
- 5.15 The Government has announced DSG for 2015-16 totalling £546.548m. This compares to a total revised DSG allocation of £532.645m in 2014-15. The DSG is before academy recoupment.
- 5.16 This autumn, the Department for Education announced they have allocated an additional £390m DSG to local authorities nationally in 2015-16. And this led to an increase in the amount available per pupil in the schools block and the amount below also reflects increased pupil numbers. Funding for two year olds has not been announced at the time of writing the report. The table below shows the movement in DSG between 2014-15 and 2015-16.

Table 6: Breakdown of schools funding £m

Funding element	Revised 2014/15	2015/16	Change	Explanation for change
Early Years	24.979	25.782	0.803	Increase in pupil numbers
Early Years Pupil Premium	0	0.638	0.638	New allocation
2 year old funding	9.461	tbc	n/a	Allocation still to be announced
Schools Block	432.864	453.635	20.771	Increase in Minimum Funding Levels for pupil characteristics, increase in pupil numbers and addition of non-recoupment academies
High Needs block	65.191	66.341	1.150	Increase in place and top up growth funding for 2015-16
Newly Qualified Teachers	0.150	0.150	0.000	No change
Total	532.645	546.548		

Pupil Premium

- 5.17 In 2015-16, 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 2014-15 were £1,300 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.
- 5.18 The pupil premium plus (for looked after children) will remain at £1,900 per pupil in 2015/16. The eligibility was expanded in 2014-15 to include those who have been looked after for one day or more, and from 2015-16 is being 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.
- 5.19 Children with parents in the armed forces will continue to be supported through the service child premium. In 2015-16, the service child premium will be set at £300 per pupil.

6 Budget Implications for 2016-17 and 2017-18

- 6.1 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 2015-16 budget. A three year revenue projection is specifically required and this has been considered as part of our forward service and financial planning.
- 6.2 Reports to service committees in January 2015 included projected additional costs and savings proposals for 2015-18 in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2015-18 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.
- 6.3 The report to Policy and Resources Committee 5 September 2014 projected a potential £50m shortfall in 2016 -17 and £52m in 2017-18. The forecast for 2016 -18 has been revised following the Government funding announcements and a further review and challenge of cost pressures has taken place. Together with identified savings and taking into consideration Policy and Resources Committee recommendations on the 2015-16 Revenue Budget, it is now estimated that the County Council has a remaining budget shortfall of £88m for the years 2016-17 to 2017-18.
- 6.4 The projected additional costs, including inflation, and forecast reduction in Government grant funding for the following 2 years, 2016-17 and 2017-18 are set out in table 7 below.

Table 7: Provisional medium term financial forecast £m

	2016-17	2017-18
Additional cost pressures and forecast reduction in Government grant funding	72.3	52.2
Forecast increase in council tax base	-1.3	-1.6
Identified saving proposals and funding increases	-28.1	-5.8
Budget shortfall	42.9	44.8

- 6.5 When comparing the three year period 2015-18 with the previous three year period 2014-17, the data shows that the unfunded budgets for years two and three have increased from just under £26m, to just under £88 as shown in Table 8 below.

Deficits in years two and three

	Year 1 £m	Year 2 £m	Year 3 £m	Total £m
2014-17	0.0	3.8	22.0	25.8
2015-18	0.0	42.9	44.8	87.7
Increase in risk 2015-18 compared to 2014-17				61.9
				or +240%

- 6.6 It is the view of the S151 officer, that whilst we can balance the 2015-16 budget, the shortfall for 2016-17 and 2017-18 is a high a risk. In addition to the larger three year deficit, the following have contributed to the view of the S151 officer:
- The shortfall in 2016-17 is likely to worsen. The 2015-16 shortfall, measured at £3.8m in February 2014, increased significantly during the budget planning process and required additional costs to be included in the January Service Committee reports for reasons set out in paragraphs 5.1 and 5.2. The learning point is that any Year 2 and Year 3 estimates, of a three year period, will increase as better data becomes available;
 - The savings need to be bigger for 2016-17, than has previously been achieved. The level of cuts and efficiencies in 2015-16 is £36.3m (See Appendix B), of which £29.6m are ongoing and £6.7m are one-off. For the following year, it needs to be 45% higher, at the current estimate of £42.9m. However, this amount is itself, reckoned to be too low (see previous point);
 - The level of 2015-16 income benefitted from two large increases that are unlikely to be replicated in future years, to give a misleading impression for the future, by around £16.7m. They were the Better Care Fund and the increase to the Council Tax Base and surplus on Collection Fund.
 - It is increasingly difficult to deliver savings, both finding them, and achieving consensus on what to cut, by when.
- 6.7 The budget strategy places a greater emphasis on reducing costs, than increasing our own income. The majority of Counties (Society of County Treasurers Meeting January 15) indicated they will increase their Council Tax. By 2018, an increase in 2016-18 would result in net additional income of just under £12m to help reduce the level of cuts.
- 6.8 If, following the General Election, the level of savings required is reduced, the Council can reduce the level of Council Tax. However, in the current circumstances there should be a three pronged strategy:
- Ensure the Government fully appreciates the effect of its spending policies – A recent National Audit Office report indicated that Department for Communities and Local Government have no accurate understanding of this impact;
 - Very early and urgent planning to radically ‘re-imagine’ the County Council’s role and service design in order to reduce expenditure;
 - Develop urgently strategies to increase our own income, of which Council Tax in the order of 1.95% would be one element.
- 6.9 Member workshops will be taking place in March and April to review Council services and develop strategy. Reports setting out the changing planning context for both service delivery and the Council’s finances will be reported to future committee meetings, along with additional savings plans and will form part of the detailed planning approach for reviewing and recommending final budgets for 2016-17 and 2017-18 and the level of Council Tax.

- 6.10 As part of our ongoing financial planning, services will keep under review all aspects of future cost pressures and inflation. The Executive Director of Finance 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 is set out in Appendix E.

7. Council Tax Discount on Second Homes

- 7.1 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.
- 7.2. For 2015-16, it has been 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 delivers an on-going £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, therefore removing the proposed saving of £1.2m within the 2016-17 budget, as reported in the 2014-17 budget round.
- 7.3 It was agreed that this arrangement is jointly reviewed with District Councils for future years in early 2017-18 and Norfolk County Council will consult early (prior to publication) on budget proposals for future years in order to identify any potential adverse impact on District Councils' budgets.

8. Equality Impact Assessment

- 8.1 In making recommendations to Full Council about the budget, Policy and Resources Committee 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 a separate report to this Committee.

9. Summary

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

- Additional Costs and Savings Options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2015-16 Revenue Budget and proposals for 2016-17 and 2017-18
- Overall level of the 2015-16 to 2017-18 Capital Programme
- Prudential Code Indicators for 2015-16
- Minimum Revenue Provision Statement
- Discount on Second Homes
- Level of the Council Tax/Precept for 2015-16 and 2016-18
- Implications of the Revenue Budget for 2016-17 and 2017-18
- Responses to savings proposals from the Budget Consultation
- Outcome of equality impact assessment

10. Other Implications

10.1 **Legal implications** Statutory requirements relating to individual proposals have been reported to Service Committees in January 2015. 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.

11. Risk Implications

- 11.1 The risks associated with the budget proposals were reported to Service Committees in January 2015 and the separate report on the robustness of the estimates. Reports on robustness of estimates and the adequacy of reserves and balances 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.

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List of key grants and funding

Grant	Service	2015-16 Provisional £m
Unringfenced		
Revenue Support Grant	Corporate	137.262
Top-Up Grant (Business Rates Retention Scheme)*	Corporate	114.729
Section 31 Grant (compensation for Government business rate initiatives)	Corporate	2.052
New Homes Bonus	Corporate	4.124
New Homes Bonus adjustment	Corporate	0.462
Education Services Grant	Children's	8.035
New burdens - Early Assessment (Part of £5.629m for the Care Act)	Adults	3.121
New burdens – Deferred payment agreement (Part of £5.629m for the Care Act)	Adults	1.542
New burdens – Carers & Care Act Implementation (Part of £5.629m for the Care Act)	Adults	0.966
Local reform and community voices: New Social Care in Prisons (Care Act)	Adults	0.371
Fire Revenue	Fire	1.004
Inshore Fisheries	Resources	0.152
Lead Local Flood	ETD	0.207
Local reform and community voices	Resources	0.563
Extended rights to free travel (Local Services Support Grant)	Corporate	0.719
PFI Revenue Grant (street lights; salt barns and schools) – not yet confirmed		8.046
Council Tax Freeze Grant 2015-16 (if no increase to Council Tax)	Corporate	3.542
Ringfenced		
Public Health	Resources	30.590
Dedicated Schools Grant	Children's	546.548
Pupil Premium Grant – not yet confirmed	Children's	29.752
Locally collected tax (forecasts)		
* Baseline business rates	Corporate	25.969
Council tax	Corporate	317.499
Partnership funding		
NHS Funding (incl. Better Care Fund)	Community	56.381

APPENDIX B

Summary of proposed budget for 2015-16

	Children's Services	Adults	EDT	Communities	Policy & Resources	TOTAL
	£m	£m	£m	£m		£m
Base Budget 2014-15	161.903	248.490	105.908	50.916	-258.820	308.397
<u>Additional Costs</u>						
Inflation	2.979	5.066	1.428	0.675	0.755	10.903
Legislative Requirements	3.417	8.204	0.000	-0.145	1.637	13.113
Demand / Demographic	7.661	10.591	2.978	0.000	0.000	21.230
NCC Policy	-2.960	0.000	-0.250	0.000	-14.129	-17.339
Funding Reductions (base adjustments)	0.000	0.192	0.104	0.145	42.246	42.687
	11.097	24.053	4.260	0.675	30.509	70.594
Cost Neutral Increases	14.547	5.881	1.149	0.387	6.685	28.649
Total budget increase	25.644	29.934	5.409	1.062	37.194	99.243
<u>Savings</u>						
1a Organisation	-0.490	-0.250	-0.005	-0.087	-4.144	-4.976
1b Lean	-6.890	-0.835	-0.116	-0.242	-2.217	-10.300
1c Capital	0.000	0.000	-0.540	-0.074	0.000	-0.614
1d Terms & Conditions	-0.115	-0.099	-0.034	0.000	-0.457	-0.705
2a Procurement	0.000	-2.306	-1.904	-0.095	-1.362	-5.667
2b Shared Services	0.000	-0.150	0.000	-0.040	0.000	-0.190
3a Income and Rates of Return	0.000	-0.150	-0.882	-1.024	-5.502	-7.558
4a Change standards	-0.462	-3.450	0.170	-0.502	0.000	-4.244
4b Stop doing things	0.000	-6.000	-0.147	-0.150	0.000	-6.297
4c Change assumptions	-0.400	-3.156	0.000	0.000	7.786	4.230
Funding Increases (base adjustments)	0.000	-19.351	0.000	0.000	-5.079	-24.430
	-8.357	-35.747	-3.459	-2.214	-10.975	-60.752
Cost Neutral Reductions	-4.694	-1.207	-0.820	-1.415	-20.513	-28.649
Total budget decrease	-13.051	-36.954	-4.278	-3.629	-31.488	-89.400
Recommended Cash Limited Budget 2015-16	174.496	241.470	107.039	48.349	-253.115	318.239
						308.397
					Increased Council Tax Base	6.171
					Forecast surplus on collection fund	3.671
						318.239

APPENDIX B

Summary of proposed indicative budget for 2016-17

	Children's Services £m	Adults £m	EDT £m	Communities £m	Policy & Resources	TOTAL £m
Base Budget 2015-16	174.496	241.470	107.039	48.349	-253.115	318.239
Additional Costs						
Inflation	3.050	5.167	1.470	0.688	0.769	11.144
Legislative Requirements	0.726	0.000	0.000	0.000	4.838	5.564
Demand / Demographic	1.921	5.734	0.000	0.000	0.000	7.655
NCC Policy	0.000	0.000	0.000	-0.030	-0.200	-0.230
Funding Reductions (base adjustments)	0.000	0.000	0.000	0.000	48.185	48.185
Total budget increase	5.697	10.901	1.470	0.658	53.592	72.318
Savings						
1a Organisation	0.000	0.000	0.000	-0.052	-0.476	-0.528
1b Lean	-8.484	-2.000	-0.905	-1.440	-0.924	-13.753
1c Capital	-1.000	0.000	0.500	-0.227	0.000	-0.727
1d Terms & Conditions	-0.105	-0.090	-0.031	0.000	-0.876	-1.102
2a Procurement	0.000	-1.500	-0.350	0.000	0.830	-1.020
2b Shared Services	0.000	0.000	-0.005	-0.200	0.000	-0.205
3a Income and Rates of Return	0.000	-0.050	-0.594	-0.105	-5.296	-6.045
4a Change standards	-2.312	-4.050	-0.280	0.000	-0.083	-6.725
4b Stop doing things	0.000	-3.000	-0.090	0.000	0.000	-3.090
4c Change assumptions	0.000	3.156	0.000	0.000	2.000	5.156
Funding Increases (base adjustments)	0.000	0.000	0.000	0.000	-1.326	-1.326
Total budget decrease	-11.901	-7.534	-1.755	-2.024	-6.151	-29.365
Recommended Budget 2016-17 Excluding gap of £42.9	168.292	244.837	106.753	46.983	-205.674	361.192

Summary of proposed indicative budget for 2017-18

	Children's Services £m	Adults £m	EDT £m	Communities £m	Policy & Resources	TOTAL £m
Base Budget 2016-17	168.292	244.837	106.753	46.983	-205.674	361.192
<u>Additional Costs</u>						
Inflation	3.123	5.271	1.511	0.700	0.784	11.389
Legislative Requirements	0.000	0.000	0.000	0.000	4.230	4.230
Demand / Demographic	2.081	6.134	0.000	0.000	0.000	8.215
NCC Policy	0.000	0.000	0.000	0.000	1.450	1.450
Funding Reductions (base adjustments)	0.000	0.000	0.000	0.000	26.900	26.900
Total budget increase	5.204	11.405	1.511	0.700	33.364	52.184
<u>Savings</u>						
1a Organisation	0.000	0.000	0.000	0.000	0.000	0.000
1b Lean	0.000	0.000	0.000	0.000	0.000	0.000
1c Capital	0.000	0.000	0.000	0.000	0.000	0.000
1d Terms & Conditions	0.000	0.000	0.000	0.000	0.000	0.000
2a Procurement	0.000	0.000	0.000	0.000	-0.135	-0.135
2b Shared Services	0.000	0.000	0.000	0.000	-2.000	-2.000
3a Income and Rates of Return	0.000	0.000	0.000	0.100	-3.000	-2.900
4a Change standards	0.000	-0.800	0.000	0.000	0.000	-0.800
4b Stop doing things	0.000	0.000	0.000	0.000	0.000	0.000
4c Change assumptions	0.000	0.000	0.000	0.000	0.000	0.000
Funding Increases (base adjustments)	0.000	0.000	0.000	0.000	-1.555	-1.555
Total budget decrease	0.000	-0.800	0.000	0.100	-6.690	-7.390
Recommended Budget 2017-18 Excluding gap of £44.8m	173.496	255.442	108.264	47.783	-179.000	405.986

Budget Changes Forecast for 2015-18					
Adult Social Care Committee					
Savings Ref			2015-16 £m	2016-17 £m	2017-18 £m
1	Cash Limited Base Budget		248.490	241.470	244.838
2	GROWTH				
		Economic	5.066	5.167	5.271
		Legislative	8.204	0.000	0.000
		Demand/Demographic	10.591	5.734	6.134
	Total Growth		23.861	10.901	11.405
3	SAVINGS				
	1a	Digital Transformation, Better Ways Of Working: Organisation	-0.250		
	1b	Digital Transformation, Better Ways Of Working: Lean	-0.835	-2.000	
	1d	Digital Transformation, Better Ways Of Working: Terms and Conditions	-0.099	-0.090	
	2a	Procurement, Commissioning. Procurement	-2.306	-1.500	
	2b	Procurement, Commissioning. Shared Services	-0.150		
	3a	Income generation, Trading. Sweat the assets	-0.150	-0.050	
	4a	Demand Management. Change Standards	-3.450	-4.050	-0.800
	4b	Demand Management. Stop Doing Things	-6.000	-3.000	
	4c	Demand Management. Change Assumptions	-3.156	3.156	
	Total Savings		-16.396	-7.534	-0.800
4	Base Adjustments		-19.159	0	0
5	Cost Neutral Adjustments		4.674	0	0
6	Cash Limited Base Budget		241.470	244.838	255.443
7	Definitions				
	1a	Savings achieved through the restructuring of staff. E.g. a management restructure.			
	1b	Savings achieved through better processes resulting in the same service delivered at a lower cost. E.g. reduction in systems cost or reducing training budget.			
	1d	Savings achieved through review of staff terms & conditions.			
	2a	Savings achieved through procuring more cost effective agreements with suppliers.			
	2b	Savings achieved through sharing services with other organisations			
	3a	Savings achieved through generating more from current processes. E.g. Income generation or reduced cost of borrowing.			
	4a	Savings which result in a reduced service for customers.			
	4b	Savings from the identification of factors that may reduce costs. E.g. reduced retirement costs for teachers.			
	4c	Savings from the ceasing of a service.			

Budget Changes Forecast for 2015-18					
Adult Social Care Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Cash Limited Base Budget	248.490	241.470	244.838
		GROWTH			
		Economic			
		Basic Inflation - Pay (1% for 2015-18)	0.303	0.306	0.309
		Basic Inflation - Prices	4.763	4.861	4.962
		Demand / Demographic			
		Demographic growth	6.035	6.134	6.134
		Purchase of Care cost for leap year	0.400	-0.400	
		Purchase of Care (recurring overspend)	4.156		
		Legislative			
		New burdens: Early Assessments revenue grant 2015-16	3.121		
		New burdens: Deferred payment agreement revenue grant 2015-16	1.542		
		New burdens: Carers & Care Act implementation revenue grant 2015-16	0.966		
		New burdens: Social Care in Prisons	0.371		
		New burdens: Care Act	2.204		
		Total Growth	23.861	10.901	11.405
		SAVINGS			
14	1a	Further Savings from PCSS (Personal Community Support Service)	-0.250		
14	1b	Review Care Arranging Service	-0.140		
30	1b	Change the type of social care support that people receive to help them live at home	-0.200		
06	1b	Electronic Monitoring of Home Care providers		-0.500	
04	1d	Reducing the cost of business travel	-0.099	-0.090	
06	2a	Review block home care contracts	-0.100		
06	2a	Review of Norse Care agreement for the provision of residential care	-1.000	-1.500	
04	2a	Renegotiate contracts with residential providers, to include a day service as part of the contract, or at least transport to another day service	-0.100		
04	2a	Renegotiate the Norse bulk recharge	-0.106		
18	2b	Integrated occupational therapist posts with Health	-0.100		
18	2b	Assistant grade posts working across both health and social care	-0.050		

Budget Changes Forecast for 2015-18					
Adult Social Care Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
20	3a	Trading Assessment and Care Management support for people who fund their own care		-0.050	
08	3a	Decommission offices, consolidate business support	-0.150		
33	4a	Changing how we provide care for people with learning disabilities or physical disabilities	-2.000	-3.000	
35	4a	Scale back housing-related services and focus on the most vulnerable people	-1.200		
36	4a	Reduce the number of Adult Care service users we provide transport for	-0.150	-0.150	
31	4b	Reduce funding for wellbeing activities for people receiving support from Adult Social Care through a personal budget	-6.000	-3.000	
		Sub-total Savings from 2014-17 Budget Round	-11.645	-8.290	0.000
1a	1b	Residential care. Process improvements for more effective management of residential care beds	-0.100		
3c	1b	Redesign Adult Social Care pathway. Work with Hewlett Packard and procurement on areas of the pathway to drive out further efficiencies	-0.395	-1.500	
1b	2a	Norse care rebate. The proposal is for the rebate to be allocated to the Adult Social Care revenue budget on an ongoing basis, rather than to the Adult Social Care Residential Care Reserve as previously.	-1.000		
5a	4a	Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council	-0.100	-0.900	-0.800
NA	4c	One Off: Use of Earmarked Reserves (Adults)	-3.156	3.156	
		Sub-total new savings	-4.751	0.756	-0.800
		Total Savings	-16.396	-7.534	-0.800

Budget Changes Forecast for 2015-18					
Adult Social Care Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		BASE ADJUSTMENTS			
		New burdens adult social care income	-5.629		
		Local reform and community voices: Independent Mental Health Advocacy	0.162		
		Local reform and community voices: Guaranteed Income Payments for veterans	0.030		
		Local reform and community voices: New Social Care in Prisons	-0.371		
		Increased NHS Social Care Funding	-13.351		
		Total Base Adjustments	-19.159	0.000	0.000
		COST NEUTRAL ADJUSTMENTS			
		Mental Health Care and Assessment to Comms (SCEE)	-0.174		
		ICT - ELMS Systems Maintenance from P&R	0.014		
		Adults - Transfer of Business Support to Communities	-0.046		
		Adults - Homeshield to Trading Standards	-0.028		
		Adults - Homeshield to Comms	-0.005		
		Democratic Services – Norfolk Association of Local Councils (NALC) & Voluntary Norfolk to Adults	0.107		
		Depreciation	-0.062		
		REFCUS	5.760		
		Debt Management	0.000		
		Centralise Office Accommodation budgets	-0.891		
		Total Cost Neutral Adjustments	4.674	0.000	0.000
		Cash Limited Base Budget	241.470	244.838	255.443

Budget Changes Forecast for 2015-18					
Children's Committee					
Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m	
1	Cash Limited Base Budget		161.903	174.496	168.292
2	GROWTH				
		Economic	2.979	3.050	3.123
		Demand/Demographic	7.661	1.921	2.081
		NCC Policy	-2.960		
		Legislative Requirements	3.417	0.726	
	Total Growth		11.097	5.697	5.204
3	SAVINGS				
	1a	Digital Transformation, Better Ways Of Working: Organisation	-0.490		
	1b	Digital Transformation, Better Ways Of Working: Lean	-6.890	-8.484	
	1c	Digital Transformation, Better Ways Of Working: Capital		-1.000	
	1d	Digital Transformation, Better Ways Of Working: Terms and Conditions	-0.115	-0.105	
	4a	Demand Management. Change Standards	-0.462	-2.312	
	4c	Demand Management. Change Assumptions	-0.400		
	Total Savings		-8.357	-11.901	0.000
4	Cost Neutral Adjustments		9.853	0.000	0.000
5	Cash Limited Base Budget		174.496	168.292	173.496
6	Definitions				
1a	Savings achieved through the restructuring of staff. E.g. a management restructure.				
1b	Savings achieved through better processes resulting in the same service delivered at a lower cost. E.g. reduction in systems cost or reducing training budget.				
1c	Savings achieved through better use of the assets we have at our disposal. E.g. use of more cost effective fire vehicles.				
1d	Savings achieved through review of staff terms & conditions.				
4a	Savings which result in a reduced service for customers.				
4c	Savings from the identification of factors that may reduce costs. E.g. reduced retirement costs for teachers.				

Budget Changes Forecast for 2015-18					
Children's Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Cash Limited Base Budget	161.903	174.496	168.292
		GROWTH			
		Economic			
		Basic Inflation - Pay (1% for 2015-18)	0.588	0.594	0.600
		Basic Inflation - Prices	2.391	2.456	2.523
		Demand / Demographic			
		Looked After Children - increased residential and foster care agency provision	2.081	2.081	2.081
		Leap year extra day Looked After Children cost	0.160	-0.160	
		Ongoing costs of reducing Looked After Children (Previously classified as one-off)	3.070		
		Ongoing costs of reducing Looked After Children (2014-15 Overspend)	1.800		
		Special Educational Needs transport	0.550		
		NCC Policy			
		Cost of managing the implementation of reduction in Looked After Children	-2.120		
		Early Help net investment	1.110		
		Transport of children with special education needs	-0.950		
		Youth Advisory Boards - from 2013-14	-0.500		
		Raising School Standards - from 2013-14	-0.500		
		Legislative Requirements			
		Academy conversion - Education Service Grant	0.695	0.726	
		Reduction in Education Service Grant - announced July 2014	2.722		
		Total Growth	11.097	5.697	5.204
		SAVINGS			
08 & 3a	1a	Review senior management and commissioning structures	-0.180		
21	1b	Increase the number of services we have to prevent children and young people from coming into our care and reducing the cost of looking after children	-8.140	-8.484	

Budget Changes Forecast for 2015-18					
Children's Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
21	1b	Children's Services Review - use of one off reserves to delay savings to 2015-16	2.000		
26	1c	Reduce the cost of transport for children with Special Educational Needs		-1.000	
04	1d	Reducing the costs of business travel	-0.115	-0.105	
22	4a	Change services for children and young people with Special Educational Needs and Disabilities in response to the Children and Families Bill		-1.912	
24	4a	Stop our contribution to the Schools Wellbeing Service, Teacher Recruitment Service, Norfolk Music Service and Healthy Norfolk Schools Programme and explore if we could sell these services to schools	-0.215		
28	4a	Reduce the amount of funding we contribute to the partnerships that support young people who misuse substances and young people at risk of offending		-0.250	
29	4a	Reduce funding for school crossing patrols	-0.150	-0.150	
12	4c	Reduced retirement costs for teachers	-0.400		
		Sub-total Savings from 2014-17 Budget Round	-7.200	-11.901	0.000
3a	1a	Savings in management costs in Children's Services	-0.310		
3e	1b	Continued use of public transport within Looked After Children service	-0.190		
3e	1b	Reducing legal costs for Looked After Children	-0.430		
3e	1b	End of ground maintenance contract for trees in schools	-0.130		
3a	4a	Reduce subsidy for community use of school premises	-0.097		
		Sub-total newly identified Savings	-1.157	0.000	0.000
		Total Savings	-8.357	-11.901	0.000
		COST NEUTRAL ADJUSTMENTS			
		Comms - Carrow Road Reception Staff to Children's	0.027		
		Depreciation	-3.123		
		REFCUS	14.520		
		Debt Management	-0.003		
		Centralise Office Accommodation budgets	-1.566		
		Car Park budgets to P&R	-0.002		
		Total Cost Neutral Adjustments	9.853	0.000	0.000
		Cash Limited Base Budget	174.496	168.292	173.496

Budget Changes Forecast for 2015-18					
Communities Committee					
Savings Ref			2015-16 £m	2016-17 £m	2017-18 £m
1	Cash Limited Base Budget		50.916	48.349	46.983
2	GROWTH				
		Economic	0.675	0.688	0.700
		County Council Plan	-0.145	-0.030	
Total Growth			0.530	0.658	0.700
3	SAVINGS				
	1a	Digital Transformation, Better Ways Of Working: Organisation	-0.087	-0.052	
	1b	Digital Transformation, Better Ways Of Working: Lean	-0.242	-1.440	
	1c	Digital Transformation, Better Ways Of Working: Capital	-0.074	-0.227	
	2a	Procurement, Commissioning. Procurement	-0.095		
	2b	Procurement, Commissioning. Shared Services	-0.040	-0.200	
	3a	Income generation, Trading. Sweat the assets	-1.024	-0.105	0.100
	4a	Demand Management. Change Standards	-0.502		
	4b	Demand Management. Stop Doing Things	-0.150		
Total Savings			-2.214	-2.024	0.100
4	Base Adjustments		0.145	0.000	0.000

5	Cost Neutral Adjustments		-1.028	0.000	0.000
6	Cash Limited Base Budget		48.349	46.983	47.783
7	Definitions				
1a	Savings achieved through the restructuring of staff. E.g. a management restructure.				
1b	Savings achieved through better processes resulting in the same service delivered at a lower cost. E.g. reduction in systems cost or reducing training budget.				
1c	Savings achieved through better use of the assets we have at our disposal. E.g. use of more cost effective fire vehicles.				
2a	Savings achieved through procuring more cost effective agreements with suppliers.				
2b	Savings achieved through sharing services with other organisations				
3a	Savings achieved through generating more from current processes. E.g. Income generation or reduced cost of borrowing.				
4a	Savings which result in a reduced service for customers.				
4c	Savings from the ceasing of a service.				

Budget Changes Forecast for 2015-18					
Communities Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Cash Limited Base Budget	50.916	48.349	46.983
		GROWTH			
		Economic			
		Basic Inflation - Pay (1% for 2015-18)	0.469	0.474	0.479
		Basic Inflation - Prices	0.206	0.214	0.221
		County Council Plan			
		Norfolk Sports and Cultural Foundation		-0.030	
		Fire Revenue Grant	-0.102		
		Reduction to Public Health expenditure	-0.043		
		Total Growth	0.530	0.658	0.700
		SAVINGS			
08	1a	Review and reduce staffing in Customer Services and Communications to reflect changes in communication practices and the business requirements of the organisation	-0.009	-0.042	
NA	1b	Reduced cost of ICT refresh		-0.100	
15	1b	Efficiency savings arising from utilising public health skills and resources to remove duplication		-1.275	
55	1c	Purchase different, cost effective fire vehicles for some stations	-0.074	-0.227	
16	2b	Enhanced multi-agency working on emergency planning	-0.040		
20	2b	Changes to the delivery of road safety education and evaluation to make greater use of community resources		-0.200	
20	3a	Museums - Gift Aid and Cultural Exemptions	-0.354		
20	3a	Norfolk Record Office - Increased income generation	-0.020	-0.010	
20	3a	Increase charges from Registration Services	-0.050	-0.050	
58	3a	Move the historical registration records to the Norfolk Record Office	-0.050		
48	3a	Charge for advice to business from our Trading Standards Service		-0.020	
47	4a	Scale back Trading Standards advice to focus on the things we have to do by law	-0.250		
		Sub-total Savings from 2014-17 Budget Round	-0.847	-1.924	0.000
2a, 2b, 2d	1a	Reductions in staff and increased income from car parking & ancient house museum (Thetford)	-0.078	-0.010	

Budget Changes Forecast for 2015-18					
Communities Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
3b	1b	Review mail operations	-0.060	-0.065	
1c	1b	Reduction in Library Management System costs	-0.012		
3d	1b	Reduced consultation budget	-0.020		
NA	1b	Customer Services additional savings	-0.100		
NA	1b	Mobile Libraries additional savings	-0.050		
1a	2a	Fire & Rescue Service savings generated through Priority Based Budgeting exercise - focussed on procurement efficiencies and asset management	-0.095		
2c	3a	One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history	-0.100		0.100
1d	3a	Income generation (External hire replacement, fire testing, highways clearance, grants from Europe)	-0.450		
2a	3a	Portal for "Norfolk Weddings" registrars additional income		-0.025	
3g	4a	Library staff reductions	-0.080		
3b	4a	Service reviews, management savings in Customer Services	-0.090		
3e	4a	Reduced spend on ICT and conservation materials for Record Office	-0.032		
1b	4a	Reduce Healthwatch budget	-0.050		
4a	4b	Arts - reduction of arts services and grants	-0.150		
		Sub-total new savings	-1.367	-0.100	0.100
		Total Savings	-2.214	-2.024	0.100
		BASE ADJUSTMENTS			
		Fire Revenue Grant	0.102		
		Reduction to Public Health funding	0.043		
		Total Base Adjustments	0.145	0.000	0.000
		COST NEUTRAL ADJUSTMENTS			
		Adults - Transfer of Business Support to Communities	0.046		
		Adults - Homeshield to Trading Standards	0.028		
		Customer Services Communities to P&R	-0.026		
		Comms - Division of Service Management - from P&R	0.060		
		Depreciation	-0.475		

Budget Changes Forecast for 2015-18					
Communities Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Debt Management	0.000		
		Centralise Office Accommodation budgets	-0.903		
		Termination of leases Finance General to Fire	0.055		
		Termination of leases Finance General to Libraries	0.019		
		Mental Health Care and Assessment to Comms (SCEE)	0.174		
		Adults - Homeshield to Comms	0.005		
		Car Park budgets to P&R	-0.011		
		Total Cost Neutral Adjustments	-1.028	0.000	0.000
		Cash Limited Base Budget	48.349	46.983	47.783

Budget Changes Forecast for 2015-18					
Environment, Development and Transport Committee					
Savings Ref			2015-16 £m	2016-17 £m	2017-18 £m
1	Cash Limited Base Budget		105.908	107.038	106.753
2	GROWTH				
		Economic	1.428	1.470	1.511
		NCC Policy	-0.250		
		Demographic Growth	2.978		
Total Growth			4.156	1.470	1.511
3	SAVINGS				
	1a	Digital Transformation, Better Ways Of Working: Organisation	-0.005		
	1b	Digital Transformation, Better Ways Of Working: Lean	-0.116	-0.905	
	1c	Digital Transformation, Better Ways Of Working: Capital	-0.540	0.500	
	1d	Digital Transformation, Better Ways Of Working: Terms and Conditions	-0.034	-0.031	
	2a	Procurement, Commissioning. Procurement	-1.904	-0.350	
	2b	Procurement, Commissioning. Shared Services		-0.005	
	3a	Income generation, Trading. Sweat the assets	-0.882	-0.594	
	4a	Demand Management. Change Standards	0.170	-0.280	
	4b	Demand Management. Stop Doing Things	-0.147	-0.090	
Total Savings			-3.459	-1.755	0.000
4	Base Adjustments		0.104	0.000	0.000

5	Cost Neutral Adjustments		0.329	0.000	0.000
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6	Cash Limited Base Budget		107.038	106.753	108.264
7	Definitions				
1a	Savings achieved through the restructuring of staff. E.g. a management restructure.				
1b	Savings achieved through better processes resulting in the same service delivered at a lower cost. E.g. reduction in systems cost or reducing training budget.				
1c	Savings achieved through better use of the assets we have at our disposal. E.g. use of more cost effective fire vehicles.				
1d	Savings achieved through review of staff terms & conditions.				
2a	Savings achieved through procuring more cost effective agreements with suppliers.				
2b	Savings achieved through sharing services with other organisations				
3a	Savings achieved through generating more from current processes. E.g. Income generation or reduced cost of borrowing.				
4a	Savings which result in a reduced service for customers.				
4b	Savings from the ceasing of a service.				

