

# Policy and Resources Committee

Date: **Friday, 5 September 2014**

Time: **10 am**

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

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

## **Membership**

Mr G Nobbs (Chair)

Mr T Adams  
Mr S Agnew  
Mr M Baker  
Mr M Castle  
Mr A Dearnley  
Mr J Dobson  
Mr T FitzPatrick  
Mr T Garrod

Mrs S Gurney  
Mr D Harrison  
Mrs J Leggett  
Mr S Morpew  
Mr A Proctor  
Mr D Ramsbotham  
Dr M Strong  
Mrs A Thomas

**For further details and general enquiries about this Agenda  
please contact the Committee Officer:**

Tim Shaw on 01603 222948  
or email [committees@norfolk.gov.uk](mailto:committees@norfolk.gov.uk)

**Under the Council's protocol on the use of media equipment at meetings held in public, this meeting may be filmed, recorded or photographed. Anyone who wishes to do so must inform the Chairman and ensure that it is done in a manner clearly visible to anyone present. The wishes of any individual not to be recorded or filmed must be appropriately respected.**

# **A g e n d a**

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

## **2. Minutes**

**(Page 5)**

To agree the minutes from the meeting held on 14 July 2014.

## **3. Members to Declare any Interests**

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

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

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

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

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

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

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

## **5. Local Member Issues**

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

Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223230) by **5pm on Tuesday 2 September 2014.**

## **6. 2014-15 Revenue Monitoring Report –Month 3**

**(Page 13)**

Report by Interim Head of Finance

## **7. 2014-15 Capital Monitoring Report –Month 3**

**(Page 48)**

Report by Interim Head of Finance

**8. Strategic and Financial Planning 2014-17**  
Report by Interim Head of Finance

**(TO FOLLOW)**

**Group Meetings**

Conservative	9:00am	Colman Room
UK Independence Party	9:00am	Room 504
Labour	9:00am	Room 513
Liberal Democrats	9:00am	Room 530

**Chris Walton**  
**Head of Democratic Services**

County Hall  
Martineau Lane  
Norwich  
NR1 2DH

Date Agenda Published: 28 August 2014



**If you need this document in large print, audio, Braille, alternative format or in a different language please contact Catherine Wilkinson on 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.**



## **Policy & Resources Committee**

**Minutes of the Meeting Held on Monday 14 July 2014  
10am Edwards Room, County Hall, Norwich**

**Present:**

Mr G Nobbs (Chair)

Mr T Adams  
Mr S Agnew  
Mr M Baker  
Mr M Castle  
Mr A Dearnley  
Mr J Dobson  
Mr T FitzPatrick  
Mr C Foulger

Mr D Harrison  
Mrs J Leggett  
Mr S Morphew  
Mr A Proctor  
Mr D Ramsbotham  
Dr M Strong  
Mrs A Thomas  
Mr A White

**1 Apologies and substitutions**

- 1.1 Apologies were received from Mrs S Gurney (Mr C Foulger substituted); and Mr T Garrod (Mr A White substituted).

**2 Minutes from the meeting held on 23 June 2014**

- 2.1 The minutes of the meeting held on 23 June were agreed as a correct record and signed by the Chairman.

**3 Declarations of Interest**

- 3.1 No declarations of interest were made.

**4 Items of Urgent Business**

- 4.1 There were no items of urgent business.

**5 Local Member Issues/Member Questions**

- 5.1 The list of local Member questions received and their responses are set out in Appendix A to these minutes.
- 5.2 Following a question from Mr A Dearnley, on behalf of Mrs E Morgan, the Chairman agreed to reiterate that the Local Member Protocol should be adhered to in future.

- 5.3 With regard to Mr E Seward's question, the Chairman agreed that the P&R arrangements for assessing rural impact as part of the engagement and consultation on budget proposals would be highlighted within a report to be brought to the next meeting of the Committee.

## **6 2013-14 Revenue Out-Turn Report**

- 6.1 The Committee received the report by the Interim Head of Finance summarising the financial outturn for each service and the resulting impact on reserves and provision.
- 6.2 The Interim Head of Finance agreed to provide responses to the following questions:
- 6.2.1 Carbon spend - what was the spend to date and what was the planned spend?
- 6.2.2 Other Supplies and Services. It was explained that Independence Matters had been set up during the year and accounted for the overspend in this category, therefore when the budget had been moved to reflect setting up Independence Matters, it had been amended accordingly. Members asked if all the variation was due to this factor and why a budget virement had not been instituted to eliminate a false overspend?
- 6.3 The Managing Director (Acting) agreed to circulate a briefing note setting out the current position with regard to the Willows following the termination of the Contract by Norfolk County Council.
- 6.4 The Committee **RESOLVED** to:-
- Note the underspend for 2013-14 of £0.477m.
  - Note the resulting increase in General Balances at 31 March 2014 to £17.288m.