Budget Changes Forecast for 2015-18					
Environment, Development and Transport Committee					
Con Ref	Saving Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Cash Limited Base Budget	105.908	107.038	106.753
		GROWTH			
		Economic			
		Basic Inflation - Pay (1% for 2015-18)	0.226	0.229	0.231
		Basic Inflation - Prices	1.202	1.241	1.280
		NCC Policy			
		Reversal of 2014-15 Emergency Coastal Fund pressure	-0.250		
		Demographic Growth			
		Additional waste pressures	2.978		
		Total Growth	4.156	1.470	1.511
		SAVINGS			
02	1b	Replacement of BusNet system with SMART ticket machines	-0.100		
02	1b	Use of alternative existing technology to provide transport monitoring data and changes to how the council procures traffic surveys		-0.135	
59	1b	Cut the cost of providing school transport (Allocate more children to public transport contracts)	-0.020	-0.020	
NA	1b	Improving processes and working arrangements in ETD	1.000		
59	1c	Cut the cost of providing school transport (Incentivise entitled pupils to opt out)	-0.040		
04	1d	Reducing the costs of business travel	-0.034	-0.031	
17	2a	Renegotiate concessionary travel schemes with bus operators	-0.350	-0.350	
04	2a	Reduction in the number of hired highway vehicles	-0.150		
16	2b	Collaboration with peer authorities for delivery of specialist minerals and waste services		-0.005	
49	3a	Charge people for the advice they receive from us prior to submitting a planning application	-0.010		
52	3a	Charge for site inspection reports for operators of mineral and waste sites	-0.005		

Budget Changes Forecast for 2015-18					
Environment, Development and Transport Committee					
Con Ref	Saving Ref		2015-16 £m	2016-17 £m	2017-18 £m
20	3a	Attract and generate new income for Environment services with a view to service becoming cost neutral in the long term.	-0.041	-0.072	
20	3a	Attract and generate new income for Historic Environment Services with a view to service becoming cost neutral in the long term.	-0.026	-0.046	
20	3a	Full cost recovery for staff in Smart ticketing project	-0.250		
20	3a	Full cost recovery for delivery of travel plans with developers	-0.050	-0.052	
49	3a	Charge people for the advice they receive from us prior to submitting a planning application - pre-application services	-0.125	-0.150	
20	3a	Reduce NCC subsidy for park and ride service by ongoing commercialisation.	-0.075	-0.075	
20	3a	Increased income from delivery of specialist highway services to third parties	-0.050	-0.100	
20	3a	Generation of external funding and grant programme management efficiencies		-0.100	
51	4a	Scale back planning enforcement	-0.037		
53	4a	Reduce our subsidy for the Coasthopper bus service	-0.075		
16	4a	Harmonisation of statutory recycling credit payments	-0.166		
62	4a	Charge at some recycling centres		-0.280	
63	4a	Reduce opening hours at some recycling centres	-0.167		
54	4a	Reduce highway maintenance for one year	1.000		
08	4b	Review budget allocations for economic development projects	-0.147	-0.090	
		Sub-total Savings from 2014-17 Budget Round	0.081	-1.505	0.000
NA	1a	Management of Vacancies	-0.005		
3a	1b	Review of on call arrangements with Norfolk Fire and Rescue Service	-0.005		
3a	1b	Reduce training budget	-0.025		
3b	1b	Reviewing all of our back office budget and systems to identify savings, e.g. process reviews, without reducing our services	-0.566		

Budget Changes Forecast for 2015-18					
Environment, Development and Transport Committee					
Con Ref	Saving Ref		2015-16 £m	2016-17 £m	2017-18 £m
3e	1b	Introduce LED street lighting	-0.250	-0.750	
NA	1b	Additional savings from business support	-0.100		
NA	1b	Additional savings from introduction of LED street lighting	-0.050		
3f	1c	Use of reserves	-0.500	0.500	
1a	2a	Retendering of waste disposal contracts	-0.834		
1a	2a	Re-tendering of transport contracts	-0.370		
1a	2a	Savings from new recycling contract	-0.200		
2a	3a	Highways Income	-0.200		
3f	3a	Norfolk Energy Futures return on Investment	-0.050		
NA	4a	Reduce highways maintenance	-0.385		
		Sub-total newly identified Savings	-3.540	-0.250	0.000
		Total Savings	-3.459	-1.755	0.000
		BASE ADJUSTMENTS			
		Lead Local Flood Grant	0.104		
		Total Base Adjustments	0.104	0.000	0.000
		COST NEUTRAL ADJUSTMENTS			
		Depreciation	1.145		
		REFCUS	-0.050		
		Debt Management	0.004		
		Centralise Office Accommodation budgets	-0.734		
		Car Park budgets to P&R	-0.035		
		Total Cost Neutral Adjustments	0.329	0.000	0.000
		Cash Limited Base Budget	107.038	106.753	108.264

Budget Changes Forecast for 2015-18

Policy and Resources Committee

Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
1	Cash Limited Base Budget	-258.820	-253.115	-205.674
2	GROWTH			
	Economic	0.755	0.769	0.784
	NCC Policy	-14.129	-0.200	1.450
	Legislative Requirements	1.637	4.838	4.230
	Total Growth	-11.737	5.407	6.464
3	SAVINGS			
1a	Digital Transformation, Better Ways Of Working: Organisation	-4.144	-0.476	
1b	Digital Transformation, Better Ways Of Working: Lean	-2.217	-0.924	
1d	Digital Transformation, Better Ways Of Working: Terms and Conditions	-0.457	-0.876	
2a	Procurement, Commissioning. Procurement	-1.362	0.830	-0.135
2b	Procurement, Commissioning. Shared Services			-2.000
3a	Income generation, Trading. Sweat the assets	-5.502	-5.296	-3.000
4a	Demand Management. Change Standards		-0.083	
4c	Demand Management. Change Assumptions	7.786	2.000	
	Total Savings	-5.896	-4.825	-5.135
4	Base Adjustments	37.167	46.859	25.345
5	Cost Neutral Adjustments	-13.829	0.000	0.000
6	Cash Limited Base Budget	-253.115	-205.674	-179.000
7	Definitions			
1a	Savings achieved through the restructuring of staff. E.g. a management restructure.			
1b	Savings achieved through better processes resulting in the same service delivered at a lower cost. E.g. reduction in systems cost or reducing training budget.			
1d	Savings achieved through review of staff terms & conditions.			
2a	Savings achieved through procuring more cost effective agreements with suppliers.			
2b	Savings achieved through sharing services with other organisations			
3a	Savings achieved through generating more from current processes. E.g. Income generation or reduced cost of borrowing.			
4a	Savings which result in a reduced service for customers.			
4c	Savings from the identification of factors that may reduce costs. E.g. reduced retirement costs for teachers.			

Budget Changes Forecast for 2015-18					
Policy and Resources Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Cash Base Limited Budget	-258.820	-253.115	-205.674
		GROWTH			
		Economic			
		Basic Inflation – Pay (1% for 2015-18)	0.375	0.379	0.383
		Basic Inflation – Prices	0.380	0.390	0.401
		NCC Policy			
		Digital Norfolk Ambition	-3.000		
		Coroners funding capital	-0.107		
		One-off expenditure	-0.145		
		Additional provision for Willows Power and Recycling Centre	-8.000		
		Increase in general balances (one-off)	-3.000		
		Increase in general balances (2015-16 one-off)	0.200	-0.200	
		Reversal of 2014-15 injection into Norfolk Carers pressure	-0.127		
		Increase cost of borrowing			1.450
		Cross cutting saving unachievable	0.030		
		Armed forces covenant	0.020		
		Legislative Requirements			
		National single tier pension		3.300	
		Carbon energy reduction programme	0.126		
		Motor Liability Insurance	0.300		
		Pension revaluation - Independence Matters / Norse staff			1.392
		Pension revaluation - NCC staff	1.211	1.538	1.838
		Election May 2017			1.000
		Total Growth	-11.737	5.407	6.464
		SAVINGS			
NA	1a	Reduction in redundancy	-2.500		
01, 3a	1a	Restructure staff management in Procurement	-0.050		
08	1a	Reduce staff in the Corporate Programme Office	-0.100		
08	1a	Reduce staff in the HR Reward team	-0.018	-0.018	
08	1a	Restructure and reduce staff across HR	-0.296	-0.308	

Budget Changes Forecast for 2015-18					
Policy and Resources Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
10	1a	Restructure the Corporate Resources department to reflect a smaller council	-0.400		
01	1b	Reduce staff in Procurement by introducing automated document assembly	-0.050		
11	1b	Restructure the Planning, Performance & Partnerships service, creating a new Business Intelligence function	-0.188	-0.115	
08	1b	Reduce spend on properties with third parties	-0.200	-0.100	
08	1b	Property saving not delivered (2014-15) £0.150m of £0.300m	0.150		
09	1b	Reduce staff supporting organisational development and learning and development	-0.039		
10	1b	Reduce printed marketing materials		-0.054	
04	1d	Reducing the costs of employment	-0.440	-0.860	
04	1d	Reducing the cost of business travel	-0.017	-0.016	
02	2a	One-off ICT saving	0.010		
20	3a	Increase income from Nplaw	-0.058	-0.051	
08	3a	Office moves for some HR teams	-0.015		
NA	3a	County Hall refurbishment savings	-0.279	-0.751	
NA	3a	Cross cutting savings	0.194		
NA	3a	Reduced cost of borrowing	-0.103	-0.825	
NA	3a	New Homes Bonus	-0.910	-1.529	
NA	3a	Use of second homes money	-1.200	0.000	
01	4a	Continued efficiencies in tendering and contract management in Procurement		-0.083	
07	4c	One-off use of the Comms development reserve	0.122		
NA	4c	Use of organisational change reserves (one-off)	3.000		
NA	4c	Use of organisational changes reserve (one-off)	1.000		
NA	4c	Use of Modern Reward Strategy reserve (one-off)	0.547		
NA	4c	Use of Icelandic Bank Reserve (one-off)	1.453		

Budget Changes Forecast for 2015-18					
Policy and Resources Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
NA	4c	Interest receivable/payable - change to risk appetite (one-off)	4.164		
		Sub-total Savings from 2014-17 Budget Round	3.777	-4.710	0.000
NA	1a	Service review Communications	-0.060		
3b	1a	Accelerate "self service" for employees/mgrs - HR/Finance/ICT		-0.100	
3b	1a	Automate more information and performance reports		-0.050	
3a	1a	Further savings for review of shared services organisation	-0.100		
3a	1a	Reduce management hierarchies in Finance	-0.100		
3b	1a	Staff savings from new committee management system	-0.020		
NA	1a	Additional Resources saving	-0.500		
1c	1b	Introduce a telephone expenses management system and rationalise phone lines and mobile phones	-0.050		
3d	1b	Reduce the Chairman's budget	-0.030		
3b	1b	Courier savings - enforce, bring forward, digitise HR process	-0.030	-0.030	
3f	1b	Review VAT payments made in recent years and seek to reclaim any overspend	-0.100		
3b	1b	Switch off colour printing for shared services staff	-0.020		
3b	1b	Further reductions in printing spend	-0.090		
1c	1b	Org Change: Reduced ICT spend through single device convergence		-0.625	
1d	1b	Reduce expenditure on external venues	-0.100		
3a	1b	Reduce number of interims and temps	-0.090		
1c	1b	Centralise control of software licences	-0.250		
NA	1b	Local Welfare Assistance Scheme saving	-0.725		
NA	1b	Share of £1.7m additional savings 2015-16 (Resources)	-0.320		
NA	1b	Share of £1.7m additional savings 2015-16 (Finance General)	-0.085		
1c	2a	Pay per use ERP			-0.100
1c	2a	New Multi-Functional Devices contract 2016		-0.070	
1c	2a	Optimise car leasing and reduced mileage	-0.300		
1c	2a	Rationalise applications and centralise all applications spend		-0.100	
1a	2a	Corporate Banking project - move to Barclays			-0.035

Budget Changes Forecast for 2015-18					
Policy and Resources Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
NA	2a	External Audit Saving	-0.012		
NA	2a	Insurance (one off)	-1.000	1.000	
3a	2a	Rationalise procurement functions across the organisation	-0.060		
3c	2b	Org change: Collaborative working with others (shared services)			-2.000
3f	3a	Interest rate increases	-0.787	-0.990	
3f	3a	Section 31 Compensation for business rates initiatives	-1.194		
1d	3a	Reduce property costs through reducing area occupied and reducing cost per square metre	-1.000	-1.000	-3.000
2a	3a	Stop all trading that doesn't cover costs or bring in higher revenue		-0.050	
2a	3a	Increased income from advertising	-0.050		
2a	3a	Corporate approach to sponsorship & advertising		-0.100	
1b	3a	Increased rebate from the Eastern Shires Purchasing Organisation	-0.100		
NA	4c	County Farms funding (one-off)	-2.000	2.000	
NA	4c	County Farms funding (recurring)	-0.500		
		Sub-total newly identified Savings	-9.673	-0.115	-5.135
		Total Savings	-5.896	-4.825	-5.135
		BASE ADJUSTMENTS			
		Funding reductions	39.846	42.000	26.900
		Section 31 Compensation for business rates initiatives	-0.173	2.052	
		Section 31 Compensation for business rates initiatives (additional to budget plans of £1.194m included in savings)	-0.412		
		Business Rate Multiplier (to be confirmed 31 January 2015)	-0.490		
		New Homes Bonus adjustment grant	-0.462	0.462	
		Social Fund (Local Assistance Scheme) Grant	2.275		
		Community Right to Challenge grant	0.009		
		Reduction to extended rights to free travel funding	0.116		

Budget Changes Forecast for 2015-18					
Policy and Resources Committee					
Con Ref	Savings Ref		2015-16 £m	2016-17 £m	2017-18 £m
		Council tax base increase		-1.326	-1.555
		Collection fund surplus increase		3.671	
		Council tax freeze grant	-3.542		
		Total Base Adjustments	37.167	46.859	25.345
		COST NEUTRAL ADJUSTMENTS			
		ICT - ELMS Systems Maintenance to ASC	-0.014		
		Comms - Carrow Road Reception Staff to Children's	-0.027		
		Democratic Services – Norfolk Association of Local Councils (NALC) & Voluntary Norfolk to Adults	-0.107		
		Customer Services Communities to P&R	0.026		
		Comms - Division of Service Management - from P&R to Communities	-0.060		
		Depreciation	2.515		
		REFCUS	-20.230		
		Debt Management	-0.001		
		Centralise Office Accommodation budgets	4.096		
		Termination of leases Finance General to Fire	-0.055		
		Termination of leases Finance General to Libraries	-0.019		
		Car Park budgets from Departments	0.048		
		Total Cost Neutral Adjustments	-13.829	0.000	0.000
		Cash Limited Base Budget	-253.115	-205.674	-179.000

Council Tax/Precept in 2015-16 (Council Tax Freeze)

	£m
2015-16 Council Tax Requirement	318.239
Less:	
Estimated Surplus on District Council Collection Funds etc.	6.995
Precept Charge on District Councils	311.244
Council Tax for an average Band "D" Property in 2015-16	£1,145.07 (+0.00%)
Council Tax for an average Band "B" Property in 2014-15	£890.61 (+0.00%)

Total payments to be collected from District Councils' in 2015-16

District Councils:	Tax Base	Collection Fund Surplus/(Deficit)	Precept	Total Payments Due
	(a)	(b) £	(c) £	(d) £
Breckland	39,654.40	1,335,115	45,407,064	46,742,179
Broadland	43,304.00	148,000	49,586,111	49,438,111
Great Yarmouth	26,155.00	540,805	29,949,306	30,490,111
Kings Lynn and West Norfolk	47,284.00	1,610,729	54,143,490	55,754,219
Norwich	33,603.00	1,138,900	38,477,787	39,616,687
North Norfolk	37,274.00	817,046	42,681,339	43,498,385
South Norfolk	44,538.00	1,700,249	50,999,128	52,699,377
	<u>271,812.40</u>	<u>6,994,844</u>	<u>311,244,225</u>	<u>318,239,069</u>

Council Tax Collection

The precept (column (c) above) for 2015-16 will be collected in 12 instalments from the District Council Collection Funds, as follows:-

Payment	Date	%
1	30 April 2015	8
2	19 May	9
3	22 June	9
4	20 July	9
5	19 August	9
6	21 September	9
7	19 October	9
8	19 November	9
9	21 December	9
10	19 January 2016	9
11	22 February	3
12	21 March	8

Where a surplus on collection of 2014-15 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 2015 to February 2016 precept payments.

Where a deficit on collection of 2014-15 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 2015 to February 2016 precept payments.

2015-16 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	£763.38
B	£890.61
C	£1,017.84
D	£1,145.07
E	£1,399.53
F	£1,653.99
G	£1,908.45
H	£2,290.14

Council Tax/Precept in 2015-16 (Council Tax 1.95% Increase)

	£m
2015-16 Council Tax Requirement	324.306
<u>Less:</u>	
Estimated Surplus on District Council Collection Funds etc.	6.995
Precept Charge on District Councils	317.311
Council Tax for an average Band "D" Property in 2015-16	£1,167.39 (+1.95%)
Council Tax for an average Band "B" Property in 2014-15	£907.97 (+1.95%)

Total payments to be collected from District Councils' in 2015-16

District Councils:	Tax Base	Collection Fund Surplus/(Deficit)	Precept	Total Payments Due
	(a)	(b) £	(c) £	(d) £
Breckland	39,654.40	1,335,115	46,292,150	47,627,265
Broadland	43,304.00	148,000	50,552,657	50,404,657
Great Yarmouth	26,155.00	540,805	30,533,085	31,073,890
Kings Lynn and West Norfolk	47,284.00	1,610,729	55,198,869	56,809,598
Norwich	33,603.00	1,138,900	39,227,806	40,366,706
North Norfolk	37,274.00	817,046	43,513,295	44,330,341
South Norfolk	44,538.00	1,700,249	51,993,216	53,693,465
	<u>271,812.40</u>	<u>6,994,844</u>	<u>317,311,078</u>	<u>324,305,922</u>

Budget variations arising from a 1.95% Council Tax increase

	£m
2015-16 Revenue Budget with a Council Tax Freeze	318.239
Loss of Council Tax Freeze Compensation 2015-16	3.542
Creation of earmarked reserve to meet additional costs 2016-18 / smooth future funding reductions	2.525
2015-16 Revenue Budget (Including 1.95% Council Tax increase)	324.306

2015-16 Council Tax Bands (with a 1.95% increase)

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	£778.26
B	£907.97
C	£1,037.68
D	£1,167.39
E	£1,426.81
F	£1,686.23
G	£1,945.65
H	£2,334.78

Budget and service planning timetable 2016-17

Activity/Milestone	Time frame
County Council agree recommendations for 2015-18 including that further plans to meet the shortfall for 2016-17 and 2017-18 are brought back to Members before June 2015.	16 February 2015
Chancellors Budget 2015 announced	March 2015
Consider implications of service and financial guidance and context, and review/develop service planning options for 2016-19	March / June 2015
Assess implications of Spending Review 2015 following general election	Summer / Autumn 2015 (depending on Government timing)
Member review of the latest financial position on the financial planning for 2016-19.	August 2015
Member review of any further financial updates or information from expected Government consultations affecting funding settlement	September or October 2015
Consultation on new planning proposals and council tax 2016-19	Late September to December 2015
Service reporting to Members of service and budget planning – review of progress against three year plan and planning options	November 2015
Chancellor's Autumn Statement and Provisional Finance Settlement	December 2015
Service reporting to Members of service and financial planning and consultation feedback	January 2016
Committees agree revenue budget and capital programme recommendations to County Council	Late January 2016
County Council agree Medium Term Financial Strategy, revenue budget, capital programme and level of Council Tax	Mid February 2016

Policy and Resources Committee

Item No 9 iv

Report title:	County Council Budget 2015-18: Statement on the adequacy of Provisions and Reserves 2015-18
Date of meeting:	26 January 2015
Responsible Chief Officer:	Peter Timmins - Executive Director of Finance (Interim)

Strategic impact

This report sets out the Executive Director of Finance's 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 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 to this Policy and Resources Committee meeting that support decisions for the budget recommendations to County Council.

Executive summary

This report details the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2015-18. 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 to this Policy and Resources Committee meeting that support decisions for the budget recommendations to County Council.

Recommendations:

Policy and Resources Committee is asked to:

- 1) Note the planned reduction in non-schools earmarked and general reserves of just under 58%, from £114m (March 2014) to £48m (March 2018) (paragraph 5.2), which are almost the same as last year (as at February 2014);**
- 2) Note the updated policy on reserves and provisions in Appendix C;**
- 3) Agree, based on current planning assumptions and risk forecasts set out in Appendix D:**
 - a) for 2015-16, a minimum level of General Balances of £19.2m, and**
 - b) a forecast minimum level for planning purposes of**

**2016-17, £23.4m, and
2017-18, £22.1m**

as part of the consideration of the budget plans for 2015-18, reflecting the transfer of risk from Central to Local Government, and supporting recommendations;

- 4) Agree the use of non-school Earmarked Reserves, as set out in Appendix E;**
- 5) Agree that the Executive Director of Finance further reviews the level of the Council's Reserves and Provisions as part of closing the 2014-15 accounts in summer 2015.**

1. Background

- 1.1 As part of budget reporting to Policy and Resources Committee and the County Council, the Executive Director of Finance 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 appropriate level for councils' reserves, the Audit Commission states that 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 proposed at £19.2m, an increase of £0.2m, given the downward trajectory of the Earmarked Reserves (Appendix E), and the reduced room for manoeuvre.

2. Purpose of holding provisions and reserves

- 2.1 The Council holds both provisions and reserves.

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 which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

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 is required to form a judgement on the level of the reserve and to advise Policy and Resources Committee accordingly.

- 2.2 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 £19.2m for 2015-16. The projected actual level at 31 March 2015 is £19m, prior to allowing for the revenue budget year end position, which is currently forecasting an underspend of £0.328m (As at 30 November monitoring reports). The budget proposals reported to Policy and Resources Committee on this agenda do not include any use of General Balances and include budget provision of £0.2m for the proposed increase. 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 Resource 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. As a proportion of the 2013-14 net budget it is presently 3%. The average for shire counties is some 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 years 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. These 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 that 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 which 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. These are currently the subject of consultation but for 2015/16 it is proposed that the Council would have to fund the first £1.246m of emergency costs. Central Government would then provide 100% grant funding expenditure incurred above this amount. Examples of natural disasters are severe flooding, hurricane damage.
- Uncertainty arising from the introduction of new legislation of funding arrangements such as the Better Care Fund and the Care Act.
- Risk of changes to the levels of grant funding and factors affecting key income streams such as Council Tax and Business Rates. This is particularly so in a national election year, with an incoming Government potentially instituting emergency measures.
- 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, for example the change to Teckal applicability from January 2015.
- 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 2015-18 £m

2014-15 (31-3-2015 Forecast)		2015-16	2016-17	2017-18
19.000	Assessment of the level of General Balances	19.200	23.400	22.100

- 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 elsewhere on the agenda forecasts general balances at 31st March 2015 of £19m, prior to allowing for the revenue budget end of year position, which is currently forecasting an underspend of £0.328m (As at 30 November monitoring reports).
- 4.5 The increase in the minimum level of risk-based balances needed in the following two years reflects the increased level of risk around Government funding and inflation assumptions, such as pay awards. It is anticipated that the level of risk for 2016-18 will be increased during the 2016-17 budget cycle as further information is received on the level of austerity following the general election in May 2015.

5. Review of Earmarked Reserves and Provisions

- 5.1 As part of the 2015-16 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 to be adequate and appropriate to reflect the risks they are intended to cover. However, it is considered that changes could be made to the some reserves, due to changing circumstances. Table 2 summaries the earmarked reserves for each service and where it is recommended that the Medium Term Financial Plan 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 2015-18

Service	Forecast at 31.3.16 £m	Forecast at 31.3.17 £m	Forecast at 31.3.18 £m
Adult Social Care	0.533	0.283	0.283
Children’s Services	0.000	0.000	0.000
Community and Environmental Services - Cultural	0.714	0.568	0.446
Community and Environmental Services - ETD	9.776	8.126	8.126
Community and Environmental Services - Fire	1.052	0.248	0.148
Resources	0.286	0.286	0.286
Corporate and joint services	19.980	16.737	16.712
Total (excluding schools, April 2014 £96.734m)	32.341	26.248	26.001
Reserves for capital use (April 2014 £1.755m)	4.771	5.329	5.859
Schools (April 2014 £43.189m)	31.082	28.982	26.882

Key Changes to support the Medium Term Financial Plan			
County Farms – mixture of reserves and forecast 2014-15 underspend	-2.000		
Adults Social Care	-3.156		
ETD Reserves	-0.500		
Insurance Provision	-1.000		
Total	-6.656		

- 5.2 The change in non-schools reserves is a reduction of just under 58%, compared to 65% in the previous year:

Table 3: Change in Reserves 2015-18 (£m)

	March 31, 2014	March 31, 2018	Reduction %
General Balances	17.288*	22.100	
Earmarked Reserves	96.734**	26.001	
Total	114.022	48.101	57.8

* General Balances figure at 31 March 2014 is before the £3m contribution agreed as part of the 2014-15 budget.

** Excludes reserves for capital use of £1.755m.

The comparative figures for last year were:

	March 31, 2013	March 31, 2017	Reduction %
General Balances	22.694	24.100	
Earmarked Reserves	89.334	15.514	
Total	112.028	39.614	64.6

- 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 2015-16 budget and this funding source will need to be replaced in the 2016-17 budget.
- 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 2015.
- 5.6 Attached at Appendix C is the updated 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 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. Alternative Options

- 6.1 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.

Background Papers

Officer Contact

If you have any questions about matters contained in this paper please get in touch with:
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Key financial risks for Norfolk County Council for General Balances calculation

No	Area of risk	Explanation of risk
1	Legislative changes	<p>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 based on firm government announcements. Key elements include:</p> <ul style="list-style-type: none"> - Government grant – based on provisional government funding announcements (for one year only). Future estimates reflect the direction of travel within headline figures for public funding set out in Spending Round 13 (June 2013) and the Office for Budget Responsibility Economic and Fiscal Outlook in December 2014. - Business Rates. Councils' funding is affected by the level of business rates collected. The risk is considered low as NCC is affected by the combined rates across all Norfolk councils, which helps smooth out any specific peaks and troughs. - Council Tax base and collection. 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 – There is uncertainty around how much additional social care funding will be available to NCC and the responsibilities attached to this. The budget forecasts include estimates for receiving part of the expected funding available. - Landfill tax. The government has not announced landfill tax increases beyond 2015-16. Budget plans do not include an increase in tax in 2016-17 and 2017-18, however there is a risk that further increases will be announced. - Care Act 2014 - From 2016, the Council will likely have to pay more towards adult care and support under the Care Act 2014. The sum individuals are expected to pay towards their own care will be capped at £72,000. More people will become eligible for help if they have savings or assets of £18,000 or less instead of the present £23,250.

2	Inflation	<p>Pay inflation has been set as per the national agreement reached for the 2 year period 1 April 2014 to 31 March 2016 and is assumed at 1% for 2016-17 and 2017-18; however the County Council is part of the national agreement and therefore future years will be subject to any agreements reached. There is a risk that pay awards could vary from this assumption over the three year planning period.</p> <p>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.</p> <p>Inflation on fees and charges is set by NCC – a 2% increase has been assumed. However, there is a risk that market forces may require this to be varied during the planning period.</p>
3	Interest rates on borrowing and investment	<p>Budgeted interest earnings on investments are based on the London Intra Bank Bid rate for money market trades. The current rates are low and will remain low but are expected to increase gradually over the following years from January 2016.</p> <p>Revenue cost of borrowing is based on our current borrowing profile, policies and expected capital programme.</p>
4	Government funding	<p>The funding system does not provide long term guaranteed funding allocations and indicative grant settlements are usually only for an additional year. All grant announcements are subject to Government changes, which can also arise 'in-year'. In the absence of indicative forecasts at a council level, future forecasts are normally based on changes in the high level Government forecasts of Departmental Expenditure Limits for Local Government</p> <p>Currently there are 3 issues:</p> <ul style="list-style-type: none"> • The drive to deliver deficit reduction targets means that the Government may place further reductions on government departments that may affect local government • 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.

5	Employee related risks	<p>Staffing implications of budget planning proposals have been evaluated and reflected within the financial plans, including the cost of redundancy. However, variations could occur as detailed implementation plans are developed.</p> <p>A new high level organisational structure has been agreed by County Council. This will lead to restructure across services, the timing of which may impact on the planned delivery of savings.</p>
6	Volume and demand changes	<p>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. Cost could vary if the population varies or if the proportion of people either requiring or eligible for care is different to the forecast.</p> <p>Budgets for Looked After Children take into account both the expected increase in demand and the County Council's strategy for reducing the number of children in care. Preventative strategies are helping to stem the increases, new strategies developed in 2014 are starting to take effect and to deliver the planned improvements reflected in the planned savings. Financial risks include delivery of the strategy and external factors that can lead to an increase in the number of looked after children.</p> <p>Waste forecasts are based on the latest available information. If tonnage levels increase, this will lead to an increased pressure.</p>
7	Budget savings	<p>The medium term financial plan includes £70.196m 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.</p> <p>In addition, further savings need to be identified to close the funding shortfall in 2016-17 and 2017-18.</p>
8	Insurance and emergency planning provision	<p>Unforeseen events and natural disasters can increase the level of insurance claims faced by the Council.</p> <p>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.</p>

9	Energy, security and resilience	<p>Were a disaster to occur, we must have a reserve in place to pick up costs that will fall to the Council.</p> <p>Norfolk includes flood risk areas and emergency procedures are in place to manage this.</p> <p>Resilience of ICT can create a risk. The DNA programme of work will aim to improve resilience of ICT.</p>
10	Financial guarantees /legal exposure	<p>The contracts containing obligations that, if not fulfilled, would attract a penalty.</p> <p>The Council has PFI Schemes for street lighting, salt barns and schools. However there is no risk to the financing of these schemes at this present moment.</p>

Appendix B: Balances calculation £m

Area of Risk	2014/15 Original			2015/16			2016/17			2017/18		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
Legislative Changes												
Government Grant / Localised Business Rates	310.986	0.00%	0.000	251.991	0.00%	0.000	209.472	1.00%	2.095	181.989	1.50%	2.730
Business Rates	25.826	0.00%	0.000	25.969	0.00%	0.000	26.488	1.00%	0.265	27.071	1.00%	0.271
Election				0.000	0.00%	1.000						
Council Tax Variation to Base/Collection	307.566	0.00%	0.000	317.499	0.00%	0.000	318.825	0.00%	0.000	320.380	0.00%	0.000
NHS/Social Care Funding	17.956	0.00%	0.000	56.381	0.00%	0.000	56.381	0.00%	0.000	56.381	0.00%	0.000
Local Assistance Fund	2.275	0.00%	0.000	0.000	0.00%	0.000	0.000	10.00%	0.000	0.000	0.00%	0.000
Landfill Tax - waste recycling (price)	20.600	0.00%	0.000	22.576	0.00%	0.000	22.576	1.00%	0.226	22.576	1.00%	0.226
	685.209		0.000	674.416		1.000	633.742		2.585	608.397		3.226
Inflation												
Employees	227.728	0.50%	1.139	213.115	0.00%	0.000	218.988	1.00%	2.190	218.988	1.00%	2.190
Premises	27.515	1.00%	0.275	16.206	1.00%	0.162	15.604	1.00%	0.156	15.604	1.00%	0.156
Transport	54.602	0.50%	0.273	50.607	0.50%	0.253	50.298	0.50%	0.251	50.298	0.50%	0.251
Supplies and Services	92.265	0.75%	0.692	111.338	0.75%	0.835	109.955	0.75%	0.825	10.955	0.75%	0.825
Agency and Contracted	437.651	0.25%	1.094	430.319	0.25%	1.076	430.566	0.25%	1.076	430.566	0.25%	1.076
Income (Fees and Charges excl Schools)	101.000	0.00%	0.000	106.466	0.00%	0.000	109.529	0.00%	0.000	109.529	0.00%	0.000
	938.761		3.473	928.051		2.326	934.940		4.498	934.940		4.498
Interest Rates												
Borrowing	32.316	0.50%	0.162	30.214	0.50%	0.151	30.214	0.50%	0.151	30.214	0.50%	0.151
Investment	1.701	0.50%	0.009	1.722	0.50%	0.009	2.712	0.50%	0.014	2.712	0.50%	0.014
	34.017		0.170	31.936		0.160	32.926		0.165	32.926		0.165
Grants												
Education Services Grant	11.647	1.00%	0.116	8.035	1.00%	0.080	7.309	1.00%	0.073	7.236	1.00%	0.072
Public Health Grant funding	30.633	0.00%	0.000	30.590	0.00%	0.000	30.590	2.00%	0.612	30.590	2.00%	0.612
Public Health Funding (0-5 year olds)				6.893	0.00%	0.000	6.893	2.00%	0.138	6.893	2.00%	0.138
Other General Fund Grants	31.223			23.329	0.50%	0.117	22.344	0.50%	0.112	15.108	0.50%	0.076
	73.503			68.847		0.197	67.136		0.934	59.827		0.898

Area of Risk	2014/15 Original			2015/16			2016/17			2017/18		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
Employee Related Risks												
Pensions actuarial evaluation	7.934	0.00%	0.000	8.728	0.00%	0.000	10.266	0.00%	0.000	12.104	2.00%	0.242
National single tier pension	0.000	0.00%	0.000	0.000	0.00%	0.000	3.300	0.00%	0.000	3.300	5.00%	0.165
	7.934			8.728		0.000	13.566		0.000	15.404		0.407
Volume / Demand Changes												
Capital Receipts	3.000			8.035	0.00%	0.000	7.309	0.00%	0.000	7.236	0.00%	0.000
Customer and Client Receipts	103.020	0.75%	0.773	106.466	0.75%	0.798	109.529	0.75%	0.821	109.529	0.75%	0.821
Demand Led Budgets (Adult Social Care incl POC; Care Assessment; SLA)	202.075	1.00%	2.021	269.317	1.00%	2.693	274.703	1.00%	2.747	280.197	1.00%	2.802
Demand Led Budgets (Looked after Children)	85.719	1.00%	0.857	75.111	1.00%	0.751	68.548	1.00%	0.685	70.629	1.00%	0.706
Winter Pressures	3.800	25.00%	0.950	3.800	25.00%	0.950	3.800	25.00%	0.950	3.800	25.00%	0.950
Landfill Tax - waste recycling (volume)	20.600	1.20%	0.247	22.576	1.20%	0.271	22.576	1.20%	0.271	22.576	1.20%	0.271
Public Health contracts	29.804	2.00%	0.596									
Better Care Fund Spend	0.000	0.00%	0.000	56.381	2.00%	1.128	56.381	2.00%	1.128	56.381	1.00%	0.564
	448.018		5.444	541.686		6.591	542.846		6.603	493.967		6.114
Budget Savings												
Budget Reductions	65.000	5.5%	3.575	43.842	5.5%	2.411	35.930	6.00%	2.156	5.935	5.00%	0.297
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
Bellwin rules	1,054.652	0.20%	2.109	1,245.534	0.20%	2.491	1,245.534	0.20%	2.491	1,245.534	0.20%	2.491
	1,054.652		6.109	1,245.534		6.491	1,245.534		6.491	1,245.534		6.491
Energy Security and Resilience												
Carbon Tax Legislation	0.250	10.00%	0.025	0.386	10.00%	0.039	0.393	10.00%	0.039	0.401	10.00%	0.040
TOTAL			19.069			19.215			23.472			22.136

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 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)

The Council complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

Similar to provisions, reserves are reported to Policy & Resources 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 can be specific e.g. Usable Capital Receipts can only be used for capital purposes.

A) 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 smoothes the impact of funding the replacement equipment when the existing equipment is no longer fit for purpose.

B) 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.

C) General Balances

The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance 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 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 2 categories:

- Disasters
- Departmental Overspends

In a disaster situation, the Council can have recall to the Government using the Bellwin rules under which the Council would have to fund the first £1.245m (proposed 2015-16 threshold). Central government would provide grant funding of 100% for expenditure incurred above this amount (proposed for 2015-16, compared to 85% under the current scheme rules). Examples of natural disasters are severe flooding, 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 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 2015 is £19m, prior to allowing for the revenue budget year end position. The County Council holds balances of 3%

as a percentage of its net 2014-15 revenue expenditure. 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.

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
- Any financial risks associated with Companies where the Council is a shareholder

In evaluating the level of General Balances, as part of producing the 2015-16 Budget, the Executive Director of Finance 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 currently advises that the Council holds the following minimum level of General Balances for 2015-16 and indicative minimum levels for planning purposes for 2016-17 and 2017-18.

	2015-16 £M	2016-17 £M	2017-18 £M
Assessment of the level of General Balances	19.2	23.4	22.1

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 £19.2m above.

If the level of General Balances is reduced to below the minimum balance, currently £19m, 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. A significant proportion is for specific debts with a proportion for general service user related debts.
ETD Doubtful Debts	
A provision to cover bad debts.	No current specific requirement.
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 & Waveney Mental Health NHS Foundation Trust.	A £600k liability exists that will be settled shortly.
Redundancy	
A provision to meet redundancy & pension strain costs.	This is expected to be used in full based on anticipated restructuring during 2015-16.
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regulations	
This provision is to meet the variable demand on Retained Turnout costs.	This is required to cover the contractual commitment, but currently there is no specific call on the provision identified.
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. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency working.	The service has a requirement for a 5% risk margin based on the likelihood of funder's requests to return funds when educational attainment targets have not been achieved. Such requests occur at the end of the academic year when fixed costs have already been committed and the reserve is intended to avoid overspending. The target is £0.300m and more work is needed to build up levels of reserves. Risk is currently amber against current performance but red against target levels.

Adult Social Services Residential Review	
This reserve was originally created from savings arising from the new conditions of service for residential care staff and it was agreed with the Unions and Members that it is to be used for developing the homes/housing with care schemes for older people.	The reserve has been used to meet costs of Building Better Futures transformation project, e.g. more housing with care schemes. Support for this transformation will be sought from future capital programmes, allowing this funding to be released to support Purchase of Care cost pressures in 2015-16 whilst models of social care are being reviewed.
Adult Social Care Legal Liabilities	
This reserve relates to a legal case on the ability to charge for certain services. It will be used to smooth future expenditure if the Council cannot charge for these services.	Cabinet approved on 9 May 2011 the creation of the Adult Social Care Legal Liabilities reserve to cover the potential costs arising from the dismissal on Tuesday 15 February 2011 at the Court of Appeal of the appeal lodged by Hertfordshire County Council regarding the funding of aftercare under section 117 of the Mental Health Act. The department has incurred extra costs and was able to absorb most of these pressures in 2012-13. This reserve will be fully utilised by March 2015.
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.
Car Lease Scheme surplus	
This is the accumulated trading surplus on the car leasing scheme.	This fund is expected to increase each year by the forecast annual surplus and therefore there will be opportunity to use some of this funding in future years.
Strategic Partnership	
This reserve reflects monies that have been generated from Council Tax on second homes and in accordance with the decision of the Norfolk Local Government Association is earmarked for strategic initiatives identified by the County Strategic Partnership.	The funding will be fully utilised by March 2015.
Economic Development and Tourism	
This is primarily the Apprenticeship Scheme balance, plus Better Broadband and committed EU project funding	Funding for apprenticeships, Better Broadband and EU Projects are all committed. Specific commitments are not identified yet but it is expected that the £1m remaining in 2016-17 will be partly committed.
Fire Operational Equipment Reserve	
This reserve is to meet variable demands for new operational equipment and personal protective equipment that arise from larger incidents and higher than expected turnouts.	The reserve is planned to be used for invest to save and capital programme projects, as well as funding replacement equipment. It will also help meet some of the insurance shortfall in replacing the appliance and building works relating to the Downham Market incident.
Fire Pensions Reserve	
This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme.	Incidence of ill health and injury retirements are not planned and when they occur can carry a high financial cost. This reserve is to allow for those possible financial variances.
Fire Operational Reserve	

To cover exceptional operational activity.	This reserve is fully committed to live fire training and incident command projects and is in place to manage unforeseen activity and related costs. Additionally, water rescue training is funded from this reserve. Current operational planning forecasts expect all funds to be utilised.
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.
Icelandic Banks Reserve	
This is to provide for potential additional Icelandic Bank losses.	Not forecasted to be used but will be monitored during 2015-16.
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.
Modern Reward Strategy Reserve	
This reserve is set aside to meet any successful equal pay claims.	This reserve has been fully utilised during 2014-15.
Museums Income Reserve	
This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations. For 2014/15 it was planned that some of this funding would be used as capital investment in the Commercial Business Plan for the museum service, to reduce borrowing requirements that would have, otherwise, adversely impacted on the service revenue budget.	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.
NDR Reserve	
This reserve is to support the council's funding requirement for the Northern Distributor Road and will be used to mitigate future borrowing costs for the scheme.	This reserve has been fully utilised during 2014-15.
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. The profile of spend relates to expected income and spend to meet known projects including borrowing costs.
Nplaw Operational Reserve	
This reserve has been created to support the development and increased activities of the business and smooth variations in trading.	The reserve has been built up from Nplaw Trading and as such belongs to the Partners of the scheme.
Organisational Change and Redundancy Reserve	

This reserve was created to provide one-off funding to support and invest in transformational change e.g. change initiatives such as Workstyle and to fund redundancy costs.	The timing of when the reserve is used is dependent upon future events and it is expected it will be mainly used to fund redundancy costs.
ETD Bus De-registration	
This is funding to meet costs associated with the commercial deregistration of bus services.	It is currently expected that this reserve will be used in full in 2014-15.
ETD Demand Responsive Transport	
This reserve is to enable pump priming of demand responsive transport services as changes are made in supporting public transport by increasing public transport patronage rather than directly subsidising transport operators.	There is currently no planned usage of the reserve.
ETD Park & Ride	
The reserve is for future site works.	There is currently no planned usage of the fund, but 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	It is expected that this reserve will be used in full in 2016-17.
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.
ETD – Reprourement Strategic Partnership	
This reserve supports a major project set up to in 2011-12 for the re-procurement of highways services. This re-procurement is not completed.	The reserve is expected to be fully used in 2013-14 and the reserve will be removed from 2014-15.
Prevention Fund	
This includes the Living Well in the Community Fund, Prevention Fund and Strong and Well revenue funding as agreed by Cabinet to support prevention work, mitigate the risks in delivering prevention savings and to help build capacity in the independent sector.	The fund is expected to be fully used by the end of 2015-16. The remaining £48k in relation to Living Well and £240k in relation to Strong and Well is planned to be used in 2014-15. The remaining Strong and Well and Prevention funding is planned to be used in 2015-16 for the purposes as agreed by Members previously.
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. There is currently no planned usage of 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. The majority of the reserve is planned to be used over the next three years.
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 reserve is expected to be used in full over the next three years.
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 2016-17. The remainder relates to transport

	strategy and the sustainable strategy team, for which there are currently no identified commitments during 2015-18.
Unspent Grants and Contributions	
This reserve contains the balances on the Council's unconditional grants and contributions.	Mostly grants and contributions will be used to fund spend during the next three years. A significant release of £3.55m will be made during 2015-16 for Public Health expenditure
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 has been fully utilised during 2014-15.
School's 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.
School's Reserves Building Maintenance Non-Partnership Pool	
This is money put aside by schools, who have not subscribed to the Building Maintenance Partnership Pool, for the building maintenance of their schools	The future usage will be part of individual school's financial plans.
Building Maintenance Partnership Pool (BMPP)	
This is part of a 5 year subscription program, run by NPS on behalf of schools, for building maintenance.	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.	This is expected to be used in full in 2014-15.
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	
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.	No expected variations to the reserve.

**RESERVES AND PROVISION
YEAR END PROJECTIONS**

	Balances at 1.4.14	Forecast Balances at 31.3.15	Forecast Balances at 31.3.16	Forecast Balances at 31.3.17	Forecast Balances at 31.3.18
	£m	£m	£m	£m	£m
Earmarked Reserves					
All Services					
Building Maintenance	1.672	2.152	0.773	0.773	0.773
Information Technology Reserve	10.226	5.961	4.554	4.061	4.061
Repairs and Renewals Fund	3.925	3.227	2.704	2.054	2.054
Unspent Grants and Contributions	12.826	9.374	5.685	3.660	3.635
	28.649	20.714	13.716	10.548	10.523
Children's Services					
Children's Services Improvement Fund	1.741	0.241	-	-	-
	1.741	0.241	0.000	0.000	0.000
Adult Social Services					
Adult Social Services Residential Review	3.025	2.330	-	-	-
Adult Social Care Legal Liabilities	3.094	-	-	-	-
Prevention Fund	1.140	0.533	0.533	0.283	0.283
	7.259	2.863	0.533	0.283	0.283
CES – Cultural					
Adult Education Income Reserve	0.160	0.159	0.159	0.159	0.159
Archive Centre Sinking Fund	0.261	0.263	0.263	0.263	0.263
Museums Income Reserve	0.039	0.024	0.024	0.024	0.024
Residual Insurance and Lottery Bids	0.423	0.415	0.268	0.122	-
	0.883	0.861	0.714	0.568	0.446
CES - ETD					
Economic Development	4.215	2.184	1.031	0.584	0.584
Highways Maintenance	4.625	4.282	4.210	3.598	3.598
Historic Buildings	0.199	0.086	0.043	-	-
NDR Reserve	2.500	-	-	-	-
Norfolk Infrastructure Fund	2.015	1.217	1.633	1.443	1.443
P & T Bus De-registration	0.064	0.064	0.064	0.064	0.064
P & T Demand Responsive Transport	0.156	-	-	-	-
P & T Park & Ride	0.012	0.012	0.012	0.012	0.012
P & T Road Safety Reserve	0.150	0.226	0.113	-	-
P & T Street Lighting Sinking Fund	7.040	5.401	2.656	2.411	2.411
ETD – Reprourement Strategic Partnership	0.035	-	-	-	-
ETD – Transformation Reserve	0.625	-	-	-	-
Public Transport Commuted Sums	0.016	0.014	0.014	0.014	0.014
Waste Management Partnership Fund	0.397	0.382	-	-	-
	22.049	13.868	9.776	8.126	8.126

	Balances at 1.4.14	Forecast Balances at 31.3.15	Forecast Balances at 31.3.16	Forecast Balances at 31.3.17	Forecast Balances at 31.3.18
Fire					
Fire Operational Equipment Reserve	0.967	0.962	0.612	-	-
Fire Pensions Reserve	0.348	0.348	0.298	0.248	0.148
Fire Operational Reserve	0.542	0.542	0.142	-	-
	1.857	1.852	1.052	0.248	0.148
Resources					
nplaw Operational Reserve	0.306	0.286	0.286	0.286	0.286
	0.306	0.286	0.286	0.286	0.286
Corporate					
Car Lease Scheme surplus	0.222	0.381	0.156	0.081	0.081
Health and Wellbeing Board Reserve	0.027	-	-	-	-
Local Assistance Scheme Reserve	0.900	-	-	-	-
Strategic Partnership	0.184	-	-	-	-
Icelandic Banks Reserve	2.444	0.999	0.999	0.999	0.999
Industrial Estate Dilapidations	0.010	0.010	0.010	0.010	0.010
Insurance	0.027	0.027	0.027	0.027	0.027
Modern Reward Strategy Reserve	4.359	-	-	-	-
Organisational Change and Redundancy Reserve	5.605	4.137	4.137	4.137	4.137
Strategic Ambitions Reserve	1.147	0.935	0.935	0.935	0.935
Residual Waste Treatment Contract Reserve	19.065	-	-	-	-
	33.990	6.489	6.264	6.189	6.189
Non – Schools Total	96.734	47.174	32.341	26.248	26.001
Reserves for capital use					
Usable capital receipts	1.755	3.887	4.771	5.329	5.859
Schools Reserves					
Building Maintenance Non-Partnership Pool	1.034	0.996	0.996	0.996	0.996
Building Maintenance Partnership Pool	1.197	1.197	1.110	1.110	1.110
Children's Services Equalisation	0.249	0.655	0.000	0.000	0.000
LMS Balances	26.631	18.243	18.243	18.243	18.243
Norwich Schools PFI Sinking Fund	2.061	1.971	1.871	1.771	1.671
Schools Contingency	9.315	10.092	6.220	4.220	2.220
Schools non-teaching activities	1.170	1.170	1.170	1.170	1.170
Schools Playing Field Surface Sinking Fund	0.248	0.188	0.188	0.188	0.188
Schools Sickness Insurance Reserve	1.284	1.284	1.284	1.284	1.284
Schools Total	43.189	35.796	31.082	28.982	26.882

	Balances at 1.4.14	Forecast Balances at 31.3.15	Forecast Balances at 31.3.16	Forecast Balances at 31.3.17	Forecast Balances at 31.3.18
Provisions					
Community Services					
Adult Social Services Doubtful Debts	0.942	0.952	0.452	0.952	0.952
Potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust	1.370	0.670	0.670	0.670	0.670
Corporate					
Insurance	12.941	12.941	11.941	11.941	11.941
Redundancy	5.163	2.086	2.086	2.086	2.086
ETD					
Closed landfill long term impairment provision	9.189	9.133	9.074	9.015	9.015
ETD Doubtful Debts	0.050	0.050	0.050	0.050	0.050
Fire					
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regulations	0.850	0.850	0.850	0.850	0.850
Schools Provisions					
Children's Services Provision for Holiday Pay	0.017	0.017	0.017	0.017	0.017

Policy and Resources Committee

Item No 9v

Report title:	County Council Budget 2015-18: Robustness of estimates
Date of meeting:	26 January 2015
Responsible Chief Officer:	Peter Timmins - Executive Director of Finance (Interim)
Strategic impact This report sets out the Executive Director of Finance's 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 is a statutory requirement and Policy and Resources Committee is asked to formally note the contents of the report prior to discussion of the budget report and recommendation of the budget and precept for 2015-16. This paper is one of a suite of reports to this Policy and Resources Committee meeting that support decisions for the budget recommendations to County Council.	

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.

Whilst it is possible to agree different levels of risk, due to ongoing levels of local government spending reductions and in common with other local authorities, this budget carries a high degree of risk of delivery. Consequently the 2015-16 budget has little room for manoeuvre and Member choice is severely constrained.

This report sets out the formal statement and provides more detailed information on risk; robustness of revenue estimates and capital estimates.

Recommendations:

Policy and Resources Committee is asked to:

- a) **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 2015-18.**

1. Background

- 1.1 As part of the budget setting process the Executive Director of Finance (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 supports the budget recommendations to Policy and Resources Committee, has been based on the best available information and assumptions and has been subject to scrutiny by relevant staff, Chief Officers and Members.
- 2.2 The requirement on the robustness of estimates has been met through key budget planning processes during 2014-15, including:
- As part of preparing for a new three year programme of work, the organisation undertook a review of functions and budgets including specific assessment of key areas of spend and income and functional peer review;
 - Review by finance staff of all cost pressures and regular reports to Chief Officer Group 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's planning;
 - An organisational approach to planning with Policy and Resources Committee providing guidance early in the process;
 - Member review and challenge through the October and January Service Committees;
 - Public review and challenge through the budget consultation, including impact assessment of proposals;
 - Assurance from fellow Chief Officers that final budget proposals considered by County Council are robust and are as certain as possible of being delivered;
 - Member and Chief Officer 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, Chief Officers are responsible for the overall management of the approved budget and the appointment of Responsible Budget Officers (RBO) 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 services changes including forecast contractual, demographic, legislative and policy changes. In preparing estimates considerable reliance is placed on Chief Officers 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 a separate report to Policy and Resources Committee.
- 3.2 The budget planning estimates have been reported to Service Committees in October and January and 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 Chief Officers 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 reduction to key government grant funding and lack of certainty of key funding streams affected by integrated health and social care reforms. The list of grants is included at [Appendix A](#);
 - General pay and prices: Inflationary pressures affecting NCC contracted spend and uncertainty of the level of future pay awards;
 - Adult Social Care: Managing increased demand for services 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;
 - From 2016, the Council will likely have to pay more towards adult care and support under the Care Act 2014. The sum individuals are expected to pay towards their own care will be capped at £72,000. More people will become eligible for help if they have savings or assets of £118,000 or less instead of the present £23,250;
 - Norwich Northern Distributor Route: Significant capital project required to be met within planned capital funding;
 - Organisational Change: Managing significant transformation and staffing changes.
- 3.4 The budget estimates span a three year period 2015-18 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 The service and budget planning process focussed, through service and peer review, on the key priorities for services, including those services that we are required to do by law and reassessing the way that services are provided. In addition, cross cutting reviews considered shared opportunities for new ways of working and savings. Cost pressures to manage unavoidable inflationary, legislative and demand pressures have been included in the revenue budget estimates.
- 4.2 During the Autumn, Chief Officers and Members have undertaken challenge reviews of all budget plans and spending proposals. This has included peer review and an opportunity to evaluate initial proposals, risks arising from savings proposals and emerging planning issues for services. The most significant issues affecting the Council relate to Adults, Children's Services, and Waste, and in particular:
- Implementing a new strategy for Adults service delivery, whilst incorporating new working arrangements with Health (Better Care Fund), preparing for major legislative change (Care Act), whilst dealing with rising demographic pressures;
 - Children's Services continuing the implementation of changed service provision, whilst transiting from interim to permanent staffing arrangements;
 - Increased waste tonnages, arising from climate and societal change.

- 4.3 As part of the budget process Policy and Resources Committee, Members and Service Committee members have considered all the budget reductions and growth pressures and these are reflected in the budget. In addition, some of the key risks identified 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 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 2014-15. The medium term financial plan does not set out plans to fully meet the funding shortfall in 2016-17 and 2017-18. Following the Putting People First Consultation, work is continuing to identify further proposals for service provision in these years in order to identify additional opportunities to address these deficits in future years.

	2014-15	2015-16	2016-17	2017-18
	£m	£m	£m	£m
Forecast outturn budget	0.328	0.000	(42.953)	(44.794)

- 4.5 The factors and budget assumptions used in developing the 2015-18 budget estimates are detailed over sixteen headings, including drivers of growth, savings and other planning assumptions and set out at [Appendix B](#).

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 capital programme is guided by a 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.
- 5.2 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.
- 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 through, for example, the County Hall Project Board.
- 5.4 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.
- 5.5 An estimate of potential capital receipts is made each year, but 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. Reduced receipts may result in fewer capital projects going ahead.

- 5.6 The Council's policy is to minimise unsupported borrowing and the impact of the capital programme on the council's future revenue budgets. Projects not funded from Government grants, other grants and capital contributions or capital receipts will have to demonstrate clearly that sufficient and identifiable additional revenue or cost reductions will be released to fully pay for the future revenue costs of borrowing.

6. Issues, Risks and innovation

- 6.1 The paper sets out 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 assumptions to support the Statement of the Executive Director of Finance on the Robustness of the Estimates and provides assurances to Members prior to recommending and agreeing the revenue and capital budgets and plans for 2015-18.

6.2 Equality Impact Assessment (EqIA)

- 6.3 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.

6.4 Risk Implications

- 6.5 In setting the budget the Council can accept different level of risks, for example, minimising risk through investment in services or reducing higher risk savings or putting in place additional reserves or 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.
- 6.6 Whilst it is possible to agree different levels of risk, due to ongoing levels of local government spending reductions and in common with other local authorities, this budget carries a high degree of risk of delivery. Consequently the 2015-16 budget has little room for manoeuvre and member choice is severely constrained.

7 Alternative Options

- 7.1 Members could choose to agree different assumptions and therefore increase or reduce the level of financial risk in setting the revenue and capital budget. This would change the risk assessment for the budget and the recommended level of general balances held.

Officer Contact

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REVENUE GRANTS

Grant	Service	2015-16 Provisional £m
Unringfenced		
Revenue Support Grant	Corporate	137.262
Top-Up Grant (Business Rates Retention Scheme)	Corporate	114.729
Section 31 Grant (compensation for Government business rate initiatives)	Corporate	2.052
New Homes Bonus	Corporate	4.124
New Homes Bonus adjustment	Corporate	0.462
Education Services Grant	Children's	8.035
New burdens - Early Assessment (Part of £5.629m)	Adults	3.121
New burdens – Deferred payment agreement (Part of £5.629m)	Adults	1.542
New burdens – Carers & Care Act Implementation (Part of £5.629m)	Adults	0.966
Local reform and community voices: New Social Care in Prisons	Adults	0.371
Fire Revenue	Fire	1.004
Inshore Fisheries	Resources	0.152
Lead Local Flood	ETD	0.207
Local reform and community voices	Resources	0.563
Extended rights to free travel (Local Services Support Grant)	Corporate	0.719
PFI Revenue Grant (street lights; salt barns and schools)		8.046
Council Tax Freeze Grant 2015-16 (if no increase to Council Tax agreed)	Corporate	3.542
Ringfenced		
Public Health	Resources	30.590
Dedicated Schools Grant	Children's	546.548
Pupil Premium Grant – not yet announced	Children's	29.752
Locally collected tax (forecasts)		
Baseline business rates	Corporate	25.969
Council tax	Corporate	318.239
Partnership funding		
NHS Funding (incl. Better Care Fund)	Community	56.381

Analysis of Robustness of Revenue Estimates

Budget Assumption	Explanation of financial forecast and approach
Growth Pressures	
1) Inflation	<p>Pay inflation has been set as per the national agreement reached for the 2 year period 1 April 2014 to 31 March 2016 and is assumed at 1% for 2016-17 and 2017-18; however the County Council is part of the national agreement and therefore future years will be subject to any agreements reached. There is a risk that pay awards could vary from this assumption over the three year planning period.</p> <p>Pensions – The 2016 Actuarial Evaluation will set the employer contribution rates from 1 April 2017. Work has been undertaken to review the assumptions and given that the County remain substantially short of the full theoretical rate have allowed for similar increases in the cash amount of the deficit recovery contribution over the three years from 1 April 2017 as has emerged from the 2013 valuation.</p> <p>Price Inflation is provided where a contractual increase is required. This is at the contractual or forecast rate.</p> <p>Inflation on income where appropriate has been included at 2%.</p>
2) Demand and Demographics	<p>There are three key areas where demand and demographic pressures have a significant impact on the council's budget planning</p> <p>Increase in adults requiring adult social care – this includes older people and adults with learning difficulties, physical disabilities or mental health needs.</p> <p>Increase in the number of looked after children and reflecting latest forecasts. The Children's Services' data is improving, but not fully aligned as yet and a risk remains around the accuracy of the forecasts.</p> <p>Changes in waste disposal tonnage The 2015-16 budget is based on the most recent predictions for waste tonnages and reflect the expected out-turn position for 2014-15 allowing for increases in landfill tax and contract price increases. For 2016-17 and 2017-18 the current assumption is for a stable position.</p>

3) Legislative changes	<p>The budget estimates include the following assumptions with regard to current and future legislative changes</p> <ul style="list-style-type: none"> - Landfill – Budget estimates are based on a £2.60 per tonne increase in landfill tax costs for 2015-16. - Cap on care costs – individual's care costs have been funded through new burdens adult social care grants received in 2015-16. Additional costs have built into the budget plans equal to the amount of income allocated for this change in legislation. However, there is considerable uncertainty around this funding including the extent to which this will be sufficient to meet additional costs. - NHS Funding – The Government announced changes in the NHS funding for social care costs. For planning purposes, £13.351m has been included in 2015-16. However, there is considerable uncertainty around this funding including the extent to which this will meet additional costs incurred. - A national single tier pension scheme is being introduced in 2016-17. This will mean that no one will opt out of the state provided earnings related pension scheme and this will change the employers national insurance contribution for those staff currently in the Local Government Pension Scheme (LGPS). Increased employer contributions have been based on the current payroll for staff in the LGPS
4) Policy decisions	The 2015-16 budget includes the financial impact of previous year's budget decisions, including use of one-off funding within the 2014-15 budget and in-year decisions.
5) Interest Rates	Budgeted interest earning on investments are based on the London Intra Bank Bid rate for money market trades.
Savings	
6) Income	Inflationary increases to fees and charges have been included within the budget proposals. Changes to income either through expected reduction in income or initiatives to increase income generation are reported as individual budget proposals.
7) Savings	<p>Savings have been identified across all services and range from productivity efficiency savings to reductions in service provision. All managers are responsible for ensuring that proposed savings are robust and delivered in accordance with plans. Measures throughout the planning process have reviewed and challenged the deliverability of savings. 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.</p>

Other Planning assumptions	
8) Grant	<p>The budget reflects funding announced within the 2015-16 Local Government Finance Settlement and plans for future years are based on the indicative settlement figures and high level Government forecasts of Departmental Expenditure Limits for Local Government. The 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.</p>
9) Financial risks inherent in any significant new funding partnerships; major contracts or major capital developments	<p>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 closely monitored and reflected within the County Council's budget proposals.</p>
10) Availability of funds to deal with major contingencies	<p>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. This approach is out in a separate report to Policy and Resources Committee.</p>
11) Overall financial standing of the authority	<p>The Council treasury management activity is to both manage short term cash requirements and address the Council's borrowing need to fund capital expenditure on long-term assets either through long term borrowing or utilising temporary cash resources with the County Council pending long term borrowing. The approved strategy is to delay new borrowing, using cash balances on a temporary basis.</p> <p>At the 30th September 2014, the Council's outstanding debt totalled £498m. The Council continues to maintain its total gross borrowing level within its Authorised Limit of £678m for 2014-15. The Authorised Limit being the affordable borrowing limit required by section 3 of the Local Government Act 2003.</p> <p>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.</p> <p>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.</p>

12) The authority's track record in budget and financial management	<p>As at the end of November 2014 (Period 8) the 2014/15 revenue budget is forecast to underspend by £0.328m on a net budget of £308.397m (gross £1,411.879m).</p> <p>The Council has a good track record of sound budget and financial management and Ernst and Young the Council's external auditors has issued an unqualified opinion on the 2013-14 accounts and concluded that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>
13) The authority's capacity to manage in-year budget pressures	<p>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.</p>
14) The strength of the financial information and reporting arrangements	<p>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.</p>
15) The end of year procedures in relation to budget under/overspends at authority and departmental level	<p>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.</p>
16) The authority's insurance arrangements to cover major unforeseen risks	<p>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.</p> <p>General balances include assessment of financial risk from uninsured liabilities.</p>

Policy and Resources Committee Item No 9 vi

Report title:	Capital strategy and programme 2015-18
Date of meeting:	26 January 2015
Responsible Chief Officer:	Executive Director of Finance (Interim)
Strategic impact This report presents the proposed capital strategy and programme 2015-18 and includes information on the funding available to support the programme.	

Executive summary

Summary

The attached report presents the proposed capital strategy and programme 2015-18 and includes information on the funding available to support the programme.

Members are recommended to:

- agree the proposed 2015-18 capital programme of £438.933m
- refer the programme in Appendix A to the County Council for approval, including the new and extended capital schemes outlined in Appendix B;
- agree the prioritisation model in Appendix C
- 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 the new capital grant settlements for 2015-16 set out 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;
- support the proposed long term strategy to apply capital receipts to fund unsupported projects, including the unfunded element of the NDR, as set out in Table 8.

1. Introduction

- 1.1 The attached report introduces the proposed capital programme for 2015-18, to be considered and recommended 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 or grants and other anticipated contributions from third parties.
- 1.3 The programme is guided by prioritisation – a model to guide the best use of resources.
- 1.4 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 in Appendix B.
- 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 9. The table at 5.3 records the elimination of unsupported borrowing for 2016-17, to the benefit of the revenue account.

2. Evidence

The attached annex summarises the development of the proposed capital programme.

The annex also summarises:

- New capital grant settlements
- New schemes resulting from the capital prioritisation process
- Capital receipts and potential property sales
- The impact of prudential borrowing.

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 8.

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 monthly capital monitoring reports to Cabinet.
- 4.3 The capital programme is set on the basis of best estimates of cost. Through good procurement practice, the Council will continue to manage down the costs of capital schemes where possible.
- 4.4 There is a risk of incurring additional borrowing costs affecting the revenue budget whenever schemes are not fully funded, or if disposal values are not realised. New

unfunded schemes are being kept to a minimum. For these schemes a forecast of capital receipts has been created to ensure that capital expenditure has minimum adverse effect on the Council's revenue budget.

- 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 This report sets out the proposed capital programme for 2015-18. It is supported by a strategy aimed at securing a structured, affordable and prioritised approach for the development of future years' capital programmes.

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Norfolk County Council**Capital strategy and programme 2015-18****Report by the Executive Director of Finance (Interim)****1. Introduction**

- 1.1. This report introduces the proposed overall capital programme for 2015-18, which is to be considered by Policy and Resources Committee and recommended 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 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 in Section 3.
- 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 the budgetary pressures which the Council faces over the coming three years and beyond. Information regarding the revenue implications of prudential borrowing is provided in Sections 6-8.

2. National and local context**2.1. Nationally important infrastructure schemes**

New road schemes: On 1 December 2014 the government announced a £15bn road investment strategy to improve roads in England. This strategy includes nationally important transport schemes, including improvements to:

- The A47 including the dualling of stretches between North Tuddenham and Easton, and from Blofield to North Bringham (but not the Acle Straight).
- Thickthorn junction
- The Vauxhall roundabout, Great Yarmouth
- The A12 between Great Yarmouth and Lowestoft, to be re-numbered as the A47

These schemes are all on trunk roads maintained by the Highways Agency, and therefore are not currently included in the schemes prioritised in this programme.

NDR: The Norwich Northern Distributor Road is one of the “top 40 key project starts due” in the National Infrastructure Plan 2014 issued by the Treasury on 2 December 2014. It is included in the capital programme due to the close responsibilities, involvement and financial commitment of the Council.

The route beyond the A47 Postwick junction was subject to detailed examination by the Planning Inspectorate. This concluded on 2 December, and the Inspectorate will make a recommendation to the Secretary of State on or before 2 March.

The NDR will be part funded by the Council, for which it has to accumulate a bank of £17.84m of capital receipts. This policy objective can be secured, in the main, by earmarking the capital receipts from planning gain – see paragraph B6 in Appendix B.

“Norwich in Ninety” – the Treasury’s National Infrastructure Plan 2014 includes support for the key recommendations of the Great Eastern Main Line Task Force, including upgraded infrastructure. This will be dependent on plans submitted by bidders for the next Anglia rail franchise due to start in October 2016.

Flood alleviation: on 2 December DEFRA and the Environment Agency published “Reducing the risks of flooding and coastal erosion: an investment plan”. An associated press release announced that £2.3bn would be spent over the next 6 years on a nationwide programme of flood protection, claiming that local authorities will be able to plan ahead and reassure communities that flood risk is being reduced in their area.

None of the largest projects are in Norfolk. There are a large number of smaller construction and development programmes being led by various boards and authorities in the county for which some funding has been made available, but a significant amount of work will have to be funded locally.

2.2. 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 **Greater Norwich Growth Board** (GNGB) covers the Norwich, South Norfolk and Broadland District areas, and includes Norfolk County Council and the New Anglia LEP. The partners are committed to delivering homes and jobs in the area, and applying the projected Community Infrastructure Levy receipts to infrastructure projects including the Northern Distributor Road.

The GNDB is responsible for co-ordinating the delivery of the infrastructure set out in the Joint Core strategy.

The total requirement is as follows:

Growth programme projected scheme costs and current assumed funding to 2026	
	£m
Projected capital costs – indicative GNGB schemes	448.808
Projected funding from other external sources	(295.733)
Funding requirement	153.035
Pooled CIL projections	(86.342)
Actual CIL received 2013/14	(0.075)
Forecast CIL 2014/15	(1.008)
Forecast CIL 2015/16	(2.620)
Total CIL Forecast	(90.045)
Current Assumed funding requirement	62.990

It is anticipated that the current assumed funding requirement will be found from new sources of funding, e.g. new capital grants, or capital receipts over the period to 2026. If new funding is not secured, the programme will be reviewed and adjusted accordingly.

The business plan will be developed on an annual basis to ensure that the long term programme is deliverable and affordable. The GNGB will be responsible to for recommending the annual programme of deliver taking into account existing commitments and new sources of funding.

The current planned schemes are as follows:

Project	Funding Source	Scheme Total	15/16	16/17	17/18	18/19
		£m	£m	£m	£m	£m
Salhouse Road Walk/ Cycle route	City Cycle ambition grant	0.200	0.200			
Golden ball street	LTB funding (£2m)	2.500	1.500	1.000		
Yellow Pedalway	S106 Funding	0.100	0.100			
Guardian road/ Dereham road junction improvements	LTB Funding	1.650	0.050	0.050	0.750	0.750
Earlham Millennium Green path improvements		0.066	0.066			
Marriott's Way		0.250	0.250			
Roundhouse Way Interchange	LTB Funding	0.500	0.050	0.450		
Eaton Interchange		0.100	0.025	0.075		
Longwater Scheme development	LTB Funding	2.000	0.750	0.750	0.500	
NDR	DfT grant, NCC capital receipts	27.650	63.500	17.655		
Total Costs		33.486	66.561	19.980	1.250	0.750
Identified Funding		32.450	65.600	19.905	1.250	0.750
Pooled CIL Funding requirement		1.036	0.961	0.075		

In addition under a City Deal, the partners (including Norfolk County Council) have the ability to borrow £20m at a discounted rate from the Public Works Loan Board to create a local infrastructure fund. The purpose of the fund is to provide loans to developers for site specific help to able housing sales to be delivered quickly.

Where schemes have funding fully identified, local infrastructure fund projects are not included in the capital prioritisation process because the fund is administered, and projects prioritised, by the Greater Norwich Growth Board.

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, capital schemes reported as part of the Council's financial monitoring reports. As a result, new Museums projects, even if fully funded from external sources, are included in the prioritisation model.

3. The Proposed Capital Programme 2015-18

3.1. Background

- 3.1.1. A three year capital programme for 2014-15 was agreed by the County Council in February 2014. 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 reprofiled from 2014-15 as regularly reported to Policy and Resources Committee. The 2015-16 programme reflects all amounts re-profiled up to and including month 8.
- 3.1.4. The new capital programme reflects government grant settlements for 2015-16 and beyond. These have been revised, where applicable, from indicative settlements provided in the 2014-15 programme. The programme also sets out borrowing to be approved and other funding sources identified.
- 3.1.5. A schedule of these schemes, which are included in the capital programme below, is attached at Appendix A.
- 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 Total Proposed Capital Programme (existing and new): £438.933m

The full Capital Programme for 2015-18, combining existing and proposed schemes, is presented in the following table with further detail to be found in Appendix A:

Table 1: Proposed Capital Programme £m

Service	2015-16	2016-17	2017-18+	Total
Children's Services	78.105	33.450	1.800	113.355
Adult Social Care	8.251	2.013	2.000	12.264
CES Highways	82.605	121.291	43.114	247.010
CES Other	12.373	4.036	1.426	17.835
Resources	16.317	5.500	11.600	33.417
Finance and Property, incl Farms	12.852	1.600	0.600	15.052
Total	210.503	167.890	60.540	438.933

3.3. The Existing Programme: £263.670m

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 (as at 30 November 2014) and may vary when we finally get to 1 April 2015 as schemes are accelerated or delayed.

Table 2: Existing programme £m

Service	2015-16	2015-16	2017-18+	Total
Children's Services	70.852	27.736	-	98.588
Adult Social Care	5.924	0.013	-	5.937
CES Highways	59.372	63.500	-	122.872
CES Other	9.204	0.900	-	10.104
Resources	15.017	-	-	15.017
Finance and Property, incl Farms	11.152	-	-	11.152
Total	171.521	92.149	-	263.670

3.4. New schemes: £175.263m

Schemes not included in previous capital programmes are being proposed as follows:

Table 3: New programme £m

Service	2015-16	2016-17	2017-18+	Total
Children's Services	7.253	5.714	1.800	14.767
Adult Social Care	2.327	2.000	2.000	6.327
CES Highways	23.233	57.791	43.114	124.138
CES Other	3.169	3.136	1.426	7.731
Resources	1.300	5.500	11.600	18.400
Finance and Property, incl Farms	1.700	1.600	0.600	3.900
Total	38.982	75.741	60.540	175.263

3.5. New schemes and extensions to existing capital programmes comprise:

Major extensions to existing programmes

- Schools basic need and capital maintenance
- Transport new schemes and capital maintenance
- NDR final year's costs not included in previous approved programmes, including NDR airport radar replacement costs
- Housing with Care Better Care Fund programme

Norfolk Infrastructure Fund supported projects

- Better Broadband extension programme
- Scottow Enterprise Park (former RAF Coltishall) indicative development plan

Other spend to save and funded projects

- Street Lighting technology improvements
- Farms capital maintenance

Externally funded project

- Gressenhall Voices from the Workhouse

New projects requiring unallocated capital receipts

- Asbestos testing and remedial maintenance programme

Details of all the new schemes above are given in Appendix B.

3.6. **Prioritisation:** The prioritisation system used to rank schemes, and to provide a firm basis for including unfunded/unsupported schemes, subject to the level of capital receipts, is summarised in Appendix C.

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. New borrowing of £28.486m has been added to the existing programme relating primarily to the NDR final year costs, and Scottow Enterprise Park (former RAF Coltishall) indicative costs. Sections 5-8 show how the borrowing costs will be funded or mitigated through additional revenue, capital receipts, or other sources.
- 4.3. The funding of the proposed programme is set out in the table below:

Table 4: Funding of the Proposed Capital Programme £m

Funding Source	2015-16	2016-17	2017-18+	Total
Internal Funding				
Borrowing (supported / invest to save)	38.497	20.387	10.408	69.292
Deferred borrowing (schemes originally funded from other sources since used to minimise MRP costs)	2.154	0.875	-	3.029
Borrowing (unsupported)	1.098	-	-	1.098
Capital Receipts (ref para 7.3)	7.200	4.600	9.940	21.740
Revenue and Reserves	5.671	-	-	5.671
Sub-total	54.620	25.862	20.348	100.830
External Funding				
Government Grants and Contributions	129.259	114.057	40.192	283.508
Other Grants and Contributions	26.625	27.971	-	54.596
Total	210.503	167.890	60.540	438.933

- 4.3.1. Invest to save schemes include the element of the NDR supported by developer contributions, loans to wholly owned companies (Hethel Innovation Limited and Norfolk Energy Futures Limited), the proposed Scottow Enterprise Park scheme, Better Broadband (supported by the NIF) and County Hall refurbishment. The heading also includes approximately £1m of schools projects still to be funded from the previous government supported borrowing scheme.
- 4.3.2. Schemes allocated “deferred borrowing” are schemes which were originally funded from specific non ringfenced sources such as revenue or reserves. In order to minimise the charge to revenue, this funding has been “swapped” to support schemes which would otherwise have required borrowing. As a result, the impact of the borrowing will be incurred only when these “deferred” schemes take place. The schemes concerned are the Great Yarmouth Property Rationalisation, and various schools projects.
- 4.3.3. Schemes requiring unsupported borrowing all related to schemes or programmes approved in previous years not yet complete. The costs of borrowing have been factored into revenue budgets. The schemes involved include landfill capping, fire station improvements, and allowances for asbestos removal, Equality Act and health and safety compliance including fire safety.
- 4.3.4. Schemes funded from capital receipts are shown in section 7.

- 4.3.5. The Street Lighting technology improvements is using £4m of the street lighting PFI reserve to fund the scheme, to be repaid from energy savings. This, along with the Bryggen Road schools scheme, comprises the majority of schemes funded from revenue and reserves.
- 4.3.6. Grants and contributions funding the 2015-16 programme include grants received in previous years not yet spent. An analysis by government department is included as part of Appendix A. In addition, new capital grant settlements announced by government totalling £2.327m (DoH) and £28.637m (DfT).
- 4.3.7. Non-governmental funding is primarily developer contributions towards highways and schools schemes directed at increasing capacity around new developments. Other funding comes from a variety of sources such as district councils and grant giving bodies.
- 4.4. Last year the Department for Education provided a two-year Basic Need capital grant settlement for Children's Services and this is already included within the 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.
- 4.5. The Department for Transport indicative annual allocation for Integrated Transport block capital grant of £4.141m pa until 2020-21 has been confirmed until 2017-18. During 2014, the Department for Transport has been undertaking a consultation on local authority highways maintenance funding: 2015/16 - 2020/21. This will affect the amount received by the authority, and an element of future funding will be dependent on a bidding process. Since the capital programme for 2015-16 was presented to EDT Committee in October, the DfT have confirmed a three year grant settlement which is reflected in the programme.
- 4.6. DCLG no longer provide an annual settlement for the Fire and Rescue Service; however, the service will have the opportunity to bid for further capital funding for specific projects
- 4.7. Following a two year settlement from the Department of Health in 2013-14 the majority of which is carried forward into the 2015-16 programme, the DoH has confirmed that Norfolk will receive a further £2.327m as part of its Better Care Funding. For planning purposes, further grants of £2m pa have been assumed for 2016-17 and 2017-18, and the programme will be revised when the actual amounts are confirmed.

- 4.8. Major sources of government grant funding included in the 2015-18 programme are as follows:

Table 5: Government Capital Grant Settlements 2015-18 £m

Department	2015-16	2016-17	2017-18+
New Funding announcements/confirmation			
Department for Education			
Department for Transport Highways Maintenance	28.637	26.253	25.459
Department for Transport Integrated Transport	4.141	4.141	
Department of Health Better Care Funding	2.327		
Department for Culture, Media and Sport			9.200
Total new	35.105	30.394	34.659
Funding in Existing Programme			
Department for Education	67.155	31.509	1.800
Department for Transport Integrated Transport, Structural Maintenance and NDR funding	19.000	44.087	-
Department of Health	5.155	2.000	2.000
Department for Communities and Local Govt	0.890	0.900	-
Department for Culture, Media and Sport	1.953	5.167	7.733
Total existing government grants to be used	94.154	83.663	5.533
Grants and contributions from other sources (primarily developer contributions and contributions from other authorities)	26.625	27.971	-
Total grants and contribution per Appendix A	155.883	142.028	40.192

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 draft 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. 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. These movements are tracked in monthly capital monitoring reports reported to Policy and Resources Committee.

Table 6: Draft property disposal schedule 5 year estimates £m

	2015-16	2016-17	2018-19	2019-20	2020-21	Total 5 yrs
	£m	£m	£m	£m	£m	£m
General land and property sales	2.734	1.348	2.550	-	2.750	9.382
Farms land and property sales – not subject to planning gain	0.061	-	-	-	-	0.061
Farms land sales subject to planning gain	4.995	3.810	0.080	1.000	0.500	10.385
Useable receipts	7.790	5.158	2.630	1.000	3.250	19.828
Financial Packages	0.295	-	0.350	-	-	0.645
Total receipts	8.085	5.158	2.980	1.000	3.250	20.473

- 5.5. Forecast farms disposals have been split to show separately sales which will benefit from planning gain. A very rough estimate of the agricultural value of the land for disposal in 2015-16 is approximately £0.400m.
- 5.6. Almost half of the forecast for 2015-16 relies on the realisation of a significant receipt from the sale of 14 acres of farm land for development. The site is likely to receive planning permission for housing in 2015-16, but the receipts forecast above is highly dependent on achieving a sale of this land.
- 5.7. In addition to the above there are three further class of disposal which may in due course be added to the schedule:
 - Scottow Enterprise Park (former RAF Coltishall) – potential sales of development land to fund investment in the site
 - Sprowston Fringe Land – an estimated £8m additional capital receipts will be generated between 2020 and 2032.
 - Other surplus land and buildings forecast for sale after 2020, and other properties which are not in the forecast but which may become available following on-going

reviews of the Council's use and management of its property assets, in the context of the wider "One Public Estate" programme.

- 5.8. The policy objective of eliminating additional revenue costs associated with funding the NDR are highly dependent on achieving the level of capital receipts shown above.

6. Schemes requiring prudential borrowing

- 6.1. A key aim of the capital strategy this year has been to eliminate additional pressures on the revenue budget resulting from the capital programme through interest and loan re-payment charges. This effectively means that schemes that require prudential borrowing must either:

- generate additional and cashable income or savings over and above the annual cost of borrowing used to finance the capital investment ("spend to save schemes", and/or
- generate additional ring-fenced capital receipts in order to re-pay the borrowing.

- 6.2. Alternatively, schemes not falling into the above category must be capable of being funded from general unallocated and non ring-fenced capital receipts.

- 6.3. Spend to save schemes and supported schemes are as follows:

Scheme	Financing	Funding
Street Lighting technology improvements	Street Lighting PFI sinking fund reserves	Reserve to be replenished through energy savings
Better Broadband extension programme	£1m prudential borrowing	Norfolk Infrastructure Fund to fund long term borrowing costs
Scottow Enterprise Park (former RAF Coltishall) development	Prudential borrowing, part short/medium term, part long term.	Norfolk Infrastructure Fund support, capital receipts from sale of development land, net lettings income.
Northern Distributor Road – £40m element supported by GNDP (see next section for unsupported element) and proportion of airport radar replacement costs.	Prudential Borrowing supported by CIL	Developer Contributions agreed by Greater Norwich Growth Board / debt repayment due from third party

- 6.4. Unfunded schemes, and those requiring general capital receipts are shown in the next section.

7. Schemes requiring capital receipts

7.1. The following table outlines the schemes totally or partly depended on general capital receipts for funding.

Table 7: schemes totally or partly depended on general capital receipts

Scheme Title	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m			£m
Managing Asbestos Exposure	1.100	1.000				2.100
Farms Capital Maintenance	0.600	0.600	0.600	0.600	0.600	3.000
	1.700	1.600	0.600	0.600	0.600	5.100
NDR - added to programme	-	-	17.840			17.840
Capital receipts requirement	1.700	1.600	18.440	0.600	0.600	22.940

7.2. Historically, farms capital receipts have been treated as ring-fenced. Farms capital expenditure has not been fully reflected in previous programmes as it was not included until receipts had been secured. In order to achieve improve transparency and planning, farms capital maintenance is included in this table, funded from general receipts with effectively a first call on farms capital receipts (excluding planning gain).

7.3. The following table shows the proposed use of forecast capital receipts:

Table 8: Proposed use of capital receipts

Capital receipts, forecast use	2015-16	2016-17	2017-18	2018-19	2019-20+	Total
	£m	£m	£m	£m	£m	£m
Forecast non ring-fenced capital receipts to 2019-20	7.790	5.158	2.630	1.000	3.250	19.828
Forecast receipts 2020-32					8.000	8.000
<i>Proposed use of capital receipts</i>						
Managing Asbestos Exposure	(1.100)	(1.000)				(2.100)
Farms Capital Maintenance	(0.600)	(0.600)	(0.600)	(0.600)	(0.600)	(3.000)
Balance before NDR	6.090	3.558	2.030	0.400	10.650	22.728
Proposed contribution to NDR "payments fund"	(5.500)	(3.000)	(1.500)		(7.840)	(17.840)
Capital receipts remaining available to repay borrowing / fund contingencies	0.590	0.558	0.530	0.400	2.810	4.888

Capital receipts proposed use	7.200	4.600	2.100	
NDR future years			7.840	
Capital receipts funding of the 2015-18 Capital Programme	7.200	4.600	9.940	21.740

7.4. The main use of capital receipts is for the unfunded element of the Northern Distributor Road. The NDR will cost £60.340m over and above government grant and revenue contributions, of which £2.5m has been funded from the NDR reserve, and £40m will be funded through prudential borrowing supported by Community Infrastructure Levy (CIL) developer contributions. This will leave the final £17.840m of expenditure to be funded from capital receipts. Expenditure on the NDR is currently forecast to be largely completed by 2018 at which point £10m of capital receipts are forecast to be available.

7.5. In order to minimise additional costs to future revenue budgets, the strategy outlined in the table is to ring-fence receipts forecast for the period 2019 until approximately 2028. If further properties are identified for sale, it may be possible to bring forward the date by which the scheme is fully funded.

8. Revenue Impact of the Proposed Capital Programme

- 8.1. 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 proposed MRP policy set out in Appendix E.
- 8.2. In addition to MRP, the Council must fund the interest costs of the borrowing through future revenue budgets. The Council primarily borrows funds from the Public Works Loan Board (PWLb) and interest rates for 2015-16 are projected to be 4.75%.
- 8.3. The cumulative revenue impact of schemes funded from borrowing is set out below, assuming future revenue costs of £100,000 per annum for every £1m borrowed:

Table 10: Revenue Impact of Borrowing £m, excluding spend to save schemes

	2015-16	2016-17	2017-18	2018-19
Deferred borrowing (re-profiled schemes originally funded from other sources since used to minimise MRP costs)	2.154	0.875	-	
Unfunded borrowing to support other reprofiled schemes	1.098	-	-	
New unfunded borrowing	-	-	-	-
Cumulative Borrowing	3.252	4.127	-	
Cumulative Revenue Cost (10%)		0.325	0.413	0.413

- 8.4. In preparing future revenue budgets, the cumulative revenue costs of borrowing have been included in the calculations of interest and MRP costs provided for in those budgets.
- 8.5. Schemes have not been included in the table above where they are either supported “spend to save” schemes, or there is a strategy to fund unsupported schemes through the use of capital receipts.
- 8.6. Deferred borrowing relates to schemes which were originally funded from revenue or reserves in prior years, but which now require borrowing because the previous funding has been used to support other schemes with an equivalent reduction in those years’ borrowing requirements. This has been done in order to minimise MRP revenue costs.
- 8.7. The funding of costs associated with the reprofiled schemes is dealt with in detail in the capital monitoring reports presented to each Policy and Resources Committee.

Officer Contact

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Appendices

Appendix A: Detailed capital programme 2015-18, including existing programme and new schemes

Appendix B: New and extended capital schemes

Appendix C: Capital bids prioritisation model

Appendix D: Capital strategy 2015-16

Appendix E: Minimum Revenue Provision Statement 2015-16

Appendix F: Prudential Code Indicators 2015-16



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Appendix A: Detailed capital programme 2015-18, including existing programme and new schemes:

A: Combined all schemes 2015-18+, by year and by funding source

A1: All schemes 2015-16

A2: All schemes 2016-17

A3: All schemes 2017-18+

A4: Existing schemes 2015-16

A5: Existing schemes 2016-17

A6: Existing schemes 2017-18+

A7: New schemes 2015-16

A8: New schemes 2016-17

A9: New schemes 2017-18+

Capital Programme 2015-18 - total										
A: Combined all schemes 2015-18+										
	2015-16	2016-17	2017-18	TOTAL	EXISTING SCHEMES	NEW SCHEMES	TOTAL			
	£m	£m	£m	£m	£m	£m	£m			
Department/Project										
Children's Services	78.105	33.450	1.800	113.355	98.588	14.767	113.355			
A1 - Growth	24.076	16.743		40.819	40.819		40.819			
A2 - Growth	0.100	0.100		0.200	0.200		0.200			
A3 - Growth	22.073	3.000		25.073	25.073		25.073			
A4 - Growth	4.028	0.926		4.954	4.954		4.954			
B1 - Targeted need	9.476	0.410		9.886	9.886		9.886			
B2 - Targeted need	0.898	0.875		1.773	1.773		1.773			
B4 - Targeted need	0.925			0.925	0.925		0.925			
C1 - condition	1.764	2.500		4.264	4.264		4.264			
C2 - condition	3.372	1.600		4.972	3.972	1.000	4.972			
C3 - condition	0.130	0.200		0.330	0.330		0.330			
D - Other schemes	5.010	1.382		6.392	6.392		6.392			
New Basic Need schemes, subject to funding confirmation	3.476	4.724	1.800	10.000		10.000	10.000			
Temporary Classrooms	1.500	1.000		2.500		2.500	2.500			
Bryggen Road, subject to confirmation	1.277	(0.010)		1.267		1.267	1.267			
Adult Social Care	8.251	2.013	2.000	12.264	5.937	6.327	12.264			
Adult Care - Unallocated Capital Grant	4.715			4.715	4.715		4.715			
LPSA Domestic Violence	0.092			0.092	0.092		0.092			
Failure of kitchen appliances	0.015			0.015	0.015		0.015			
Adult Social Care IT Infrastructure	0.004	0.013		0.017	0.017		0.017			
Prospect Housing - formerly Honey Pot Farm	0.320			0.320	0.320		0.320			
Great Yarmouth Dementia Day Care	0.150			0.150	0.150		0.150			
Strong and Well Parnership - Contribution to Capital Programme	0.252			0.252	0.252		0.252			
Bishops Court - King's Lynn	0.150			0.150	0.150		0.150			
Supported Living for people with Learning Difficulties	0.009			0.009	0.009		0.009			
Redevelopment of Attleborough Enterprise Centre	0.014			0.014	0.014		0.014			
Young Peoples Scheme - East	0.200			0.200	0.200		0.200			
DoH - Extra Care Housing Fund (Learning Difficulties)	0.003			0.003	0.003		0.003			
Unallocated Better Care Fund Grant	2.327	2.000	2.000	6.327		6.327	6.327			
Community & Environmental Services	94.978	125.327	44.540	264.845	132.976	131.869	264.845			
Highways Capital Improvements	20.527	28.810		49.337	4.962	44.375	49.337			
Structural Maintenance	30.428	28.981	25.459	84.868	26.760	58.108	84.868			
NDR & Postwick Hub	27.650	63.500	17.655	108.805	91.150	17.655	108.805			
Norfolk Energy Futures Ltd	7.250			7.250	7.250		7.250			
Closed Landfill Sites-Capping & Restoration	0.100			0.100	0.100		0.100			
Scottow Enterprise Park (Indicative)	2.664	2.236	1.426	6.326	0.395	5.931	6.326			
Real Fire Training Unit est 14-15	0.093			0.093	0.093		0.093			
Other Fire Station improvements	0.083			0.083	0.083		0.083			
New Fire Station - Boat Store & Enhanced	0.153			0.153	0.153		0.153			
Flood Rescue Grant - Defra	0.096			0.096	0.096		0.096			
Defra East Coast Flood Rescue 3 counties	0.005			0.005	0.005		0.005			
Portable generators & wiring	0.259			0.259	0.259		0.259			
Downham Market replacement appliance	0.150			0.150	0.150		0.150			
Command & Control vehicles and ICT	0.306			0.306	0.306		0.306			
Compact Fire Appliances (CLG bid) est 14-15		0.900		0.900	0.900		0.900			
Unallocated capital grant (est 2014-15)	0.314			0.314	0.314		0.314			
Street Lighting Technology Improvements	4.000			4.000		4.000	4.000			
Gressenhall Voices From The Workhouse	0.900	0.900		1.800		1.800	1.800			
Resources	16.317	5.500	11.600	33.417	15.017	18.400	33.417			
Better Broadband	16.162	5.500	11.600	33.262	14.862	18.400	33.262			
Coroners Tables	0.155			0.155	0.155		0.155			
Finance	12.852	1.600	0.600	15.052	11.152	3.900	15.052			
County Hall Refurbishment	7.770			7.770	7.770		7.770			
County Hall Refurbishment (Workstyle elements)	1.760			1.760	1.760		1.760			
Great Yarmouth Property Rationalisation	1.045			1.045	1.045		1.045			
Asbestos Survey & Removal Prog (Chief Exec)	1.285	1.000		2.285	0.185	2.100	2.285			
Alterations to Offices to Comply with Equality Act	0.230			0.230	0.230		0.230			
Fire Safety Requirements	0.049			0.049	0.049		0.049			
Corporate Minor Works	0.113			0.113	0.113		0.113			
County Farms	0.600	0.600	0.600	1.800		1.800	1.800			
TOTAL	210.503	167.890	60.540	438.933	263.670	175.263	438.933			

Norfolk County Council proposed capital programme 2015-18, total all schemes by funding source

	2015-16							2016-17							2017-18							TOTAL
	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsup- ported Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'n's	TOTAL	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsup- ported Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'n's	TOTAL	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsup- ported Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'n's	TOTAL	
Department/Project	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Children's Services	1.694	0.857	0.000	0.000	1.277	74.277	78.105	0.805	0.875	0.000	0.000	0.000	31.770	33.450	0.000	0.000	0.000	0.000	0.000	1.800	1.800	113.355
A1 - Growth	1.076					23.000	24.076	0.605					16.138	16.743								40.819
A2 - Growth						0.100	0.100						0.100	0.100								0.200
A3 - Growth						22.073	22.073						3.000	3.000								25.073
A4 - Growth						4.028	4.028						0.926	0.926								4.954
B1 - Targeted need						9.476	9.476						0.410	0.410								9.886
B2 - Targeted need	0.283	0.615					0.898		0.875					0.875								1.773
B4 - Targeted need		0.242				0.683	0.925															0.925
C1 - condition	0.012					1.752	1.764						2.500	2.500								4.264
C2 - condition	0.145					3.227	3.372						1.600	1.600								4.972
C3 - condition	0.130						0.130	0.200						0.200								0.330
D - Other schemes	0.048					4.962	5.010						1.382	1.382								6.392
New Basic Need schemes, subject to funding confirmation						3.476	3.476						4.724	4.724						1.800	1.800	10.000
Temporary Classrooms						1.500	1.500						1.000	1.000								2.500
Bryggen Road, subject to confirmation					1.277		1.277						(0.010)	(0.010)								1.267
Adult Social Care	0.000	0.252	0.102	0.000	0.090	7.807	8.251	0.013	0.000	0.000	0.000	0.000	2.000	2.013	0.000	0.000	0.000	0.000	0.000	2.000	2.000	12.264
Adult Care - Unallocated Capital Grant			0.083		0.090		4.715															4.715
LPSA Domestic Violence						0.092	0.092															0.092
Failure of kitchen appliances			0.015				0.015															0.015
Adult Social Care IT Infrastructure			0.004				0.004	0.013						0.013								0.017
Prospect Housing - formerly Honey Pot Farm						0.320	0.320															0.320
Great Yarmouth Dementia Day Care						0.150	0.150															0.150
Strong and Well Partnerships - Contribution to Capital Programme		0.252					0.252															0.252
Bishops Court - King's Lynn						0.150	0.150															0.150
Supported Living for people with Learning Difficulties						0.009	0.009															0.009
Redevelopment of Attleborough Enterprise Centre						0.014	0.014															0.014
Young Peoples Scheme - East						0.200	0.200															0.200
DoH - Extra Care Housing Fund (Learning Difficulties)						0.003	0.003															0.003
Unallocated Better Care Fund Grant						2.327	2.327						2.000	2.000						2.000	2.000	6.327
Community & Environmental Services	13.064	0.000	0.418	5.500	4.150	71.846	94.978	19.236	0.000	0.000	3.000	0.000	103.091	125.327	9.741	0.000	0.000	9.340	0.000	25.459	44.540	264.845
Highways Capital Improvements						20.527	20.527						28.810	28.810								49.337
Structural Maintenance						30.428	30.428						28.981	28.981						25.459	25.459	84.868
NDR & Postwick Hub	3.150			5.500		19.000	27.650	17.000			3.000		43.500	63.500	8.315			9.340			17.655	108.805
Norfolk Energy Futures Ltd	7.250						7.250															7.250
Closed Landfill Sites-Capping & Restoration			0.100				0.100															0.100
Scottow Enterprise Park (Indicative)	2.664						2.664	2.236						2.236	1.426						1.426	6.326
Real Fire Training Unit est 14-15			0.093				0.093															0.093
Other Fire Station improvements			0.033			0.050	0.083															0.083
New Fire Station - Boat Store & Enhanced			0.153				0.153															0.153
Flood Rescue Grant - Defra						0.096	0.096															0.096
Defra East Coast Flood Rescue 3 counties						0.005	0.005															0.005
Portable generators & wiring		0.040				0.220	0.259															0.259
Downham Market replacement appliance					0.150		0.150															0.150
Command & Control vehicles and ICT						0.306	0.306															0.306
Compact Fire Appliances (CLG bid) est 14-15													0.900	0.900								0.900
Unallocated capital grant (est 2014-15)						0.314	0.314															0.314
Street Lighting Technology Improvements					4.000		4.000															4.000
Gressenhall Voices From The Workhouse						0.900	0.900						0.900	0.900								1.800
Resources	14.209	0.000	0.000	0.000	0.155	1.953	16.317	0.333	0.000	0.000	0.000	0.000	5.167	5.500	0.667	0.000	0.000	0.000	0.000	10.933	11.600	33.417
Better Broadband	14.209					1.953	16.162	0.333					5.167	5.500	0.667					10.933	11.600	33.262
Coroners Tables					0.155		0.155															0.155
Finance	9.530	1.045	0.577	1.700	0.000	0.000	12.852	0.000	0.000	0.000	1.600	0.000	0.000	1.600	0.000	0.000	0.000	0.600	0.000	0.000	0.600	15.052
County Hall Refurbishment	7.770						7.770															7.770
County Hall Refurbishment (Workstyle elements)	1.760						1.760															1.760
Great Yarmouth Property Rationalisation		1.045					1.045															1.045
Asbestos Survey & Removal Prog (Chief Exec)			0.185	1.100			1.285				1.000			1.000								2.285
Alterations to Offices to Comply with Disability Discrimination Act			0.230				0.230															0.230
Fire Safety Requirements			0.049				0.049															0.049
Corporate Minor Works			0.113				0.113															0.113
County Farms				0.600			0.600				0.600			0.600				0.600				1.800
TOTAL	38.497	2.154	1.098	7.200	5.671	155.883	210.503	20.387	0.875	0.000	4.600	0.000	142.028	167.890	10.408	0.000	0.000	9.940	0.000	40.192	60.540	438.933

A1: All schemes 2015-16							
	2015-16						
	Supported Borrowing & Invest To Save £m	Deferred Borrowing £m	Unsupp- orted Borrowing £m	Capital Receipts £m	Revenue and Reserves £m	Grants and Cont'ns £m	TOTAL £m
Department/Project							
Children's Services	1.694	0.857	0.000	0.000	1.277	74.277	78.105
A1 - Growth	1.076					23.000	24.076
A2 - Growth						0.100	0.100
A3 - Growth						22.073	22.073
A4 - Growth						4.028	4.028
B1 - Targeted need						9.476	9.476
B2 - Targeted need	0.283	0.615					0.898
B4 - Targeted need		0.242				0.683	0.925
C1 - condition	0.012					1.752	1.764
C2 - condition	0.145					3.227	3.372
C3 - condition	0.130						0.130
D - Other schemes	0.048					4.962	5.010
New Basic Need schemes, subject to funding confirmation						3.476	3.476
Temporary Classrooms						1.500	1.500
Bryggen Road, subject to confirmation					1.277		1.277
Adult Social Care	0.000	0.252	0.102	0.000	0.090	7.807	8.251
Adult Care - Unallocated Capital Grant			0.083		0.090	4.542	4.715
LPSA Domestic Violence						0.092	0.092
Failure of kitchen appliances			0.015				0.015
Adult Social Care IT Infrastructure			0.004				0.004
Prospect Housing - formerly Honey Pot Farm						0.320	0.320
Great Yarmouth Dementia Day Care						0.150	0.150
Strong and Well Partnership - Contribution to Capital Programme		0.252					0.252
Bishops Court - King's Lynn						0.150	0.150
Supported Living for people with Learning Difficulties						0.009	0.009
Redevelopment of Attleborough Enterprise Centre						0.014	0.014
Young Peoples Scheme - East						0.200	0.200
DoH - Extra Care Housing Fund (Learning Difficulties)						0.003	0.003
Unallocated Better Care Fund Grant						2.327	2.327
Community & Environmental Services	13.064	0.000	0.418	5.500	4.150	71.846	94.978
Highways Capital Improvements						20.527	20.527
Structural Maintenance						30.428	30.428
NDR & Postwick Hub	3.150			5.500		19.000	27.650
Norfolk Energy Futures Ltd	7.250						7.250
Closed Landfill Sites-Capping & Restoration			0.100				0.100
Scottow Enterprise Park (Indicative)	2.664						2.664
Real Fire Training Unit est 14-15			0.093				0.093
Other Fire Station improvements			0.033			0.050	0.083
New Fire Station - Boat Store & Enhanced			0.153				0.153
Flood Rescue Grant - Defra						0.096	0.096
Defra East Coast Flood Rescue 3 counties						0.005	0.005
Portable generators & wiring			0.040			0.220	0.259
Downham Market replacement appliance					0.150		0.150
Command & Control vehicles and ICT						0.306	0.306
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)						0.314	0.314
Street Lighting Technology Improvements					4.000		4.000
Gressenhall Voices From The Workhouse						0.900	0.900
Resources	14.209	0.000	0.000	0.000	0.155	1.953	16.317
Better Broadband	14.209					1.953	16.162
Coroners Tables					0.155		0.155
Finance	9.530	1.045	0.577	1.700	0.000	0.000	12.852
County Hall Refurbishment	7.770						7.770
County Hall Refurbishment (Workstyle elements)	1.760						1.760
Great Yarmouth Property Rationalisation		1.045					1.045
Asbestos Survey & Removal Prog (Chief Exec)			0.185	1.100			1.285
Alterations to Offices to Comply with Equality Act			0.230				0.230
Fire Safety Requirements			0.049				0.049
Corporate Minor Works			0.113				0.113
County Farms				0.600			0.600
TOTAL	38.497	2.154	1.098	7.200	5.672	155.883	210.503

A2: All schemes 2016-17							
	2016-17						
	Supported Borrowing & Invest To Save £m	Deferred Borrowing £m	Unsup- ported Borrowing £m	Capital Receipts £m	Revenue and Reserves £m	Grants and Cont'n's £m	TOTAL £m
Department/Project							
Children's Services	0.805	0.875	0.000	0.000	0.000	31.770	33.450
A1 - Growth	0.605					16.138	16.743
A2 - Growth						0.100	0.100
A3 - Growth						3.000	3.000
A4 - Growth						0.926	0.926
B1 - Targeted need						0.410	0.410
B2 - Targeted need		0.875					0.875
B4 - Targeted need							
C1 - condition						2.500	2.500
C2 - condition						1.600	1.600
C3 - condition	0.200						0.200
D - Other schemes						1.382	1.382
New Basic Need schemes, subject to funding confirmation						4.724	4.724
Temporary Classrooms						1.000	1.000
Bryggen Road, subject to confirmation						(0.010)	(0.010)
Adult Social Care	0.013	0.000	0.000	0.000	0.000	2.000	2.013
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure	0.013						0.013
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Unallocated Better Care Fund Grant						2.000	2.000
Community & Environmental Services	19.236	0.000	0.000	3.000	0.000	103.091	125.327
Highways Capital Improvements						28.810	28.810
Structural Maintenance						28.981	28.981
NDR & Postwick Hub	17.000			3.000		43.500	63.500
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)	2.236						2.236
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15						0.900	0.900
Unallocated capital grant (est 2014-15)							
Street Lighting Technology Improvements							
Gressenhall Voices From The Workhouse						0.900	0.900
Resources	0.333	0.000	0.000	0.000	0.000	5.167	5.500
Better Broadband	0.333					5.167	5.500
Coroners Tables							
Finance	0.000	0.000	0.000	1.600	0.000	0.000	1.600
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)				1.000			1.000
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms				0.600			0.600
TOTAL	20.387	0.875	0.000	4.600	0.000	142.028	167.890

A3: All schemes 2017-18+

2017-18							
	Supported Borrowing & Invest To Save £m	Deferred Borrowing £m	Unsup- ported Borrowing £m	Capital Receipts £m	Revenue and Reserves £m	Grants and Cont'ns £m	TOTAL £m
Department/Project							
Children's Services	0.000	0.000	0.000	0.000	0.000	1.800	1.800
A1 - Growth							
A2 - Growth							
A3 - Growth							
A4 - Growth							
B1 - Targeted need							
B2 - Targeted need							
B4 - Targeted need							
C1 - condition							
C2 - condition							
C3 - condition							
D - Other schemes							
New Basic Need schemes, subject to funding confirmation						1.800	1.800
Temporary Classrooms							
Bryggen Road, subject to confirmation							
Adult Social Care	0.000	0.000	0.000	0.000	0.000	2.000	2.000
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure							
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Unallocated Better Care Fund Grant						2.000	2.000
Community & Environmental Services	9.741	0.000	0.000	9.340	0.000	25.459	44.540
Highways Capital Improvements							
Structural Maintenance						25.459	25.459
NDR & Postwick Hub	8.315			9.340			17.655
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)	1.426						1.426
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)							
Street Lighting Technology Improvements							
Gressenhall Voices From The Workhouse							
Resources	0.667	0.000	0.000	0.000	0.000	10.933	11.600
Better Broadband	0.667					10.933	11.600
Coroners Tables							
Finance	0.000	0.000	0.000	0.600	0.000	0.000	0.600
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)							
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms				0.600			0.600
TOTAL	10.408	0.000	0.000	9.940	0.000	40.192	60.540

A4: Existing schemes 2015-16							
	2015-16						
	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsup- ported Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'ns	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Department/Project							
Children's Services	1.694	0.857	0.000	0.000	0.000	68.301	70.852
A1 - Growth	1.076					23.000	24.076
A2 - Growth						0.100	0.100
A3 - Growth						22.073	22.073
A4 - Growth						4.028	4.028
B1 - Targeted need						9.476	9.476
B2 - Targeted need	0.283	0.615					0.898
B4 - Targeted need		0.242				0.683	0.925
C1 - condition	0.012					1.752	1.764
C2 - condition	0.145					2.227	2.372
C3 - condition	0.130						0.130
D - Other schemes	0.048					4.962	5.010
Adult Social Care	0.000	0.252	0.102	0.000	0.090	5.480	5.924
Adult Care - Unallocated Capital Grant			0.083		0.090	4.542	4.715
LPSA Domestic Violence						0.092	0.092
Failure of kitchen appliances			0.015				0.015
Adult Social Care IT Infrastructure			0.004				0.004
Prospect Housing - formerly Honey Pot Farm						0.320	0.320
Great Yarmouth Dementia Day Care						0.150	0.150
Strong and Well Partnership - Contribution to Capital Programme		0.252					0.252
Bishops Court - King's Lynn						0.150	0.150
Supported Living for people with Learning Difficulties						0.009	0.009
Redevelopment of Attleborough Enterprise Centre						0.014	0.014
Young Peoples Scheme - East						0.200	0.200
DoH - Extra Care Housing Fund (Learning Difficulties)						0.003	0.003
Community & Environmental Services	10.795	0.000	0.418	5.500	0.150	51.713	68.576
Highways Capital Improvements						4.962	4.962
Structural Maintenance						26.760	26.760
NDR & Postwick Hub	3.150			5.500		19.000	27.650
Norfolk Energy Futures Ltd	7.250						7.250
Closed Landfill Sites-Capping & Restoration			0.100				0.100
Scottow Enterprise Park (Indicative)	0.395						0.395
Real Fire Training Unit est 14-15			0.093				0.093
Other Fire Station improvements			0.033			0.050	0.083
New Fire Station - Boat Store & Enhanced			0.153				0.153
Flood Rescue Grant - Defra						0.096	0.096
Defra East Coast Flood Rescue 3 counties						0.005	0.005
Portable generators & wiring			0.040			0.220	0.259
Downham Market replacement appliance					0.150		0.150
Command & Control vehicles and ICT						0.306	0.306
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)						0.314	0.314
Resources	14.209	0.000	0.000	0.000	0.155	0.653	15.017
Better Broadband	14.209					0.653	14.862
Coroners Tables					0.155		0.155
Finance	9.530	1.045	0.577	0.000	0.000	0.000	11.152
County Hall Refurbishment	7.770						7.770
County Hall Refurbishment (Workstyle elements)	1.760						1.760
Great Yarmouth Property Rationalisation		1.045					1.045
Asbestos Survey & Removal Prog (Chief Exec)			0.185				0.185
Alterations to Offices to Comply with Equality Act			0.230				0.230
Fire Safety Requirements			0.049				0.049
Corporate Minor Works			0.113				0.113
County Farms							
TOTAL	36.228	2.154	1.098	5.500	0.395	126.147	171.521

A5: Existing schemes 2016-17							
	2016-17						
	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsupp- orted Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'ns	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Department/Project							
Children's Services	0.805	0.875	0.000	0.000	0.000	26.056	27.736
A1 - Growth	0.605					16.138	16.743
A2 - Growth						0.100	0.100
A3 - Growth						3.000	3.000
A4 - Growth						0.926	0.926
B1 - Targeted need						0.410	0.410
B2 - Targeted need		0.875					0.875
B4 - Targeted need							
C1 - condition						2.500	2.500
C2 - condition						1.600	1.600
C3 - condition	0.200						0.200
D - Other schemes						1.382	1.382
Adult Social Care	0.013	0.000	0.000	0.000	0.000	0.000	0.013
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure	0.013						0.013
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Community & Environmental Services	17.000	0.000	0.000	3.000	0.000	44.400	64.400
Highways Capital Improvements							
Structural Maintenance							
NDR & Postwick Hub	17.000			3.000		43.500	63.500
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)							
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15						0.900	0.900
Unallocated capital grant (est 2014-15)							
Resources	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Better Broadband							
Coroners Tables							
Finance	0.000	0.000	0.000	0.000	0.000	0.000	0.000
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)							
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms							
TOTAL	17.818	0.875	0.000	3.000	0.000	70.456	92.149

A6: Existing schemes 2017-18+							
2017-18							
	Supported Borrowing & Invest To Save £m	Deferred Borrowing £m	Unsup- ported Borrowing £m	Capital Receipts £m	Revenue and Reserves £m	Grants and Cont'ns £m	TOTAL £m
Department/Project							
Children's Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
A1 - Growth							
A2 - Growth							
A3 - Growth							
A4 - Growth							
B1 - Targeted need							
B2 - Targeted need							
B4 - Targeted need							
C1 - condition							
C2 - condition							
C3 - condition							
D - Other schemes							
Adult Social Care	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure							
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Community & Environmental Services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Highways Capital Improvements							
Structural Maintenance							
NDR & Postwick Hub							
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)							
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)							
Resources	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Better Broadband							
Coroners Tables							
Finance	0.000	0.000	0.000	0.000	0.000	0.000	0.000
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)							
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms							
TOTAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000

A7: New schemes 2015-16							
	2015-16						
	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsupp- orted Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'ns	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Department/Project							
Children's Services	0.000	0.000	0.000	0.000	1.277	5.976	7.253
A1 - Growth							
A2 - Growth							
A3 - Growth							
A4 - Growth							
B1 - Targeted need							
B2 - Targeted need							
B4 - Targeted need							
C1 - condition							
C2 - condition						1.000	1.000
C3 - condition							
D - Other schemes							
New Basic Need schemes, subject to funding confirmation						3.476	3.476
Temporary Classrooms						1.500	1.500
Bryggen Road, subject to DFE approval (Funding in addition to £1.633m in current programme)					1.277		1.277
Adult Social Care	0.000	0.000	0.000	0.000	0.000	2.327	2.327
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure							
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Unallocated Better Care Fund Grant						2.327	2.327
Community & Environmental Services	2.269	0.000	0.000	0.000	4.000	20.133	26.402
Highways Capital Improvements						15.565	15.565
Structural Maintenance						3.668	3.668
NDR & Postwick Hub							
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)	2.269						2.269
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)							
Street Lighting Technology Improvements					4.000		4.000
Gressenhall Voices From The Workhouse						0.900	0.900
Resources	0.000	0.000	0.000	0.000	0.000	1.300	1.300
Better Broadband						1.300	1.300
Coroners Tables							
Finance	0.000	0.000	0.000	1.700	0.000	0.000	1.700
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)				1.100			1.100
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms				0.600			0.600
TOTAL	2.269	0.000	0.000	1.700	5.277	29.736	38.982

A8: New schemes 2016-17							
	2016-17						
	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsupp- orted Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'ns	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Department/Project							
Children's Services	0.000	0.000	0.000	0.000	0.000	5.714	5.714
A1 - Growth							
A2 - Growth							
A3 - Growth							
A4 - Growth							
B1 - Targeted need							
B2 - Targeted need							
B4 - Targeted need							
C1 - condition							
C2 - condition							
C3 - condition							
D - Other schemes							
New Basic Need schemes, subject to funding confirmation						4.724	4.724
Temporary Classrooms						1.000	1.000
Bryggen Road, subject to DFE approval (Funding in addition to £1.633m in current programme)						(0.010)	(0.010)
Adult Social Care	0.000	0.000	0.000	0.000	0.000	2.000	2.000
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure							
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Unallocated Better Care Fund Grant						2.000	2.000
Community & Environmental Services	2.236	0.000	0.000	0.000	0.000	58.691	60.927
Highways Capital Improvements						28.810	28.810
Structural Maintenance						28.981	28.981
NDR & Postwick Hub							
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)	2.236						2.236
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)							
Street Lighting Technology Improvements							
Gressenhall Voices From The Workhouse						0.900	0.900
Resources	0.333	0.000	0.000	0.000	0.000	5.167	5.500
Better Broadband	0.333					5.167	5.500
Coroners Tables							
Finance	0.000	0.000	0.000	1.600	0.000	0.000	1.600
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)				1.000			1.000
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms				0.600			0.600
TOTAL	2.569	0.000	0.000	1.600	0.000	71.572	75.741

A9: New schemes 2017-18+							
2017-18							
	Supported Borrowing & Invest To Save	Deferred Borrowing	Unsupp- orted Borrowing	Capital Receipts	Revenue and Reserves	Grants and Cont'ns	TOTAL
	£m	£m	£m	£m	£m	£m	£m
Department/Project							
Children's Services	0.000	0.000	0.000	0.000	0.000	1.800	1.800
A1 - Growth							
A2 - Growth							
A3 - Growth							
A4 - Growth							
B1 - Targeted need							
B2 - Targeted need							
B4 - Targeted need							
C1 - condition							
C2 - condition							
C3 - condition							
D - Other schemes							
New Basic Need schemes, subject to funding confirmation						1.800	1.800
Temporary Classrooms							
Bryggen Road, subject to DFE approval (Funding in addition to £1.633m in current programme)							
Adult Social Care	0.000	0.000	0.000	0.000	0.000	2.000	2.000
Adult Care - Unallocated Capital Grant							
LPSA Domestic Violence							
Failure of kitchen appliances							
Adult Social Care IT Infrastructure							
Prospect Housing - formerly Honey Pot Farm							
Great Yarmouth Dementia Day Care							
Strong and Well Partnership - Contribution to Capital Programme							
Bishops Court - King's Lynn							
Supported Living for people with Learning Difficulties							
Redevelopment of Attleborough Enterprise Centre							
Young Peoples Scheme - East							
DoH - Extra Care Housing Fund (Learning Difficulties)							
Unallocated Better Care Fund Grant						2.000	2.000
Community & Environmental Services	9.741	0.000	0.000	9.340	0.000	25.459	44.540
Highways Capital Improvements							
Structural Maintenance						25.459	25.459
NDR & Postwick Hub	8.315			9.340			17.655
Norfolk Energy Futures Ltd							
Closed Landfill Sites-Capping & Restoration							
Scottow Enterprise Park (Indicative)	1.426						1.426
Real Fire Training Unit est 14-15							
Other Fire Station improvements							
New Fire Station - Boat Store & Enhanced							
Flood Rescue Grant - Defra							
Defra East Coast Flood Rescue 3 counties							
Portable generators & wiring							
Downham Market replacement appliance							
Command & Control vehicles and ICT							
Compact Fire Appliances (CLG bid) est 14-15							
Unallocated capital grant (est 2014-15)							
Street Lighting Technology Improvements							
Gressenhall Voices From The Workhouse							
Resources	0.667	0.000	0.000	0.000	0.000	10.933	11.600
Better Broadband	0.667					10.933	11.600
Coroners Tables							
Finance	0.000	0.000	0.000	0.600	0.000	0.000	0.600
County Hall Refurbishment							
County Hall Refurbishment (Workstyle elements)							
Great Yarmouth Property Rationalisation							
Asbestos Survey & Removal Prog (Chief Exec)							
Alterations to Offices to Comply with Equality Act							
Fire Safety Requirements							
Corporate Minor Works							
County Farms				0.600			0.600
TOTAL	10.408	0.000	0.000	9.940	0.000	40.192	60.540

Appendix B: New and extended capital schemes

B1: Major extensions to existing programmes

Children's Services schools basic need and capital maintenance programme

New grant settlements of £1.939m, £8.520m and £8.946m related to Basic Need provision were announced in early 2014 for 2014-15, 2015-16 and 2016-17 respectively. These settlements were in addition to £19.326m of Basic Need funding from a 2013-15 two year settlement. No further basic need monies have been announced ahead of 2015-16, and no such announcements are expected.

At the time of writing no new funding announcement has been made for Schools' Capital Maintenance or other DfE grants. Any grant received will be applied to the capital maintenance of schools and to basic need projects not covered by the existing basic need grant.

One-off funding of £1.939m (including amounts passed on to VA schools) was announced for 2014-15 to fund works enabling the Council to meet its obligation to provide free school meals. The funding contributed to the achievement of all schools being able to offer a hot free school meal to infants by the start of the September term, and is forecast to be fully spent in 2014-15.

Though the Children's Services Capital Priorities Group, there are 7 larger schools projects (over £0.5m) and a number of smaller projects which have been added to the programme. These total £11.995m. After the allocation of grants already accounted for in the existing programme, a further £7.253m has been added to the new programme. Schemes will be commissioned as soon as practical subject to funding and the resolution of constraints and dependencies.

The schemes are currently undergoing feasibility studies to further understand the costs associated with their construction before final approval. Whilst these schemes will be supported in part by developer contributions, there will be a requirement to fund the remainder of costs from Basic Need funding.

The following schools have been prioritised as requiring significant (>£0.500m) basic needs investment in 2015-18

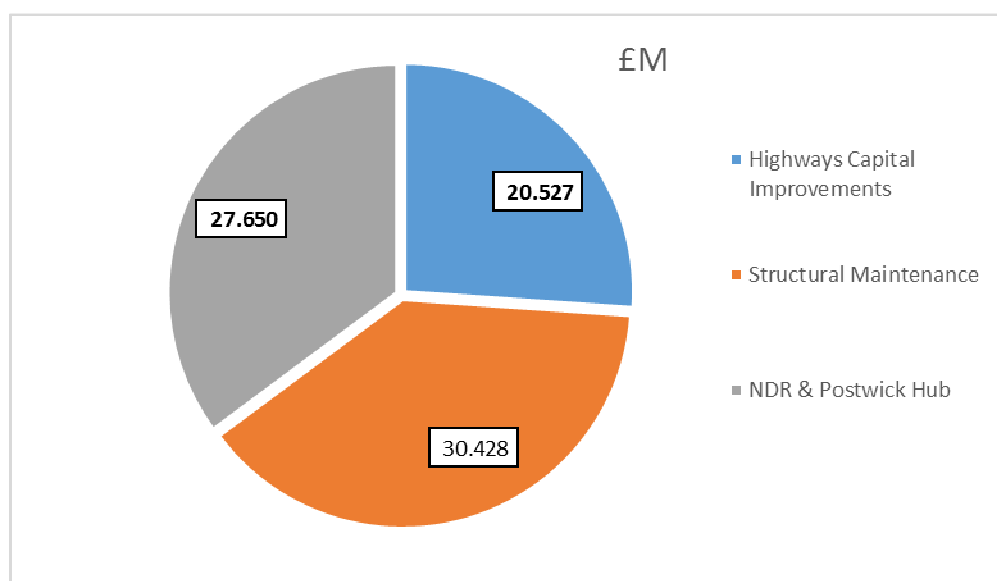
- Astley Primary School
- Blofield Primary School
- Swanton Morely VC Primary
- Hillside Avenue Infant School
- Roydon Primary School
- Rayleigh Admiral School
- Suffield Park Infant School

In addition to these, there are a number of smaller schemes, and the Council has applied for £2.5m from the "Priority Schools Building Programme, which will be added to the capital programme if the bid is successful.

Highways and transport capital improvements and maintenance

Highways has a capital programme totalling £247.010m over three years, including the NDR and Street Lighting technology improvements (see B3 below). This includes additional expenditure in 2018-19 relating to the Northern Distributor Road, a further year's Department for Transport block funding and newly identified schemes in 2015-16 and 2016-17 to be funded from other third party contributions.

Chart 1: Highways Programme 2015-16 (excluding street lighting technology improvements) £78.605m



The primary additions to the capital programme relate to transport schemes in the Highways Capital Programme 2015/16/17 reported to EDT committee on 16 October 2014. Highways and transport schemes have been identified as part of the 2015-16 and 2016-17 capital programme. These are to be funded through the DfT block grant; other DfT funding aimed at cycle schemes and relieving bottlenecks; developer contributions; and contributions from other third parties. Schemes in this report which were not already accounted for in the existing capital programme have been added.

The focus of additional funding for 2015-16 is on local traffic management, road improvement and safety schemes. These schemes include, over 2 years, £2.500m over 2 years for improvements in the All Saints Green/Ber St area of Norwich, £11m NE Norwich orbital road link, Kings Lynn Edward Bennifer Way new access road £4.065m and Diss town centre enhancements £1.200m.

A full list of schemes and funding sources is included in the Highways Capital Programme 2015/16/17 reported to EDT committee on 16 October 2014.

Northern Distributor Road – final year's costs

The final year's NDR construction costs in 2018-19 have been added to the programme so that the total cost of the scheme (including the Postwick Hub): £148.550m. The full profile of expenditure on the NDR and related funding streams has not changed since a report to Cabinet in April 2014.

Whilst the majority of NDR costs are being reimbursed through funding from DfT, the Council will need to borrow £60.340m to finance the scheme over its lifetime. This borrowing is supported by the Greater Norwich Development Partnership up to £40.000m, and £2.500m from the NDR reserve, leaving £17.840m to be funded from County Council capital receipts if future revenue budgets are to be protected. A strategy for applying capital receipts to this projects is set out in section 7 of the main report.

In addition, a "spend to save" amount of £3m has been added to reflect the proportion of the costs of radar equipment at Norwich International Airport which will be funded through future contributions from the Airport.

Housing with Care projects / Care Act (£2.3m grant added 2015-16)

Housing with Care is a key component of the future provision of care and working with Boroughs and Districts and Housing Associations to development of community facilities. An amount of £2.327m recently announced for Norfolk by the DoH has been added to the capital programme. This will facilitate a) developments via the BCF pooled fund with decisions jointly decided alongside the Norfolk based CCGs with aims such as minimising lengths of stay in hospital and b) the capital implementation costs of the Care Act (primarily ICT) for which approximately £0.870m is earmarked. In addition, the longer term programme includes an indicative additional £2m in both 2016-17 and 2017-18.

B2: Norfolk Infrastructure Fund supported projects

Better Broadband for Norfolk Superfast Extension Programme (approximately £15m added to programme)

The DCMS have confirmed an allocation of £9.2 million pounds in the period 2015/16 - 2017/18 to support an extension of the Better Broadband programme, subject to local match funding from local partners which has now been confirmed. Norfolk County Council will contribute £1m from borrowing to be supported by the Norfolk Infrastructure Fund.

Scottow Enterprise Park (former RAF Coltishall site) (indicative. £6.6m)

This project has been added to the programme to reflect the 10 year business plan in respect of Scottow Enterprise Park (former RAF Coltishall site presented to the Economic Development Committee in November 2014. Although detailed costings are not yet finalised, the project is reflected in the programme as further investment is likely to start in 2015-16.

A broad estimate of the expenditure associated with the plan has been added to this programme. The actual expenditure budget will continue to be subject to further assessments of the likely capital receipts and long term rental income

which will be used to minimise and fund borrowing costs. Borrowing requirements will be funded by the Norfolk Infrastructure Fund in the short to medium term. Due to the early stage of development of this project, the capital receipts which underpin the plan have not yet been included, but are likely to be ring-fenced to this project.

NIF supported projects and the general capital programme

As part of a Council wide approach to capital planning, we will explore closer integrating of the prioritisation and management of NIF supported projects with the Council wide systems of capital project prioritisation and oversight.

B3: Other spend to save projects

Street Lighting technology improvements (£4m over 1 year)

A proposal to invest up to £4m in LED lighting technology and a central management system in order to reduce energy consumption, delivering cost savings and cut carbon emissions was supported by members of the EDT Committee on 16 October 2014. This has been added to the new capital programme. The capital costs will be funded from the Street Lighting PFI sinking fund, which will be replenished through the resulting energy cost savings.

Farms capital maintenance (£0.600m per annum)

In previous years, general capital maintenance of the Farms estate has been funded as and when capital receipts from the sale of farms have been generated. From 2015-16, a farms capital maintenance budget of £0.600m pa has been included in the programme, to be funded from capital receipts. Where there is slippage on the generation of capital receipts, the works will still proceed but borrowing costs will be incurred on the farms revenue account.

B4: Externally funded project

Gressenhall Voices from the Workhouse (£1.8m over 2 years)

This museums scheme to significantly improve visitor experience at Gressenhall Farm and Workhouse has been included in the programme on the basis that it will be fully funded from external sources. At the time of writing, funding is not yet secured but a strong funding bid has been made, with the outcome expected shortly.

B5: New projects requiring unallocated capital receipts

Managing asbestos exposure - testing and remedial works (£2.1m over 2 years)

Chief Officers have agreed to a programme of asbestos testing and associated remedial action. The work will concentrate on areas which have been demonstrated as high risk. This includes boiler rooms schools and other council properties, and former maintained schools transferred to Academy status. Funding of £2.1m over two years has been added to the programme. In order to avoid additional costs to future revenue budgets, funding will be from general capital receipts.

B6: Capital receipts arising from planning gain

The implementation of the county's planned additions to housing stock will result in the upwards valuation of land designated for development. The increase in value is a consequence of a wider regional plan, and the increased value a fortuitous event. Such "planning gain" should be a general Council resource, regardless of the "committee ownership".

Appendix C: Capital bids prioritisation model

Development of the prioritisation model

Since the prioritisation model approved at 1 December 2014 P&R Committee, officers have suggested that further guidance should be set out to demonstrate as clearly as possible what scores represent. This is to:

- Ensure that the process is as objective as it reasonably can be and
- To be able to adjust the model where results are not in accordance with member wishes and decisions.

Although it is never possible to avoid an element of subjectivity, the prioritisation model marking scheme has been enhanced (below) to show what scores of 0,1,2,3,4 and 5 represent for each of the scored attributes.

Potential changes to the model

Some anomalies have been noted: for example the NDR, a project recognised as nationally significant, has scored highly but not as highly as some would have imagined, but the element scored is the final year's expenditure which does not have a source of external funding and this factor has resulted in a lower than anticipated ranking.

A number of reference projects have been used to test the model, and to check that scores are in line with general expectations. Flexibility as to funding and scalability of projects is viewed positively in this model. However, a brief analysis of other authorities' models shows that marks are given for projects which are "spade ready", with strong, well presented and worked up business cases. Identifying new projects for prioritisation at an early stage is consistent with improved "gateway" reporting which is planned for 2015-16.

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. However, this question has not occurred given the strength of funded projects put forward.

Although the prioritisation model has been applied widely, it is primarily applicable to projects requiring the use of capital receipts to provide funding. This is a small subset of projects, and includes asbestos testing and remedial works, and capital maintenance of the farms estate, both of which have exceeded the threshold.

New schemes considered and recommended

Scheme title	Score	Rank
Recommended new schemes		
Better Broadband for Norfolk Superfast Extension Programme	64	6
Gressenhall Voices from the Workhouse	60	8
Housing with Care Project – use of new DoH capital grant	59	9
Street Lighting Technology Improvements	51	12
Scottow Enterprise Park (former RAF Coltishall site) indicative plan	50	13
Farms Capital Maintenance	47	14
Managing Asbestos Exposure	36	17
Schemes not recommended at this stage of their development		
Property upgrades for flexible working – pending corporate property review	23	19
Schemes extended subject to confirmation of grant and other external funding		
Highways Capital Improvements	84	1
Highways Structural Maintenance	73	2
Temporary Classrooms	67	3
Schools Capital Maintenance	65	5
School Permanent Accommodation (Basic Need)	63	7
Bryggen Road BESD specialist school	58	10
Existing scheme with costs added to final year of current plan		
Northern Distributor Road 2017/18+	66	4
Reference bids – used as checks to test the prioritisation model		
Wholly owned company continuance of borrowing facility	52	11
Example spend to save development project	43	15
Felbrigg roundabout (part of Highways Capital Improvements)	42	16
Repay Debt (Dummy reference bid)	35	18
Reference bids – based on bids which may be developed in future		
Farm land purchase using borrowing	8	21
Carbon Energy Reduction Fund (no bid for 2015/16)	19	20
Supervised Contact Centre – scheme not yet developed	n/a	22
Proposed land purchase at Hethel – previously approved scheme removed from programme	n/a	22

Capital programme 2015-16 – 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	Rank
	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		
Highways Capital Improvements	3	5	2	5	5	2	5	84	1
Highways Structural Maintenance	4	4	2	5	2	2	5	73	2
Temporary Classrooms	4	4	1	5	0	3	5	67	3
Northern Distributor Road	3	5	1	2	4	1	5	66	4
Schools Capital Maintenance	3	4	1	5	0	3	5	65	5
Better Broadband for Norfolk Extension	0	5	3	4	4	0	3	64	6
School Permanent Accommodation (Basic Need)	4	4	1	5	0	3	3	63	7
Gressenhall Voices from the Workhouse	0	2	3	5	5	0	3	60	8
Housing with Care Project	4	3	0	5	0	4	3	59	9
Bryggen Road BESD specialist school	4	4	1	3	1	2	5	58	10
NEFL Continuance of Borrowing Facility	0	3	2	4	2	5	0	52	11
Street Lighting Technology Improvements	0	4	0	5	0	5	0	51	12
Scottow Enterprise Park (former RAF Coltishall site)	0	5	4	2	0	3	3	50	13
Farm property capital maintenance	2	1	0	5	0	3	4	47	14
Example spend to save development reference project	0	5	0	4	1	0	0	43	15
Felbrigg roundabout (reference project)	2	3	1	3	3	0	0	42	16
Managing Asbestos Exposure	5	1	1	0	0	5	5	36	17
Repay Debt (Dummy reference bid)	0	0	0	5	0	5	0	35	18
Property upgrades for flexible working	0	0	2	1	0	4	3	23	19
Carbon Energy Reduction Fund (no bid for 2015/16)	0	0	0	1	0	4	3	19	20
Farm land purchase using borrowing	0	1	0	0	0	2	0	8	21
Supervised Contact Centre (project to be developed)								0	22
Proposed land purchase at Hethel (scheme removed)								0	22

Note: above table includes reference bids used to test scoring model.

Marking scheme – with enhanced marking guidance

	Heading	Reason	Scoring guide (P&R committee)		Scoring guide - Enhanced	Weighting
1	Statutory or Regulatory Duty	Is there a clearly identifiable requirement to meet statutory or regulatory obligations?	Specific = 5 Implied = 3 No = 0	5 4 3 2 1 0	Specific and immediate statutory duty Statutory duty – but flexibility in its application Implied / indirect duty Project may enhance statutory provision Non NCC statutory duty No statutory duty addressed	10%
2	County Council priorities	Does the scheme directly contribute to the Council's priorities? - Good infrastructure and/or - Excellence in education and/or - Real jobs	Strongly / >1 = 5 None = 0 Note: refers to priorities as closely defined	5 4 3 2 1 0	One or more priorities very strong, or strong & covering a significant area of Norfolk Strong for one or more priorities Direct contribution, limited area Indirect contribution to more than one priority Indirect contribution to one priority No contribution to priorities <i>Note: refers to priorities as closely defined</i>	20%
3	Cross-service working	Will the scheme fulfil the objectives of more than one departmental service plan?	All services – 5 One – 1 None - 0	5 4 3 2 1 0	All Council Services involved in project delivery More than one service driving project Multi-agency (inc Non-NCC) working Direct enabler for other services/capital projects Indirect enabler to enhance cross-service working Single service project	10%
4	Impact on Council borrowing	Is prudential borrowing / capital receipt required (assume for this purpose that non-ring-fenced grants are applied to the natural recipient)?	None = 5 Invest to save fully funded = 4 Some = 2,3 All = 0	5 4 3 2 1 0	No prudential borrowing required 100% : <i>Invest to save return</i> : >75% : <i>or percentage not</i> : >50% : <i>requiring prudential</i> : >25% : <i>borrowing.</i> : No income generated	25%
5	Leverage Value	Does the scheme generate funding from external grants or contributions (excluding non ring-fenced government grants)? The score is based on the percentage of total cost met by external resources.	100% and frees up other funds = 5 80%+ = 4 51-80% = 3 21-50% = 2 6-20% = 1 0-5% = 0	5 4 3 2 1 0	100% and frees up other funds >80% : <i>percentage of total</i> >50% : <i>project cost met by</i> >20% : <i>funds generated from</i> >5% : <i>external sources</i> No external funding generated	15%
6	Flexibility /	Extent to which scheme can be flexed to a)	Flexible = 5	5	Fully scalable and flexible, timing and budget	10%

	Scalability	provide alternative lower cost solutions and/or b) accommodate future short term changes in the capital programme priorities.	Inflexible = 0	4 3 2 1 0	Partial scalable (budget but not timing) Partial flexibility (timing only) Very limited flexibility No flexibility	
7	Avoidance of risk to service delivery	Will not doing the scheme result in a significant drop in the level of service that the Council provides?	Yes – 5 No – 0	5 4 3 2 1 0	Immediate / definite risk to service delivery Medium term risk to statutory service delivery Probable / medium term risk to service delivery Minor effect on statutory service delivery Minor effect on non-statutory service delivery No risk to current service delivery.	10%

Allocation of resources will be based on ranking. Schemes will be included up to the point that funding is available. This might mean that projects are banded into different funding categories.

Appendix D: Capital strategy 2015-16

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 over the 3 year period 2015/16 to 2017/18
- 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.

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:

- how the Council identifies, programmes and prioritises 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;
- identify the resources available for capital investment over the three year planning period.

1.5 The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. 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 uncertainty which affects all of the public sector and the following are some of the major influences on our Capital Strategy.

2.2 The Coalition Government has put in place 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 (<http://www.norfolk.gov.uk/view/NCC153112>), and
- Children's Services Capital Priorities Group assessment of forward 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.

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 – 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 interest rates every £1 million of prudential borrowing costs approximately £0.090m pa in ongoing revenue financing costs for an asset with an assumed life of 25 years, or as much as £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 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 severely limited.

3.6 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, the Council requires a means to prioritise investment. 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 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.

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 has spent on the following capital expenditure:

Financial year	2011-12	2012-13	2013-14
	£m	£m	£m
Capital expenditure	116.2	122.5	115.5

As at July 2014, the Council's capital programme for which funding has been approved or secured was £439m, funded as follows:

Funding type	£m	%
Capital grants and contributions	327	75%
Revenue and reserves	2	
Capital receipts	10	2%
Borrowing	100	23%
Total	439	100%

The amount to be funded from prudential and unsupported borrowing can be analysed as follows:

	£m	% of programme
Spend to save	31	7%
Economic and NIF funded schemes	60	14%
Deferred borrowing – schemes originally funded from revenue or reserves – funding reassigned to minimise MRP	9	2%
Other unsupported borrowing and schemes originally funded through supported borrowing	9	2%
Capital receipts available to fund the above	(9)	(2%)
	100	23%

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 £0.040m, 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 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 around £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 oversees the co-ordination and management of the Capital Programme. These groups include:

Group	Role
The Council's Property Team	Responsible for the Asset Management Plan, managing the Council's property portfolio and maximising capital receipts from the sale of surplus property assets.
CCAMG – Corporate Capital Asset Management Group	Review of the Capital Strategy and policies relating to capital. Review and recommend new schemes to be funded from prudential borrowing to members for inclusion in the Programme. Co-ordinating the use of assets and delivery of the approved Capital Programme.
The Children's Services Capital Priorities Group	A member and officer group which oversees the development and delivery of the Schools capital programme.
EDT Committee (Highways)	The highways and transport capital programme is proposed through the EDT Committee, in the context of the Council's Transport Asset Management Plan.
County Farms member working group	A member working group has been set up in 2014 to review County Farms strategy and policy.

Appendix E: Minimum Revenue Provision Statement 2015-16

- 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 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 provide for an amount of MRP which it considers to be prudent. This provision must take into consideration the period over which the capital expenditure is likely to provide benefits to the authority.
- A3 Members must approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory.
- A4 The regulations set out four methods of calculating MRP – these methods must be adhered to. The below policy for calculation of MRP is compliant with the methods required by legislation.
- A5 For 2015-16, the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:
- 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 to continue previous practice by providing repayment of debt at 4% each year, based on the Council's Capital Financing Requirement.
 - For expenditure since 1 April 2008, the MRP policy for all unsupported borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the new regulations.
 - Where significant amounts of borrowing are used to fund work on a particular asset, the Council will provide according to the estimated life of that asset.
 - For all other borrowing, the Council will provide on the basis of the estimated average life of assets worked on.
 - The Council will apply this method on an equal instalment (straight line) basis unless otherwise agreed that the annuity method would be more appropriate.
 - For example, the annuity method is likely to be applied where income generated through the use of an asset is being used to fund the MRP, and is likely to be constant or increasing in cash terms over the life of the asset. This might be through a direct investment in an income generating asset, or via a loan to a third party.
 - MRP will be provided from the financial year following expenditure. In exceptional circumstances involving the construction of new income-generating assets MRP may be provided from the financial year following the year in which the asset becomes operational.

Appendix F: Prudential Code Indicators 2015-16

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

In accordance with best practice, a number of specific Treasury Management prudential indicators are included in the 2015-16 Annual Investment & Treasury Strategy, presented elsewhere on this agenda.

- 1.4 Indicators presented in this report include:
 - **Capital Expenditure Payment Forecast**
 - **Ratio of Capital Financing Costs to Net Revenue Budget**
 - **Capital Financing Requirement**
 - **Gross Debt and the Capital Financing Requirement**
 - **Authorised Limit for External Debt**
 - **Operational Boundary Limit for External Debt**
 - **Actual External Debt**
 - **Incremental Impact of Capital Programme on Band D Council Tax**
 - **Adoption of the CIPFA Treasury Management Code**
- 1.5 Once determined, the indicators can be changed so long as this is reported to the Council.
- 1.6 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.
- 1.7 Prudential indicators are not designed to be comparative between local authorities. They are designed to support and record local decision-making.

- 1.8 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 2013-14 and the latest estimates of capital expenditure in 2014-15 (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 2015-16 – 2017-18.

Capital Expenditure Payment Forecast					
	2013-14 Actual £m	2014-15 Revised Estimate £m	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m
Children's Services	38.416	42.757	78.105	33.450	1.800
Adult Social Care	3.307	4.860	8.251	2.013	2.000
Community and Environmental Services	60.064	104.365	94.978	125.327	44.540
Finance	7.089	21.032	12.852	1.600	11.600
Resources	6.643	14.770	16.317	5.500	0.600
Finance Leases	0.333	0.411	0.000	0.000	0.000
Total	115.852	188.195	210.503	167.890	60.540

- 2.2 The Council Plan and 2015-16 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 shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from council taxpayers and government. Estimates of the ratio of capital financing costs to net revenue budget for the current and future years, and the actual figures for 2013-14 are:

Ratio of Capital Financing Costs to Net Revenue Budget
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	2013-14 Actual	2014-15 Revised Estimate	2015-16 Estimate	2016-17 Estimate	2017-18 Estimate
	11.06%	9.64%	9.94%	10.30%	10.47%

- 2.4 The revenue costs of borrowing for the Council are broadly the same over the next three years by comparison to the costs incurred in 2013-14. The primary reason for the increase in this indicator is that the authority's Net Revenue Stream is decreasing over the next three years as a result of the forthcoming reductions in Revenue Support Grant.
- 2.5 The reduction in the revised estimate for 2014-15 compared to other years is due to deferring previously agreed borrowing to 2015-16. This has resulted in lower interest costs compared to 2013-14 as some debt has been repaid. It has been assumed that all this borrowing will be undertaken in 2015-16 resulting in the indicator increasing again.
- 2.6 The figure for 2013-14 is based on actual net expenditure and is therefore not directly comparable with budget figures shown for later years.

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 2014 are:

Capital Financing Requirement

	31/03/14 Actual	31/03/15 Revised Estimate	31/03/16 Estimate	31/03/17 Estimate	31/03/18 Estimate
	£m	£m	£m	£m	£m
	661.734	669.456	683.145	676.047	670.860

- 2.7 The capital financing requirement measures the County Council's underlying need to borrow for a capital purpose.
- 2.8 In 2015-16 the Capital Financing Requirement is increasing as the Council has a number of previously approved schemes which require borrowing to finance them. Following 2015-16, there is a reduction as amounts being set aside for repayment of debt through the Minimum Repayment Provision are exceeding proposed borrowing to support the programme.
- 2.9 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.”

- 2.10 Gross debt refers to the County Council's total external borrowing. The Council already works within this requirement.
- 2.11 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 2015-16 and future years limits.
- 2.12 For 2015-16 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003.
- 2.13 As required by the Code, the Council is asked to delegate authority to the Executive Director of Finance, 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				
	2014-15 Revised Estimate £m	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m
Borrowing	657.256	668.869	662.579	656.639
Other long term liabilities	64.191	63.478	59.104	57.424
Total	721.447	732.347	721.683	714.062

- 2.14 These proposed limits are consistent with the indicative Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements
- 2.15 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.
- 2.16 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, 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
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	2014-15 Revised Estimate £m	2015-16 Estimate £m	2016-17 Estimate £m	2017-18 Estimate £m
Borrowing	494.038	487.345	481.248	474.723
Other long term liabilities	63.191	60.478	58.104	56.424
Total	557.229	547.823	539.352	531.147

- 2.17 The Council's **actual external debt** at 31 March 2014 was £496.6m. 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.

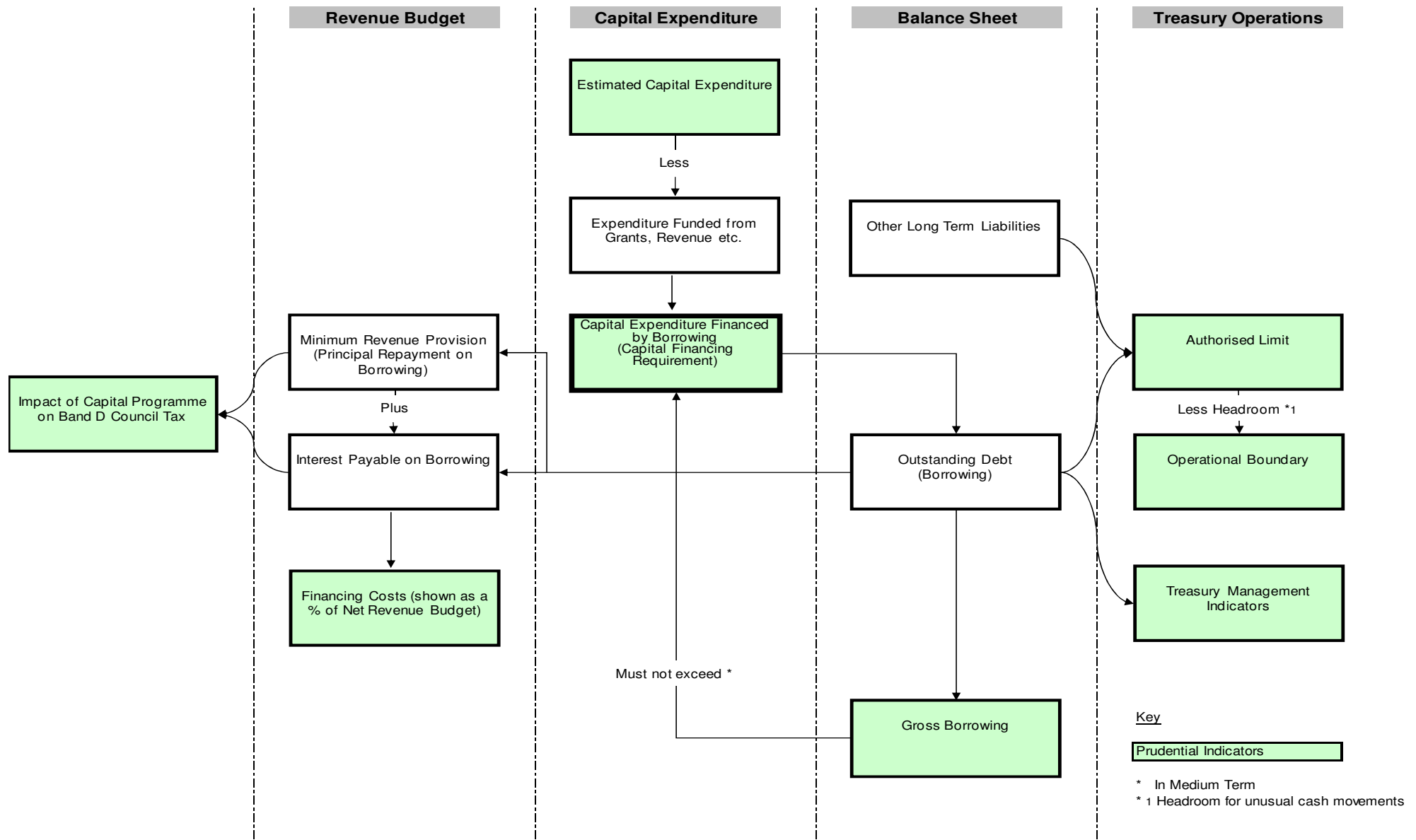
The **incremental impact on Band D Council Tax** resulting from the Capital Programme is:

Incremental Impact of Capital Programme on Band D Council Tax

2015-16 £0.48	2016-17 £1.12	2017-18 £1.91
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- 2.18 This reflects the cumulative impact of funding new capital schemes from borrowing and associated capital commitments each year.
- 2.19 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**.

DIAGRAMMATIC PRESENTATION OF PRUDENTIAL INDICATORS



Policy and Resources Committee

Item No 9 vii

Report title:	County Council Budget 2015-18: Medium Term Financial Strategy 2015-18
Date of meeting:	26 January 2015
Responsible Chief Officer:	Peter Timmins - Executive Director of Finance (Interim)
Strategic impact The Medium Term Financial Strategy 2015-18 sets the national and local context and framework for budget planning. Members should consider and agree the strategy as part of recommending the revenue Budget and Capital Programme.	

Executive summary

The Medium Term Financial Strategy (MTFS) covering three years 2015-16 to 2017-18 brings together all of the elements that are considered as part of the robust planning process for a sustainable and prudent future for the services that Norfolk County Council provides or commissions for the people of Norfolk, and how these services will be financed.

The MTFS sets out the national and local factors which impact upon budget and service planning decisions. It details funding reductions and shows how the Council intends to manage the reductions, to make transformative changes and plan new initiatives, while meeting its statutory responsibilities.

This paper is one of a suite of reports to Policy and Resources Committee that support decisions for the budget recommendations to County Council.

Recommendations:

Policy and Resources Committee is asked to:

1. Note the comments of the Section 151 Officer, set out in paragraphs 1.6 and 4.3-4.6, on the implications of a Council Tax freeze; and
2. To agree the Medium Term Financial Strategy 2015-18, including the two policy objectives to be achieved:

- i) Revenue:
 - To identify further funding or savings for 2016-17 and 2017-18 to produce a balanced budget 2015-18, in accordance with the timetable set out in the Revenue Budget report; and
 - In subsequent years, to identify funding or savings for all three years (2016-19) to produce a balanced budget.
- ii) Capital
 - To support the proposed long-term strategy to apply capital receipts to fund the unsupported element of the NDR and so avoid revenue costs of £2m from 2020 onwards.

1. Background

- 1.1 The Medium Term Financial Strategy (MTFS) 2015-18 replaces the 2014-17 Medium Term Financial Strategy.
- 1.2 Norfolk County Council faces a challenging financial future. Difficult decisions about the future provision of services that the citizens of Norfolk value will be made, in order to set the budget in the following three years and beyond, as public sector expenditure is reduced.
- 1.3 On 5 September 2014, Policy and Resources Committee received a report setting out a revised funding shortfall of £209m between 2015 and 2020. This was based on the latest forecasts of Government funding and estimates of expected increased costs such as inflation, volume change from increased demand, demographics and the costs of legislative changes. For 2015-18, the shortfall identified was £147.5m.
- 1.4 During the autumn, significant work has taken place to review and challenge all budget estimates and initial budget saving proposals to ensure the robustness of estimates. This has been undertaken through additional reviews and member and officer peer challenge. In addition, emerging challenges, such as managing the costs of purchase of care and increased waste tonnage, have been taken into consideration. Together with the funding announcements within the Draft Local Government Funding Settlement for 2015-16 and identified savings, the three year forecast shortfall is now £87.7m. This includes Policy and Resources recommendations set out in the Revenue Budget 2015-16 paper included elsewhere on this agenda.
- 1.5 The MTFS sets out the national and local factors which impact upon budget planning decisions. It details funding reductions and shows how the Council intends to manage the reductions, to make transformative changes and plan new initiatives, while meeting its statutory responsibilities.
- 1.6 As set out in the Revenue Budget report elsewhere on this agenda, the development of the 2015-16 budget has been extremely challenging, being undertaken in the context of ongoing changes and in a climate where the generation of savings has been difficult. In particular, better understanding of trend data, and the associated pressures in key areas such as Children's Services, Adults and Waste, have given rise to additional costs, whilst the cost, complexity and time required to deliver transformational change has also proven greater than originally anticipated. A balanced budget is proposed for 2015-16, however it is the view of the Section 151 (S151) Officer that the shortfall for 2016-17 and 2017-18 represents a high risk. Further details of this assessment are set out in paragraphs 4.3-4.6 of this report.

2. Context

2.1. National factors

- 2.1.1 The national economic and financial outlook remains uncertain and challenging. The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although growth during 2013 and 2014 surpassed expectations. However, this growth has been very much dependent on consumer spending and the housing market, and a move to a more balanced and sustainable recovery will need to be based on increased exports, particularly to the Eurozone, which is hampered by continuing low levels of growth on the continent. Wage inflation

remains below Consumer Price Index (CPI) inflation and therefore disposable income and living standards are under pressure, providing a further drag on the economy.

- 2.1.2 In response to these uncertainties, policies made, and decisions taken, by Government have an impact on our planning, for example reductions to local government funding. In the period of the current Parliament, Local Government's core funding will fall by 40%, which equates to £20bn worth of savings and a reduction in headcount nationally of 571,000 in the four years from June 2010 (to Quarter 3 2014). <http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q3-2014/stb-pse-2014-q3.html#tab-Public-Sector-Employment-by-Sector-Classification>
- 2.1.3 Whilst we have the opportunity to comment on these policies and changes by responding to consultation proposals, we have limited scope to influence them and the national economic outlook remains much the same. Further major national influences are detailed in the following paragraphs.
- 2.1.4 The Chancellor announced updated forecast for the UK economy from the Office for Budget Responsibility in the Autumn Statement in December 2014. Forecasts of economic growth, as measured by Gross Domestic Product (GDP), have been revised slightly upwards to 2.4% for 2015-16. Growth is predicted to fall slightly in 2016-17 to 2.2% then rise to 2.4% for the final year of this plan (2017-18). Over the three years, compared to the previous forecast in the Budget 2014, there is minimal difference in the expected growth forecast.
- 2.1.5 The Bank of England base rate continues, for the 7th year running, at a record low of 0.5%. Investment opportunities are currently focussed on a small group of UK and non-UK counterparties, and concerns over the security of some financial institutions continue. This affects investment returns as the primary objectives of the Council's investment strategy are to safeguard the timely repayment of principle and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield (detailed further in the Annual Investment and Treasury Strategy 2015-16 elsewhere on this agenda).
- 2.1.6 Forecasts of short term interest rates, on which investment decisions are based, suggest that the 0.5% bank rate will remain unchanged until the second quarter of 2015. However, there is a risk that if economic growth weakens, increases in the Bank Rate will be pushed back.
- 2.1.7 As we increase the amount of commissioning undertaken by the Council, more services are being delivered by partners and private sector contracts. Contractual obligations are often linked with the Retail Price Index (RPI) or the Consumer Price Index (CPI). During 2014, CPI was at its highest January and June (1.9%) and at its lowest in December (0.5%). RPI was at its highest 2.9% in January and at its lowest in December at 1.6%. Further details regarding how we have calculated our inflationary increases within our identified cost pressures are included within the robustness of estimates paper elsewhere on this agenda.
- 2.1.8 The Government is keen to promote joint working, and has pooled funding to encourage this, for example NHS and Social Care funding. Initially this integration was referred to as the Integration Transformation Fund, but it has since been renamed and is now called the Better Care Fund. Of the £3.8bn funding available nationally for the Better Care Fund: £2.360bn is revenue funding from Clinical Commissioning Group recurrent allocations; £1.100bn is revenue funding from non-recurrent Clinical Commissioning Group allocations that was already received by

Local Authorities via a section 256 agreement with NHS England; and £0.354bn is capital funding, including £0.050bn implementation funding for the Social Care Act and £0.220bn of Disabled Facilities Grant. The whole of the Better Care Fund funding is included in the calculation of the Council's "spending power". Work has been undertaken with the Norfolk Clinical Commissioning Groups to agree the Better Care Fund plan, including the level of funding that NCC will receive to fund its commitments and the risk sharing arrangements. The pressures remaining, following the agreement of the fund, have been reflected in the 2015-18 budget.

2.1.9 As well as pooled funding, responsibilities have been transferred between departments with no indication as to how long these new responsibilities will be funded. From April 2013, responsibility for providing a local assistance scheme was transferred from the Department for Work and Pensions to Local Authorities and this was supported by additional funding in the form of the Local Welfare Provision Grant. This funding has now been confirmed for 2015-16 at £1.713m (£2.275m 2014-15), although the Government had previously announced that Local Welfare Assistance funding would cease after 2014-15. However, this additional income is offset by a reduction of £1.950m to upper tier funding as the Government has effectively transferred existing funding within the formula to create a specific allocation in 2015-16.

2.1.10 Recent developments in the UK, including the Scottish referendum and a new devolution deal for Greater Manchester, have provided fresh momentum to the debate about English devolution. Many local authorities are considering what opportunities devolution could offer for improving local outcomes and are bidding for new devolved powers or funding from central government. The Greater Norwich region has agreed a City Deal in 2013, details of which are set out in paragraph 2.3.2.4 of this report. Nationally, a campaign, "City Centred", is underway to press for greater fiscal devolution to England's largest cities, and the Local Government Association has called for a Constitutional Convention to define issues of governance and provide greater clarity about the levels for the delivery of public services. Following the Scottish referendum, there are a number of questions around the issue of devolution of national powers which the Government is likely to address in the short term, but the appetite for any more substantial devolution of powers remains uncertain. There is however little indication of any drive for "enforced" local government reorganisation and it appears likely that devolution will occur at varying rates as individual regions and areas become ready to bid for further powers. The policy focus at national level is very much upon the potential for growth in cities, with proposals centring on strategic "county regions" and wider "Combined Authority" models (incorporating an Economic Prosperity Board and an Integrated Transport Authority), which may be a pre-requisite for the further devolution of powers.

2.2. The Government's deficit reduction programme 2010-2015

2.2.1. In order to reduce the national deficit, Departmental Expenditure Limits have seen significant reductions since the Government's Spending Review 2010 (SR10), released in October 2010 and covering the period 2011-12 to 2014-15.

- 2.2.2. During this time, Local Government funding has been reduced by more than other departments within the public sector and this has shaped our budget planning for the last four years. In addition to the higher reductions within the local government Departmental Expenditure Limit, central government has top-sliced Local Government funding, reducing local choice.
- 2.2.3. The top slice to be held back nationally for New Homes Bonus has been reduced from £1bn to £950m in 2015-16.
- 2.2.4. Within the Autumn Statement 2014, it was announced that the deficit is expected to fall as a share of GDP over the coming five years, from 5.0% in 2014-15 to a small surplus of 0.2% in 2018-19 (surplus of 1% in 2019-20). This is four years later than originally predicted (2015) and therefore means that future reductions in public spending are expected to continue at a higher rate than the SR10. Around 40 per cent of cuts would have been delivered during this Parliament, with around 60 per cent to come during the next. The implied squeeze on local authority spending is similarly severe.
- 2.2.5. Therefore, on the Government's latest plans and medium-term assumptions, we are now in the fifth year of what is projected to be a 10-year fiscal consolidation. Relative to GDP, the budget deficit has been halved to date, due primarily to lower departmental spending (both current and capital) and lower welfare spending. Looking forward, the Government's policy assumption for total spending implies that the burden of the remaining consolidation would fall overwhelmingly on the day-to-day running costs of the public services. Between 2009-10 and 2019-20, spending on public services, administration and grants by central government is projected to fall from 21.2 per cent to 12.6 per cent of GDP and from £5,650 to £3,880 per head in 2014-15 prices.
- 2.2.6. The detailed picture beyond 2015-16 for local government funding is less clear. The impact of the General Election in May 2015 on Local Government funding is in particular difficult to predict, although a Spending Review is anticipated in the autumn, at which point we will know more about the pace of continuing reductions in Local Government funding. There is a risk that the distribution of Government funding will be revised to the Council's disadvantage, as well as a risk of an emergency withdrawal of funding in 2015-16. The recent decision by MPs to approve an update to the coalition government's Charter for Budget Responsibility, which commits the Treasury to balancing the cyclically adjusted current budget over a three-year period at every Budget, reinforces the likely trajectory for public sector spending and forecasts that nationally a further £30bn of public spending cuts or tax increases will be needed to close the current deficit.

2.3. **Local factors**

There are a number of local factors that impact upon services provided or commissioned by Norfolk County Council and therefore affect our budget, yet are outside of our control, which are shown below under the following headings:

- Demographics
- Local Economy
- Policy Decisions
- Information Technology
- Ecology

2.3.1. Demographics

Norfolk's population is estimated at 870,100 in mid-2013 – an increase of around 4,800 on the previous year.

Over the last decade, Norfolk's population has increased by 6.7%, compared with an increase of 8.1% in the East of England region and 7.3% in England.

Over this ten year period, in terms of broad age groups, numbers of children and young people in the county (aged 0-17) rose marginally, numbers of working age adults (aged 18-64) increased by around 17,000, and numbers of older people (aged 65 and over) increased by around 34,200 (20.6%).

The estimates for mid-2013 confirm that Norfolk's population has a much older age profile than England as a whole, with 23.0% of Norfolk's population aged 65 and over, compared with 17.3% in England.

The ONS 2012-based population projections are trend-based, and on this basis, over the next decade there is projected growth of 60,600 people in Norfolk – this is an increase of 7% which is below both the national projected increase of 7.2% and the East of England region projected increase of 8.7%. 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 32.9% and the 85 and overs projected to increase by 39.7%. Although numbers of children aged under 15 are also projected to increase, overall there is little change projected over the decade for younger adults and the middle aged. The rising numbers of young people will in particular put pressure on Children's Services and lead to increased demand for provision of school places.

The age structure of the population varies across Norfolk's local authority areas, but in the main, Norfolk has an ageing population. As the proportion of the population who are old or very old increases, so too do demands on health and social care. The challenges include the increased prevalence of long term conditions such as diabetes and dementia, and the increased likelihood of injury should an older person fall. For example, over the next ten years the number of people aged 65 and over with dementia is forecast to increase by about 4,500 across Norfolk, to around 18,200. As people live longer the chance of something going wrong with their health increases. For society this means that we will have to work towards enabling older people to maintain their independence while managing the demands that deteriorating health will bring.

Looking further ahead to 2037, there is projected growth of 140,400 people in Norfolk – this is an increase of 16.2% which is similar to the national figure but below the East of England region projected increase of 20.1%.

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.

2.3.2. Local Economy

The County Council's administration has identified three priorities for the Authority to focus on:

- Excellence in education
- Real jobs – leading to sustainable employment throughout Norfolk

- Good infrastructure

To support these priorities the following initiatives are relevant:

2.3.2.1. Local Enterprise Partnerships (LEPs)

The Government created LEPs, as public/private partnerships between business, local authorities and academia to drive local growth, and is increasingly transferring powers to them, including establishing Local Transport Bodies covering LEP areas. New Anglia LEP (NALEP) is the partnership for Norfolk and Suffolk and covers both counties in their entirety. King's Lynn and West Norfolk is also in the Greater Cambridgeshire, Greater Peterborough LEP.

2.3.2.2. Greater Norwich Growth Board

The Council is part of the Greater Norwich Growth Board along with other local authorities (Norwich, Broadland, South Norfolk) and the New Anglia Local Enterprise Partnership. The creation of the Growth Board confirms the continuing commitment of parties to work together to deliver the much needed homes and jobs in the Greater Norwich area.

There have been a number of additional areas where actions have been taken to enable delivery including; developing the Norwich Research Park, supporting enterprise hubs with the expansion of Hethel Engineering Centre, transport improvements including the Northern Distributor Road, improving broadband capacity, and the creation of the Norfolk Unemployment and Skills Board.

2.3.2.3. Growth in housing stock

As mentioned above, the Council is part of the Greater Norwich Growth Board and this partnership has developed proposals to deliver the much needed homes in the Greater Norwich area.

This increased housing will bring higher council tax income along with New Homes Bonus, however, this will also increase the demand pressures on council services.

Some of this growth in housing is covered in other items such as the City Deal.

2.3.2.4. City Deal

In 2013 the Government announced a City Deal for the Greater Norwich region. The council is involved via the Local Enterprise Partnership (LEP) along with other local authorities (Norwich, Broadland and South Norfolk). Through the City Deal the Greater Norwich Growth Board partners' ambition is to enable the existing world class knowledge to develop and grow into world class jobs and a thriving economy.

There are three strands to the City Deal – Enterprise, Skills and Infrastructure. As part of the deal there is a focus on the provision of the technical infrastructure to encourage the further development of the Norwich Research Park. It is expected that the City Deal will support 300 new businesses and deliver 13,000 jobs and 3,000 homes to the area along with 6,000 jobs in construction.

£80m of funding from the Public Works Loan Board will be available to the partners at a discounted rate to go towards the infrastructure for growth. Infrastructure investment will include provision of a new secondary school, additional primary

school places, improvements to highways – especially the A47 – and other community facilities. It is expected to deliver an additional £100m of private sector investment to support business growth.

This will bring additional income to the Council through increased council tax and business rates plus items such as the Community Infrastructure Levy and New Homes Bonus.

2.3.2.5. France (Channel) England Interreg Va Programme 2014-2020

Norfolk County Council is the nominated managing authority (subject to formal designation by the national authorities involved) of the France (Channel) England Interreg Va Programme 2014-2020, which has a budget of €175m. The management fee is expected to be in the region of 6% (€10.5m) over the life of the programme.

Specific objectives of the programme are:

- To increase the delivery and uptake of innovative products, processes, systems and services, to address common economic and societal challenges within the FCE area;
- Increase the development and uptake of existing or new low carbon technologies and services;
- To improve the attractiveness of the FCE area by jointly developing and exploiting its cultural and natural heritage;
- Improve the coordinated management of green and blue infrastructures and ecosystems services; and
- Improve the collective ability of stakeholders to enhance social inclusion and increase economic revitalisation in urban and rural areas.

The Interreg Va programme and its management will create a platform to maximise local and EU investment in Norfolk's economy, whilst at the same time strengthening the county's profile with the European community.

2.3.2.6. Hethel Engineering Centre

Hethel Engineering Centre is an innovation hub that exists to serve the high performance engineering and manufacturing sector in Norfolk and encompasses 80,000 square foot of incubation space.

The new phase iii building opened April 2014 and is starting to become occupied with a mixture of existing tenants moving into growth space and new tenants – 75% occupancy will be achieved by March 15.

Additionally European grants have provided revenue funding for the innovation and enterprise side of Hethel Innovation Limited.

2.3.2.7. Coltishall

In 2012, the Council agreed to purchase the former RAF Coltishall site, which had been vacant since the Royal Air Force ceased operating there in 2006. The council has worked with NORSE and others to produce a Development Vision to investigate uses for the site. These include:

- Returning some land to agricultural use (generating £0.027m per annum)

- Re-instating some community assets lost when the site was developed (e.g. lanes and by-ways)
- Developing new homes
- Developing business premises (employment area - £0.500m per annum)
- Protecting heritage assets

These will increase the Council's income via sales proceeds and rentals together with an indirect increase due to council tax and business rates. The development of such a large site is highly complex and a clear strategic plan needs to be developed to ensure that income options are developed without compromising the long term prospects of the site. We continue to receive rental income of around £0.027m per annum for seasonal grazing, however, other initiatives are being pursued including:

- Housing
- Installation of Solar PV (£0.035m)
- Aggregate recovery
- Storage facilities (£0.100m per annum)

2.3.3. Policy decisions

2.3.3.1. Working with Suffolk

On 20 November 2013, the Leaders of Norfolk and Suffolk county councils signed a partnership agreement committing both authorities to working more closely together, whilst remaining independent sovereign bodies. Activities are underway to continue to strengthen existing joint working, and to develop new ways of joining forces to save money and protect front-line services. Further details are included in Appendix 3.

2.3.4. Information Technology

The use of technology and better sharing of data and resources across the Council and with partners is considered fundamental to future development and delivery of services for Norfolk. The organisation is now more than one year into a partnership agreement with HP, and its key partners Microsoft and Vodafone, to bring about the Digital Norfolk Ambition (DNA) project.

DNA will deliver more savings from the Council's IT budget over a five year period and provide the latest technology to staff. Many Services have already received upgraded devices and the remainder of the device rollout part of the Project will be completed in 2015-16.

Funding for the project has been set aside and included within budget plans.

One of the aims of the DNA initiative will be to break down existing communication barriers between organisations and establish a secure 'Information Hub' which will allow the joining and sharing of data across Norfolk to help public services plan more effective services – targeted at those most in need.

Norfolk will also be part of the global Microsoft CityNext programme which opens access to Microsoft's global innovation and corporate social responsibility programmes.

2.3.5. Ecology

2.3.5.1. Waste

The County Council continues to prioritise the diversion of waste from landfill. The main areas of activity continue to be the provision of new and enhanced recycling centres, and incentives for collection authorities to provide kitchen waste collections and enhanced recycling services in particular. However, current forecasts anticipate increases in residual waste volumes, in part as a result of the wider economic recovery, which will lead to significant additional costs for the Council that have been built into budget plans. Further details regarding residual waste projections are included in Appendix 4.

2.3.5.2. Flooding

Norfolk has nearly 100 miles of coastline and over 125 miles of rivers and waterways in the Broads alone, which leaves Norfolk vulnerable to tidal surges and flooding. The risk from surface water flooding is also an issue, as approximately 37,000 properties in Norfolk are estimated to be at risk from flooding during a rainfall event with a 1 in 200 annual chance of occurring.

In November 2014, the Secretary of State for Communities announced a consultation on changes to the Bellwin scheme of emergency financial assistance to Local Authorities. The proposals include permanent lower thresholds for compensation and a 100% grant rate for the reimbursement of costs incurred. The consultation includes a proposed threshold for Norfolk of £1.246m, which compares to the previous threshold of £2.152m. The serious flooding incident of December 2013 that affected parts of Norfolk resulted in estimated additional costs incurred by the authority of £0.252m, which would fall below both the proposed and existing scheme thresholds.

2.4. **Organisational factors**

2.4.1. **Organisational structure and governance changes**

The County Council is currently implementing a significant programme of organisational change, driven by the “Norfolk – Putting people first transformation programme” and changes to the organisation’s senior management structure approved by the Council at its meeting 20 October 2014.

The new structure is based on five Executive Directors reporting to the Managing Director, and includes the following departments: Children’s Services; Adult Services; Community and Environmental Services; Resources; and Finance. This structure provides a tighter and more focused senior management team, with a representation better suited to reflect the Council’s focus on service delivery, performance and finances. The proposed allocation of functions brings together services where there are evident synergies and complementary objectives, which will facilitate further organisational and service reviews below the top tier to achieve better streamlining of functions and continue the ongoing process of improving management structures and performance. Statutory officer roles will report to the Managing Director in fulfilling their statutory responsibilities.

Recruitment and consultation processes are currently underway to implement the new senior structure.

The results of the elections in May 2013 saw the Authority moving from a Conservative controlled authority to an authority where no party has overall control.

Following agreement by the County Council on 25 November 2013, a Committee system of governance has been implemented to replace the previous Cabinet system. The new senior management structure is more closely aligned to the Committee structure. The 2015-16 budget is the first year for which the budget has been considered under the new Committee system.

2.4.2. Children's Services response to Ofsted assessments

On top of the staffing and administration changes, the Council received a number of Ofsted reports during 2013 (dated; January, March, June, and July) which judged some areas of Children's Services to be inadequate. A number of Children's Social Care and Improvement Plans have been put in place to respond to these Ofsted reports. Children's Services is undertaking intensive and extensive improvement activities under the direction of the new Children's Services Committee and the independently chaired Norfolk Education Challenge Board and Norfolk Safeguarding Children Board. The increased effectiveness of the Council's Support for School Improvement has been recognised through the removal of the Ofsted category of "ineffective" and on inspection by Ofsted in July the judgement of "effective" being applied.

The Children's Services Committee received a report at its meeting of 20 November 2014 which set out plans for a new model for Children's Services as part of the "Getting in Shape" Business Case. The Committee noted the objectives of the business case and endorsed the strategic direction for services in Norfolk, to establish a Children's system that is financially sustainable and improves outcomes for children and young people.

2.4.3. Consultation with citizens

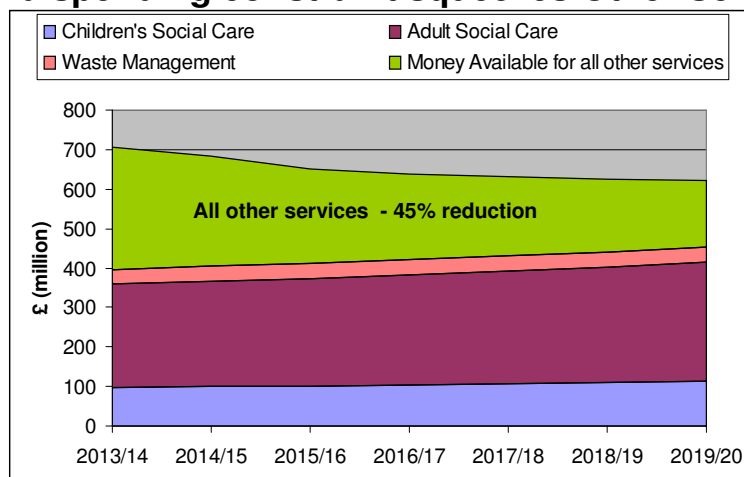
In order to take into consideration Norfolk citizens' views in making the tough decisions on savings for 2015-18, key budget proposals were subject to consultation. The Council launched a public consultation on the budget shortfall in September 2014, the detailed response to which is reported elsewhere on this agenda. In summary, 1,655 people or organisations responded, with over 4,700 individual comments being made. Direct contact was made with particular groups of service users likely to be affected by proposals, and a number of targeted consultations were undertaken with potentially vulnerable service users.

2.4.4. Resource plans, service pressures and savings

Strategies are in place and developed for services across the organisation. It is essential that other plans and strategies are aligned to resource plans and are developed in line with the Medium Term Financial Strategy.

The graph below was produced by the Local Government Association (LGA) and shows how, with the rising demand pressures within Adult Social Care, Children's Social Care and waste management, there will be a significant reduction in resources available for other services.

LGA Revenue graph - Norfolk's demographic growth and spending constraint squeezes Other Services



£308m available for All Other Services in 2013/14
£168m available for All Other Services in 2019/20

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. Detailed categorisation is shown in Appendix 6.

Table 1: Categorisation of savings

	2015-16	2016-17	2017-18	2015-18
	£m	£m	£m	£m
Back office savings sub total	-25.780	-18.224	-5.035	-49.040
Front line savings sub total	-10.541	-9.815	-0.800	-21.156
Total savings	-36.322	-28.039	-5.835	-70.196

2.4.5. General and Earmarked Reserves and provisions

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.

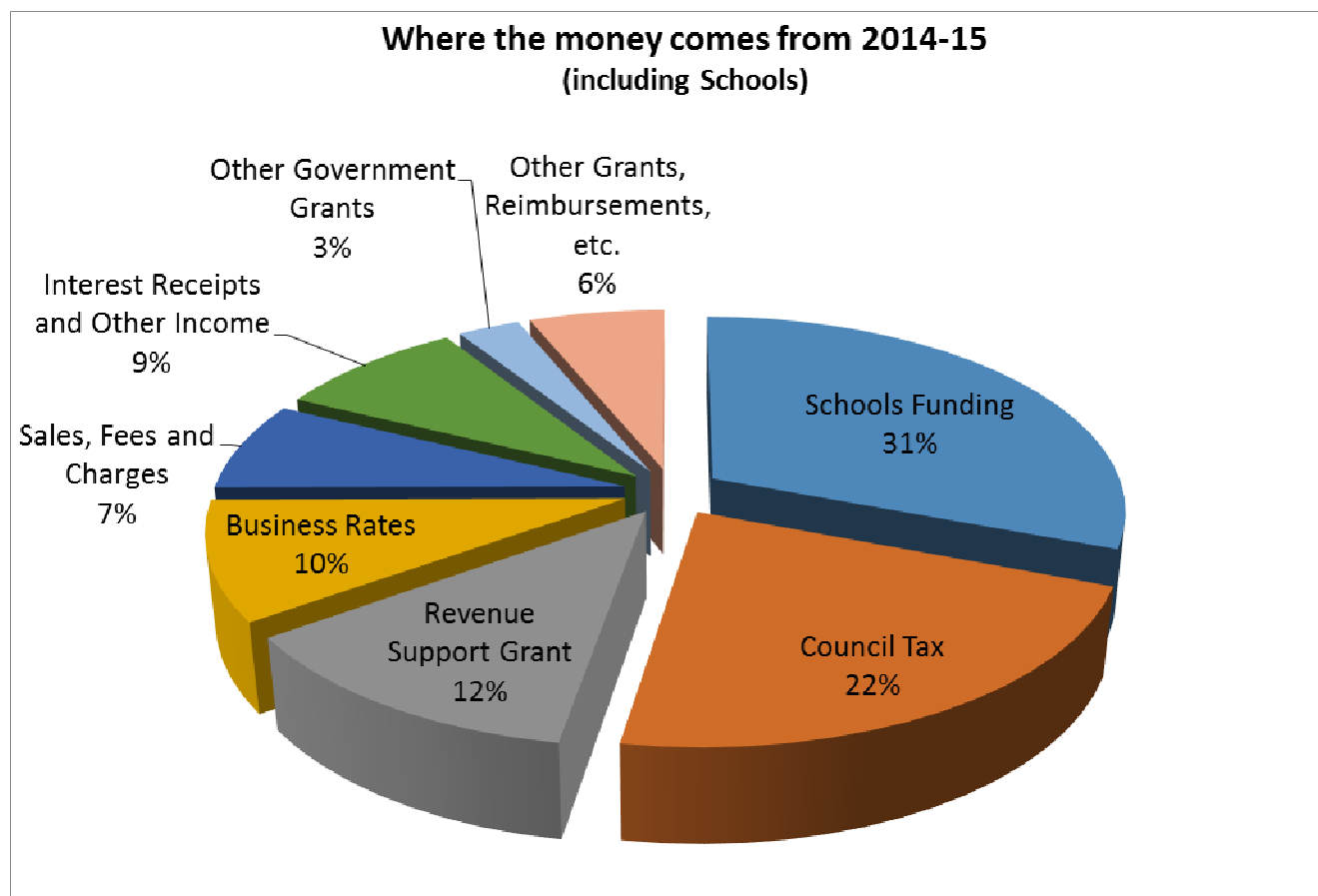
Earmarked Reserves support the Council's planning for future spending commitments. In the current climate of limited resources, the planned use of Earmarked Reserves anticipates a significant reduction in the level of Earmarked Reserves over the life of the Medium Term Financial Strategy. Further details of the anticipated use of Earmarked Reserves are included in the Statement on the adequacy of Provisions and Reserves 2015-18 elsewhere on this agenda.

As part of the 2015-16 budget planning process, a detailed review has been undertaken, in respect of each of the reserves and provisions held by the Council, this review is also contained in the Statement on the adequacy of Provisions and Reserves elsewhere on this agenda. 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 present a long term solution to the continued funding reductions.

3. Resources

3.1. Local Government Funding

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. Councils also generate income through sales, fees and charges. The split of this funding in 2014-15 is shown in the pie chart below.



3.2. Business Rates (10%)

- 3.2.1 The business rates retention scheme was introduced in April 2013. There is 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, the local share of business rates has been fixed 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.
- 3.2.2 Local authorities benefit from 50% of business rates growth (or indeed suffer the consequences of business rates decline) in their area. The new 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.
- 3.2.3 To maximise investment in Norfolk through retention of business rate growth, Norfolk County Council has entered into a pooling agreement with five of the seven district and borough councils, with approval for the pool to be expanded to include

Norwich City Council from April 2015. Further details on this are included in Appendix 2.

- 3.2.4 The primary challenge 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. The general view of councils is that the risks outweigh the rewards available to councils through incentives to grow the local economy.
- 3.2.5 The Retail Price Index (RPI) inflation measure is used to uprate the business rate multiplier, each financial year based on the figure for the previous September. For example the 2015-16 business rate multiplier was due to increase by 2.3% reflecting the September 2014 RPI figure, which has been confirmed by ONS. However, the RPI increase in business rates will be capped at 2% for a further year from 1 April 2015 as announced within the Autumn Statement.
- 3.2.6 Other fully funded business rate policy changes were also announced within the Autumn Statement such as:
- Small Business Rates Relief will be extended to April 2016; it was due to end April 2013.

3.3. Revenue Support Grant (RSG) (12%)

- 3.3.1 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.
- 3.3.2 The amount of funding we received is published as our Settlement Funding Assessment. As shown in the table below, we are heavily reliant on RSG and therefore cuts to this funding stream have a significant impact on us.

Table 2: Settlement Funding Assessment

	2014-15 £m	%	2015-16 £m	%	2016-17 £m	%	2017-18 £m	%
Settlement Funding Assessment	314.154	100%	277.960	100%	235.960	100%	209.060	100%
Received through:								
Revenue Support Grant	176.095	56%	137.262	49%	92.448	39%	62.678	30%
Business Rates Baseline	138.060	44%	140.698	51%	143.512	61%	146.382	70%
<i>Via Top-up</i>	<i>112.578</i>		<i>114.729</i>		<i>117.024</i>		<i>119.364</i>	
<i>Retained rates</i>	<i>25.482</i>		<i>25.969</i>		<i>26.488</i>		<i>27.018</i>	

3.4 Specific grants (6%) and schools funding (31%)

- 3.4.1 The table below summarises the amount of specific grants expected to be received in 2015-16, along with indicative figures for 2016-17 and 2017-18. The allocations for the years beyond 2015-16 have not yet been confirmed by the Government. Ring-fenced funding below includes funding to schools. Further details can be found in Appendix 7.

Table 3: Grants and Council Tax

	2015-16 Provisional £m	2016-17 Indicative £m	2017-18 Indicative £m
Un-ring-fenced	31.364	29.653	29.653
Ring-fenced	606.890	606.890	606.890
Council tax (assuming no Council Tax increase)	318.239	319.565	321.120

3.4.2 Further details of significant specific grants are detailed below:

Ring-fenced grants

3.4.3 **Public Health** – the grant will continue to be ring-fenced grant in 2015-16 for public health services. 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.

In addition to existing ring-fenced Public Health funding, funding has been allocated for the transfer of commissioning of 0-5 children's public health services from NHS England to Local Authorities which is due to take place on 1 October 2015. This represents the final part of the transfer of public health responsibilities to Local Government. It totals £6.893m for the second half of 2015-16, with the full year allocation for 2016-17 likely to be £13.786m. This funding will be used to meet the additional responsibilities following the transfer.

3.4.4 **Dedicated Schools Grant (DSG)** – The DSG for 2015-16 was announced in December and has been based on the funding model introduced in 2013-14. Further details about the funding model are included within the 2015-16 Revenue Budget report, elsewhere on this agenda.

The Government has announced DSG for 2015-16 totalling £546.5m, this compares to a total DSG allocation of £530m in 2014-15. The DSG is before academy recoupment.

3.4.5 **Pupil Premium Grant (PPG)** – In 2015-16, 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 2014-15 were £1,300 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.

The pupil premium plus (for looked after children) will remain at £1,900 per pupil in 2015/16. The eligibility was expanded in 2014-15 to include those who have been looked after for one day or more, and from 2015-16 is being 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.

Children with parents in the armed forces will continue to be supported through the service child premium. It is anticipated that in 2015-16, the service child premium will continue to be set at £300 per pupil.

- 3.4.6 **NHS funding (Better Care Fund)** – the settlement includes health and social care revenue funding of £56.381m (of which £37.228m came from existing Clinical Commissioning Group budgets). The funding shown in the Council's "spending power" includes the entire Better Care Fund, rather than just the element of funding that NCC will receive. NCC will receive an additional £13.351m (including £2.204m in relation to the new burdens resulting from the Social Care Act) as well as continuing to receive £19.152m that has been received in 2014-15.

Funding is to be 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. This funding is to be used to commission services for local health and social care needs, as determined by the Health and Wellbeing Boards. The Better Care Fund has a proportion of performance related funding dependent upon the achievement of targets to reduce emergency hospital admissions. NCC will be entering into pooled fund arrangements with each of the Clinical Commissioning Groups and will receive £34.806m of the available funding.

The settlement includes £6.080m of capital funding for health and social care that is to be part of the Better Care Fund. This includes £2.327m for the Social Care Capital Grant, £0.870m of which is for the implementation of the Care Act. This funding will be paid to local authorities, but agreement about how this funding will be used is required with the Clinical Commissioning Groups as part of the Better Care Fund plan. The remainder, £3.753m, is the Disabled Facilities Grant that has previously gone directly to lower-tier authorities and will now go to upper-tier authorities, via the Better Care Fund, so that the provision of adaptations can be incorporated in the strategic planning of investment to improve outcomes for service users. The statutory duty remains with lower-tier authorities in 2015-16 and NCC will therefore have to allocate this funding to the housing authorities (district councils) from the pooled budget to enable them to continue to meet this duty.

- 3.4.7 **Local Reform and Community Voices grant** – this grant consists of three funding streams: Deprivation of Liberty Safeguards in Hospitals; local Healthwatch funding; and funding for the transfer of Independent Complaints Advocacy Service to local authorities. In 2014-15 this also included funding for Independent Mental Health Advocacy and Guaranteed Income Payments for Veterans. The settlement for 2015-16 removed the funding of these elements from the grant and advised that the funding for these streams would be included in the Better Care Fund in 2015-16. However, no additional funding was provided to the Better Care Fund and, as negotiations had already been completed with the Clinical Commissioning Groups in Norfolk prior to the settlement, NCC has had to absorb this pressure.
- 3.4.8 **Care Act Funding grant** – the Social Care Act establishes new burdens that are to be funded by the Department of Communities and Local Government. Additional revenue grant is provided: to cover Early Assessments in 2015-16 of service users who currently fund their own care and who wish to have a Care Account from the April 2016; for provision of a universal deferred payment scheme (to replace the one currently operated by NCC for new agreements); and for implementation of the Social Care Act funding. Funding from the Better Care Fund is in addition to this revenue grant.
- 3.4.9 **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.

3.4.10 Education Services Grant – 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.

3.4.11 New Homes Bonus Funding – 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, annually for 6 years. It's based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

2016-17 will see the Council receive a full 6 years payment for the first time for the houses built in 2011-12. Following this, as each new financial year is added, one will be removed. Fluctuations in receipt of grant will be directly in relation to the number of houses removed (houses built 7 years previous) versus the number of new houses built. Our 2017-18 assumptions are that as 2011-12 will be removed and 2017-18 will be added, it will be cost neutral but expect to receive further information regarding this following the government Spending Review 2015.

3.5 Council Tax (22%)

3.5.1 Council Tax is one 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.

3.5.2 The critical policy decision to be made is whether to accept a freeze grant or to raise Council Tax at 1.95% to avoid a referendum.

3.5.3 Over the period 2015-18, the ongoing additional income generated by raising Council Tax by 1.95% amounts to approximately £15.4m, assuming a loss of freeze grant of 1% in 2015-16 and a referendum trigger of 2%.

3.5.4 Council tax freeze compensation is received subject to Government decisions and may not be permanent. A decision to raise Council Tax would be a local decision that would result in greater control of the Council's finances.

3.5.5 Local Government Association (LGA) estimates show that councils are facing an effective cut of £1bn in Council Tax support funding by 2015-16.

3.5.6 Further details about Council Tax are included in Appendix 1.

4. Revenue strategy and budget

4.1. The primary objective of the Medium Term Financial Strategy 2015-18 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 2016-17 and 2017-18 below:

Table 4: Budget shortfall

	2015-16 £m	2016-17 £m	2017-18 £m
Additional cost pressures and forecast reduction in Government grant funding	70.594	72.318	52.184
Identified saving proposals and funding increases	-60.752	-28.039	-5.835
Council Tax base increase	-9.842	-1.326	-1.555
Budget shortfall	0.000	42.953	44.794

- 4.2. The Council's revenue budget plans will enable a balanced budget for 2015-16, but a deficit will remain of £42.9m in 2016-17 and £44.8m in 2017-18 (a cumulative shortfall of £87.7m). The Medium Term Financial Strategy is to ensure a three year balanced budget 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 elsewhere on this agenda.
- 4.3. When comparing the three year period 2015-18 with the previous three year period 2014-17, the data shows that the unfunded budgets for years two and three have increased from just under £26m, to just under £88m as shown in Table 5 below.

Table 5: Deficits in years two and three

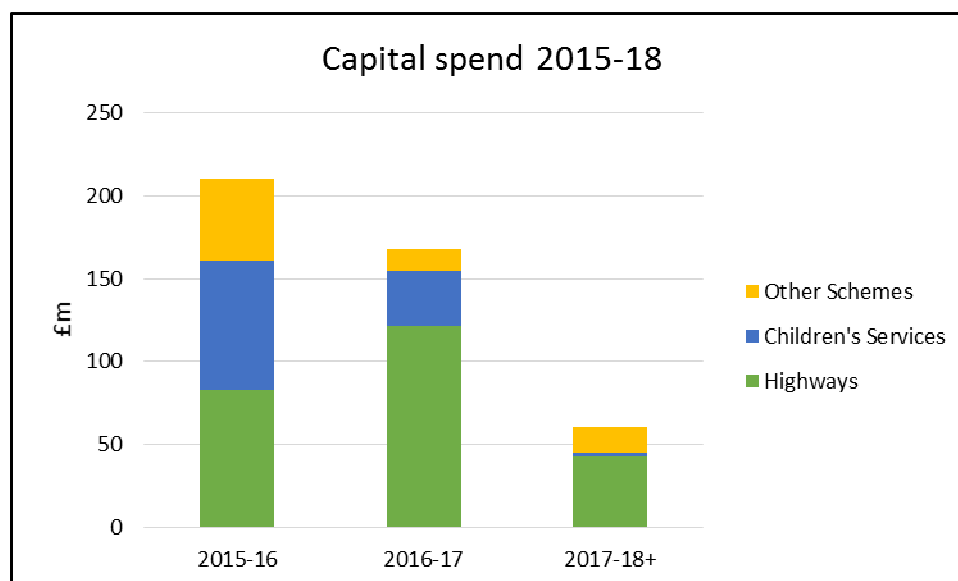
	Year 1 £m	Year 2 £m	Year 3 £m	Total £m
2014-17	0.0	3.8	22.0	25.8
2015-18	0.0	42.9	44.8	<u>87.7</u>
Increase in risk 2015-18 compared to 2014-17				61.9
				or +240%

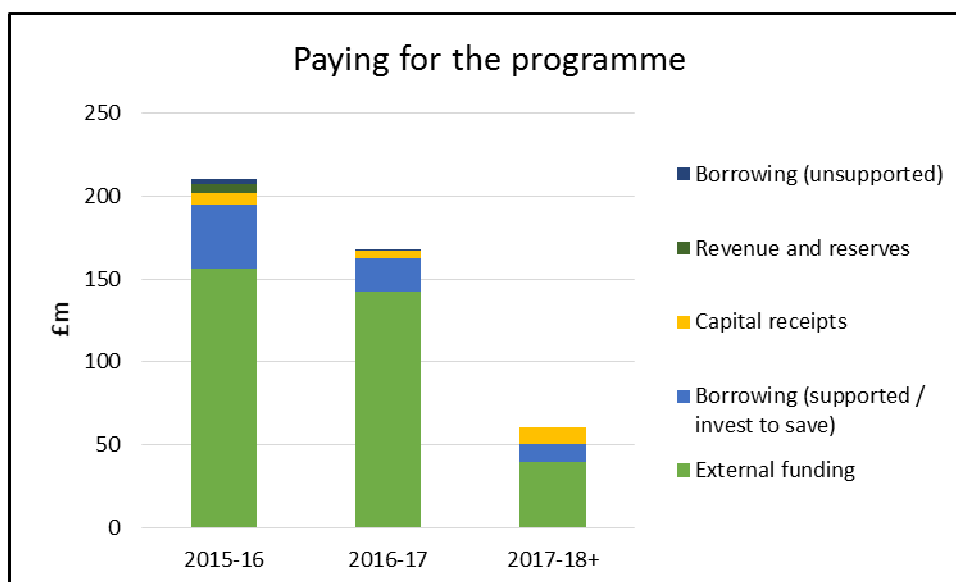
- 4.4. As set out in 1.6 above, it is the view of the S151 officer that whilst the 2015-16 budget can be balanced, the shortfall for 2016-17 and 2017-18 represents a high risk. In addition to the larger three year deficit, the following have contributed to the view of the S151 officer:
- The shortfall in 2016-17 is likely to worsen. The 2015-16 shortfall, measured at £3.8m in January 2014, increased significantly during the budget planning process and required additional costs to be included in the January Service Committee reports;
 - The savings need to be bigger for 2016-17, than has previously been achieved. The level of cuts and efficiencies in 2015-16 is £36.3m, of which £29.6m are ongoing and £6.7m are one-off. For the following year, it needs to be 45% higher, at the current estimate of £42.9m. However, this amount is itself reckoned to be too low;
 - The level of 2015-16 income benefitted from two large increases that are unlikely to be replicated in future years, to give a misleading impression for the future, by around £16.7m. They were the Better Care Fund and the increase to the Council Tax Base and surplus on Collection Fund.
 - It is increasingly difficult to deliver savings, both finding them, and achieving consensus on what to cut, by when.

- 4.5. The budget strategy is built around reducing costs, with an under-emphasis on increasing our own income. The majority of Counties (Society of County Treasurers' meeting January 2015) have indicated that they will be increasing their Council Tax. By 2018, an increase in 2016-17 would result in net additional income of just under £12m to help reduce the level of cuts.
- 4.6. If, following the General Election, the level of savings required is reduced, the Council can reduce the level of Council Tax. However, in the current circumstances there should be a three pronged strategy:
- Lobbying to ensure the Government fully appreciates the effect of its policies – a recent National Audit Office report indicated that the Department for Communities and Local Government has no measure of the effect of funding reductions on Local Authorities;
 - Very early and urgent planning to reduce expenditure for 2016-18;
 - Increasing our own income, of which Council Tax is one element.

5. Capital strategy and budget

- 5.1 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:
- how the Council identifies, programmes and prioritises 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;
 - identify the resources available for capital investment over the three year planning period.
- 5.2 A proposed capital programme of £438.933m is included elsewhere on the agenda.
- 5.3 The bar charts below show the split of capital spend and how it is funded. The cumulative annual revenue cost of unsupported borrowing will be £0.413m if no alternative source of funding is found.





- 5.4 The main use of capital receipts is for the unfunded element of the Northern Distributor Road. The NDR will cost £60.340m over and above government grant and revenue contributions, of which £2.5m has been funded from the NDR reserve, and £40m will be funded through prudential borrowing supported by Community Infrastructure Levy (CIL) developer contributions. This will leave the final £17.840m of expenditure to be funded from capital receipts. Expenditure on the NDR is currently forecast to be largely completed by 2018 at which point £10m of capital receipts are forecast to be available.
- 5.5 In order to minimise additional costs to future revenue budgets, the strategy outlined in the table is to ring-fence receipts forecast for the period 2019 until approximately 2028. If further properties are identified for sale, it may be possible to bring forward the date by which the scheme is fully funded.
- 5.6 County Farms

The County Farms Estate is managed in accordance with the policy approved by Full Council in October 2014. The primary policy objective is to maintain the size of the estate at 16,000 acres or more, to maintain revenue and provide opportunities for new entrants and for existing tenants to grow their businesses. The estate extends to 16,300 acres and the rental income in 2014/15 is £1.806m. Under current policy capital receipts are ring fenced and can be invested to improve the infrastructure on the estate. There is an ongoing programme to improve the standard of housing, buildings, roads and land drainage.

It is anticipated that there will be only modest growth in rental income over the next few years of say 5% average a year, bearing in mind that rents can only be reviewed on a three yearly cycle.

Assets, such as traditional barns or ranges of buildings, which are surplus or which could be declared surplus have been identified and where appropriate planning permission sought for conversion to residential use to maximise value prior to disposal. The relaxation of regulations on Permitted Development, which were introduced in 2014, is increasing the number of buildings where conversion may be possible. Similarly, land with development potential has been identified and is being promoted for development in the Local Development Framework (LDF) process.

Land at Acle which has been actively promoted, has now got outline consent for 140 homes and will be marketed in 2015 with an estimated value of £3.6m.

It should be acknowledged that the County Farms revenue account will be making a £2m transfer of funds to assist the 2015-16 revenue budget. Furthermore, a permanent annual transfer of £500k from County Farms to the revenue account will be established from 2015-16. This will improve the Council's trading income and demonstrate, in a narrow financial way, the benefit from holding an asset of £45m.

6. Medium Term Financial Strategy post-budget setting

6.1 After the budget is set at the County Council meeting in February, the information contained within the following reports elsewhere on the agenda will be amalgamated into the Medium Term Financial Strategy:

- Robustness of estimates 2015-18;
- Statement on the adequacy of provisions and reserves 2015-18;
- 2015-18 Revenue Budget;
- Capital Programme 2015-18 (including Prudential Indicators); and
- Annual Investment and Treasury Strategy 2015-16

7. Issues, Risks and innovation

7.1. The recommendations within this report have implications to the Council's resources including finances, staff, property and ICT and these are reported either within this report, within other reports elsewhere on the agenda or within more detailed reports to Service Committees in January 2014.

7.2. Equality Impact Assessment (EqIA)

7.3. The implications in relation to equality impact are set out in a separate report on this agenda.

7.4. Risk Implications

7.5. The risks associated with the budget proposals were reported to Service Committees in January and are detailed in the separate report on the robustness of estimates. Reports on the robustness of estimates and the adequacy of reserves and balances 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.

Background Papers

Provisional Local Government Finance Settlement 2015-16

<https://www.gov.uk/government/publications/breakdown-of-settlement-funding-assessment-provisional-local-government-finance-settlement-2015-to-2016>

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 Agenda 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.

Council Tax is the main 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.

Since 2011-12, the Government has been keen to promote a freeze of Council Tax. They have funded Councils who have chosen to freeze Council Tax for their citizens through varying levels of Council Tax Freeze Grant. However, this has meant that Council Tax has not kept pace, which is not sustainable long term.

To illustrate this further, the table below shows how much Council Tax Freeze Compensation has been received in each year. It shows, for example that the Council Tax Freeze Compensation in 2012-13 was only payable in 2012-13. If we had increased Council Tax by 2.5% in 2012-13, we would not have received the Council Tax Freeze Compensation in that year, but we would have received the equivalent income in 2012-13 and every year after.

Scheme	Value (%)	Amount payable each year				
		11/12	12/13	13/14	14/15	15/16
		£m	£m	£m	£m	£m
11/12	2.50%	8.532	8.532	8.532	8.532	8.483
12/13	2.50%		8.624	0.000	0.000	0.000
13/14	1%			3.478	3.478	3.491
14/15	1%				3.512	3.512
15/16	1%					3.542

The 2013-14 Council Tax Freeze Compensation (CTFC) was added to the 2014-15 Local Government Departmental Expenditure Limit (LG DEL). Similarly, the 2014-15 CTFC of £3.512m has been added into the 2015-16 LG DEL.

Whilst this provides some certainty around the continuation of receipt 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.

Any future Government funding reductions to the LG DEL will be then be applied to the total LG DEL amount (including the rolled in CTFC relating to 2013-14 and 2014-15). This means that the CTFC is not guaranteed funding in the same way that a local decision to increase Council Tax would have been. The council is now exposed and vulnerable to government decisions.

If Members decide to take the 2015-16 CTFC, the Government plans to calculate the 1% increase on the higher taxbase (i.e. the taxbase is not reduced for the element of the taxbase receiving council tax support).

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 in the table 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.

Council Tax Freeze

District Councils:	Tax Base	Collection Fund Surplus/(Deficit) £	Precept £	Total Payments Due £
Breckland	39,654.40	1,335,115.00	45,407,064	46,742,179
Broadland	43,304.00	(148,000.00)	49,586,111	49,438,111
Great Yarmouth	26,155.00	540,805.00	29,949,306	30,490,111
Kings Lynn and West Norfolk	47,284.00	1,610,729.00	54,143,490	55,754,219
Norwich	33,603.00	1,138,900.00	38,477,787	39,616,687
North Norfolk	37,274.00	817,046.00	42,681,339	43,498,385
South Norfolk	44,538.00	1,700,249.00	50,999,128	52,699,377
	<u>271,812.40</u>	<u>6,994,844</u>	<u>311,244,225</u>	<u>318,239,069</u>

Norfolk County Council is currently part of a Business Rates Pool with Breckland District Council, Broadland District Council, Borough Council of King's Lynn & West Norfolk, North Norfolk District Council and South Norfolk District Council. In October 2014, Norfolk authorities applied to expand the Pool with the inclusion of Norwich City Council from April 2015. We have received notification of Secretary of State approval for the extension of the Business Rates Pool, from April 2015. The following authorities are designated as a Pool of authorities for the purposes of the scheme for local retention of business rates:

- Breckland District Council
- Broadland District Council
- Borough Council of Kings Lynn and West Norfolk
- North Norfolk District Council
- Norfolk County Council
- South Norfolk District Council
- Norwich City Council

All 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 support Norfolk's economic growth strategy.

The Pool does not include all Norfolk councils, but it is committed to a Norfolk wide approach and the role of Pool Board, responsible for governance and decision making, is being undertaken by the current Norfolk Leader's Group, which includes all Norfolk councils.

The extension of the Pool supports the wider economic plan for Norfolk and provides a countywide commitment to utilise this financial flexibility 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

If a member of the Pool decides it no longer wishes to be designated as part of a Pool for 2015-16 it must notify DCLG by 14 January 2015. If any council in the Pool requests a revocation of the designation before this date the rest of the Pool cannot continue. The Secretary of State will then revoke this designation and all local authorities identified as part of this Pool will revert to their individual settlement figures.

On 20 November 2013, the Leaders of Norfolk and Suffolk county councils signed a partnership agreement committing both authorities to working more closely together, whilst remaining independent sovereign bodies. Activities are underway to strengthen existing joint working, and to look at ways of joining forces to save money and protect front-line services.

The strengthening of the partnership between the two counties follows the success of existing joint working arrangements, including projects relating to:

- Better Broadband;
- Economic Development; and
- Public Health.

Five areas of collaboration are currently being focused on, with work underway to explore options and potential savings:

- 1) **‘Signs of Safety’ project** – Following a successful joint bid with Suffolk, the County Council is to transform the way it works with children and families as part of a pioneering multi-million pound project aimed at revolutionising social work. The Council is one of ten local authorities working alongside renowned academics Eileen Munro, Andrew Turnell and Terry Murphy on the £4.7m Signs of Safety project. The scheme, which is being funded via a grant from the Department for Education’s Innovation Project, will see a new style of social work developed in Norfolk – aimed at empowering families and building on their strengths.
- 2) **Economic development and the New Anglia Local Enterprise Partnership (LEP)** – This involves joint work to maximise investment and growth. Both counties have been pivotal in producing the Strategic Economic Plan (SEP) with the LEP. Targets for Norfolk are: 73,000 more homes, 57,000 more jobs and 5,300 new businesses by 2026, as well as increasing Gross Value Added (GVA) to the national average.

The SEP lays the foundations for a Growth Deal with Government, which gives access to the national £2bn Local Growth Fund. The LEP was awarded over £300m of funding up to 2021. This is made up of £60m of new Government funding and over £20m provisional allocation for future projects, as well as confirmation of a previous award of £91.49m for transport schemes (including the Norwich Northern Distributor Route), additional investment from the private and public sector and a further £20m low-cost borrowing facility. Projects benefitting Norfolk and Suffolk equally, as well as Norfolk specifically, comprise:

- Growing Business Fund - £12m to extend the funding scheme for small & medium sized businesses (SMEs) until 2020, helping to create 1,200 new jobs;
- Norfolk & Suffolk Better Broadband - £10m to extend Superfast Broadband into rural areas with the aim of 95% of homes will be covered by 2017;
- Growing Places Fund - £10m to extend the existing fund, which provides capital investment in homes and business infrastructure;

- New Anglia Growth Hub - £0.35m to extend the newly launched service, which provides free face-to-face business support, until 2016;
- College of West Anglia, King's Lynn - £6.5m to build a higher-skills, science, technology and management centre;
- Easton & Otley College, Easton Campus - £2.5m for a new construction training centre; and
- Costessey - £2.1m loan-funding which will fast-track the development of Lodge Farm, providing 495 new homes, a new school site, community centre and sports facilities.

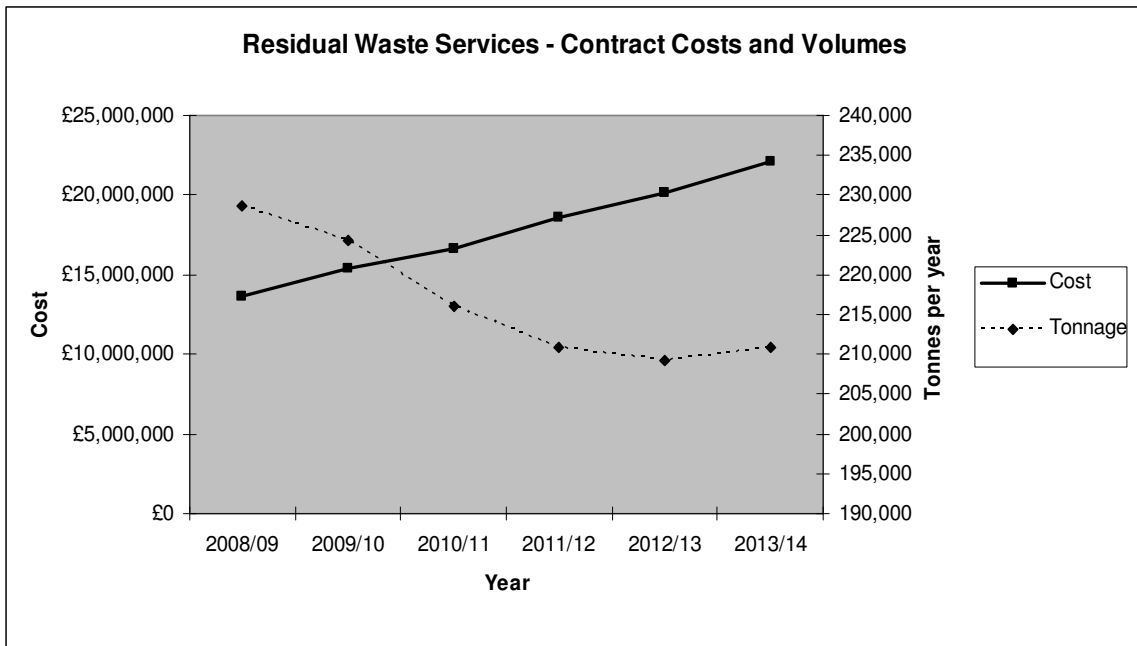
There is also a provisional allocation of £20.10m for the following projects starting in 2016/17 and beyond:

- Great Yarmouth, transport plans to maintain road network and ease congestion;
 - Attleborough town centre transport improvements; and
 - Thetford town centre improvements, including a road cycle link.
- 3) **Succession planning / recruitment** – To investigate sharing of information and staff as part of succession planning and recruitment.
 - 4) **Development of a Great Yarmouth / Waveney integrated adult social care assessment and care management team** – Norfolk County Council's Head of Social Care for Great Yarmouth has been seconded to Great Yarmouth and Waveney CCG to work on behalf of both Suffolk and Norfolk.
 - 5) **One Public Estate** – The Council was successful in its joint bid with Suffolk to be part of the "One Public Estate Programme," and our inclusion was confirmed in September 2014. The programme is designed to facilitate and enable local authorities to work successfully with central government and local agencies on public property and land issues through sharing and collaboration. It has four main objectives:
 - Create economic growth;
 - Generate capital receipts;
 - Reduce running costs; and
 - Deliver more integrated and customer focused services.

The newly formed Corporate Property Team is leading on the initiative and is already having productive conversations with other public sector agencies around co-location opportunities.

Alongside these areas of focus, close collaboration continues in other activities such as legal services, pension administration and gypsy and traveller services.

The County Council is responsible for dealing with the rubbish collected by local authorities in Norfolk that is left over after waste reduction, recycling and composting initiatives. The volume of residual waste in 2014-15 is currently projected to be around 213,500 tonnes of waste which is a sharp increase on the previous year despite changes to the recycling service provided by the district, city and borough councils to all householders in Norfolk. The graph below shows the cost of the service in recent years for the amount of residual waste dealt with by contracts the County Council has in place.



Although some of this residual waste is sent for treatment it is predominately sent to landfill for disposal which is getting more expensive due to increasing fees charged by landfill operators and the increasing landfill tax which will be £82.60 in 2015-16 and is expected to increase in line with the Retail Price Index thereafter. The budget plans include provisions for this increase as well as for the effects of indexation on contract prices for treatment and disposal.

Data for the early part of 2014-15 shows that the County Council is dealing with more residual waste than in 2013-14. This is despite the new recycling service provided to all householders in Norfolk and the continuing initiatives across Norfolk to encourage re-use, recycling and composting such as food waste collections.

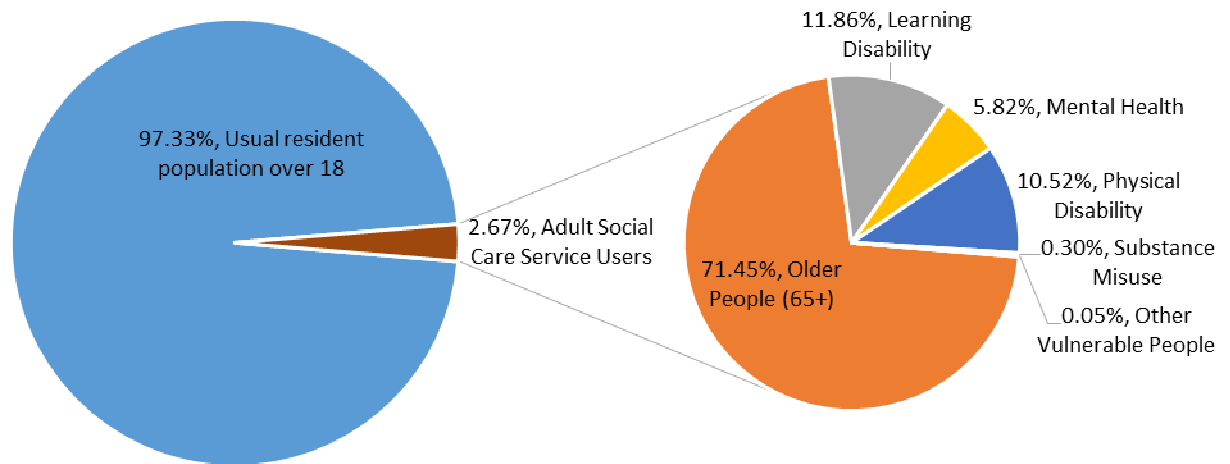
This significant increase, which is also being seen outside Norfolk, is mainly driven by increases in household numbers, increases in consumer confidence and an upturn in the economy, as well as weather patterns in the year that have led to more waste being generated.

The current forecast of 213,500 tonnes for 2014-15 has been reflected in the forward plans. However, the full effects of the new recycling service which started in October 2014 are not yet clear and 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 can all have a major effect on the cost of this service in any given year 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. This does not just relate to the service volumes but also the unit costs of the service because, as the graph above shows, the cost of the service has continued to increase even in years when the service volume has decreased and effect which was mainly driven by the landfill tax increasing at £8 a year during this period.

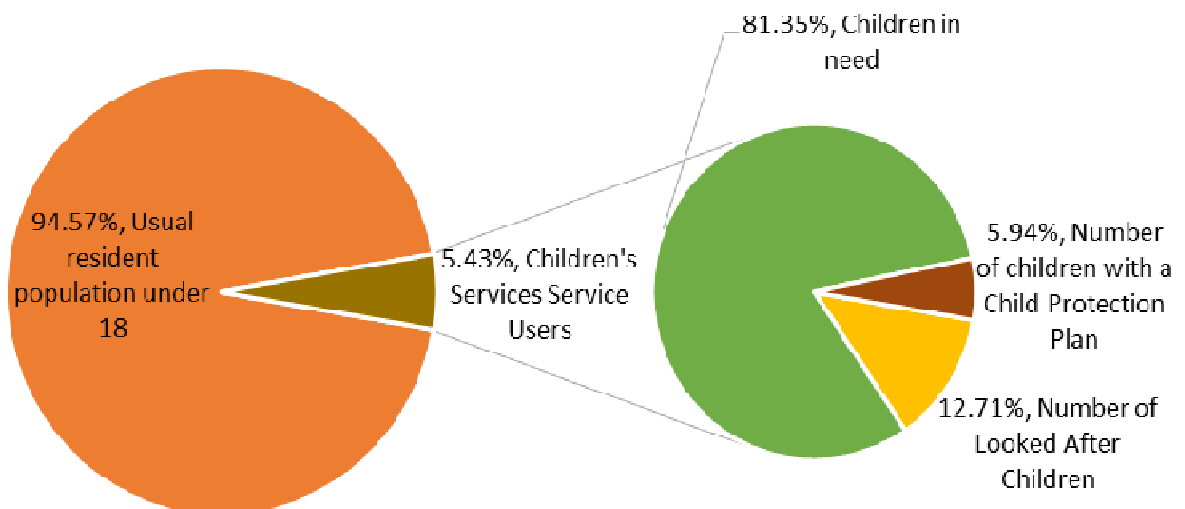
Adults Demographic Information

Comparison of Norfolk Population (over 18) to the number of Adult Social Care service users and their respective specialism breakdown



Children's Demographic Information

Comparison of Norfolk Population (under 18) to the number of Children's Services Social Care Service users and their respective specialism breakdown



	2015-16	2016-17	2017-18	2015-18
	£m	£m	£m	£m
Organisational Change – Staffing	-4.976	-0.528	0.000	-5.504
Organisational Change – Systems	-10.300	-13.753	0.000	-24.053
Procurement	-5.667	-1.020	-0.135	-6.822
Shared Services	-0.190	-0.205	-2.000	-2.395
Capital	-0.614	-0.727	0.000	-1.341
Terms & Conditions of employees	-0.705	-1.102	0.000	-1.807
Income and Rates of Return	-7.558	-6.045	-2.900	-16.504
Assumptions under Risk Review	4.230	5.156	0.000	9.386
Back office savings sub total	-25.780	-18.224	-5.035	-49.040
Reducing Standards	-4.244	-6.725	-0.800	-11.769
Cease Service	-6.297	-3.090	0.000	-9.387
Front line savings sub total	-10.541	-9.815	-0.800	-21.156
Total	-36.322	-28.039	-5.835	-70.196

Specific Grants

Appendix 7

The table below details the amount of specific grants to be received in 2014-15 and 2015-16. Some grant allocations have not yet been confirmed and we have made assumptions in 2015-16 where the box is highlighted. The Government has not released information for 2016-17 or 2017-18, and the figures for these years are therefore indicative only.

Grant	2015-16 Provisional Settlement £m	2016-17 Indicative £m	2017-18 Indicative £m
Un-ring-fenced			
Section 31 Grant (compensation for Government business rate initiatives)	2.052	0.000	0.000
New Homes Bonus	4.124	5.653	5.653
New Homes Bonus adjustment	0.462	0.000	0.000
Education Services Grant	8.035	7.309	7.309
Fire Revenue	1.004	1.004	1.004
Inshore Fisheries	0.152	0.152	0.152
Lead Local Flood	0.207	0.207	0.207
Local reform and community voices	0.563	0.563	0.563
Extended rights to free travel (Local Services Support Grant)	0.719	0.719	0.719
PFI Revenue Grant (street lights; salt barns and schools) – not yet confirmed	8.046	8.046	8.046
New: Social Care in Prisons	0.371	0.371	0.371
New: Early Assessment	3.121	3.121	3.121
New: Deferred Payments	1.542	1.542	1.542
New: Carers & Care Act Implementation	0.966	0.966	0.966
Un-ring-fenced sub total	31.364	29.653	29.653
Council Tax Freeze Grant 15-16 (if no increase to Council Tax)	3.542	0	0
Ring-fenced			
Public Health	30.590	30.590	30.590
Dedicated Schools Grant	546.548	546.548	546.548
Pupil Premium Grant	29.752	29.752	29.752
Ring-fenced sub total	606.890	606.890	606.890
Locally collected tax (forecasts)			
Council tax (assuming no Council Tax increase)	318.239	319.565	321.120
Pooled funding			
NHS Funding (incl. Better Care Fund)	56.381	56.381	56.381