## **7 2013-14 Capital Out-Turn Report**

- 7.1 The Committee received the report by the Interim Head of Finance presenting the outturn position on the Norfolk County Council capital programme 2013-14.
- 7.2 The Interim Head of Finance agreed to circulate details of Norfolk County Council Assets to the Committee Members, including:
- What property was owned by Norfolk County Council?
  - Norfolk County Council sales policy for assets to be disposed of.
  - List of Assets by Division.
  - How was the £0.8m made up and which project was put on hold?
  - What constituted the balance of £2.4m in the sale of properties in 2013-14 if £6.78m of capital receipts was from sale of property and five items generated £4.3m?
    - The spend incurred in raising the Charles Burrell High School to a reasonable state of repair before it was leased for a peppercorn rent.

- The County Council policy on leasing property.
- What was the number of sales of farms to account for the £872k capital receipts?

7.3 The Committee asked for a workshop to be organised to give them an overview and understanding of Asset Management.

7.4 The Committee **RESOLVED** to:

- Note the final agreed capital programme and the outturn for the 2013-14 financial year, including the associated slippage and underspends..
- Note the major areas of expenditure in 2013-14 as set out in section 2 of the report.
- Note the final position on the capital receipts reserve and the use of capital receipts and 2013-14 revenue contributions to reduce the Council's borrowing requirement in the year.
- Approve the carrying forward into 2014-15 of slippage amounts and underspends on specific schemes as set out in Appendix 3 of the report.
- Organise a workshop to give Members an overview and understanding of Asset Management within Norfolk County Council.

## **8 Annual Treasury Management Report 2013-14**

8.1 The Committee received the report by the Interim Head of Finance providing details of the 2013-14 outturn position for treasury activities and highlighting compliance with policy and strategy previously approved by Members in relation to treasury management.

8.2 The Committee **RESOLVED** to endorse the Annual Treasury Management Report 2013-14 and recommend it to County Council.

## **9 2014-15 Revenue Monitoring Report Month 2**

9.1 The Committee received the report by the Interim Head of Finance providing details of the forecast outturn position for the 2014-15 Revenue Budget, General Balances and the Council's Reserves at 31 March 2015, together with related financial information.

9.2 The Committee considered it should be responsible for monitoring departmental overspends and enforcing the "no overspend" rule. This information to be included in future reports.

9.3 The Committee **RESOLVED** to note that.

- Revenue expenditure is forecast to overspend by £1.793m on a net budget of £308.397m.
- General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast overspend by £1.793m.
- The Council has earmarked revenue reserves forecast to be £69.536m at 31 March 2015. The Residual Waste Treatment Contract Reserves,

currently £33.7m are forecast to be fully exhausted as a result of contract termination. The Council separately holds Reserves in respect of Schools estimated to be £36.469m at 31 March 2015.

## **10 Capital Monitoring Month 2**

- 10.1 The Committee received the report by the Interim Head of Finance providing a monthly update on the progress towards the achievement of the capital programme set by the Council in January 2014. It was necessary to provide regular monitoring on this progress in order to ensure that Members were aware of any developments in the delivery of the programme.
- 10.2 The Committee asked the Interim Head of Finance to provide more information about the Schools Access Initiative post.
- 10.3 The Committee also asked if there was a contingency fund in place if the costs of the NDR over-ran or if the developmental levies did not materialise. The Interim Head of Finance agreed to provide a response to this question
- 10.4 The Committee **RESOLVED** to note
- The revised opening position and funding of the 2014-17 capital programme and the changes which had occurred following the approval of the programme in January, as set out in Sections 1 and 2 of Annex A of the report.
  - The progress towards the achievement of the 2014-15 programme, as set out in Section 3 of Annex A of the report.
  - The proposed changes to the disposals schedule and the impact on the capital receipts reserve, detailed in Section 5 of Annex A of the report.
  - The impact of using borrowing to finance the programme on future revenue budgets, as identified in Appendix 1 of the report.
  - The urgent decision taken by officers in respect of the sale of a former highways depot in Watton

## **11. Performance Monitoring Report**

- 11.1 The Committee received the report by the Head of Business Intelligence and Performance Service and Corporate Planning and Partnerships Service. The report set out a framework to enable Policy and Resources (P&R) to undertake its responsibilities for providing a 'whole council view' of performance, as set out in the Constitution. It proposed continuing with a balanced approach which aimed to give a rounded view of performance.
- 11.2 The Committee asked about the rationale for surveillance measures and asked for these to be reviewed. The Committee also asked for information about trends and benchmarking.
- 11.3 The Committee **RESOLVED** to:-
- Note the performance information.



- Agree the specific priorities or areas of performance that it wanted to cover in the future.
- Agree a quarterly schedule for receiving performance reports – and any relevant amendments to the Committee's Forward Plan.
- Agree to receive any updated data at the beginning of each regular Performance discussion.

## **12 Budget Planning 2015-18 - developing our approach**

12.1 The Committee received the report by the Interim Head of Finance setting out responsibilities of the Committee.

12.2 The Committee **RESOLVED** to

- Adopt the approach proposed at paragraph 10.1 of the report to enable the Committee to fulfil its role in developing recommendations for the County Council on the 2015-16 budget and the 2016/18 forward plan.

## **13 Developing the County Council Plan 2015-16**

13.1 The Committee received the report by the Head of Business Intelligence and Performance Service and Corporate Planning and Partnerships Services, setting out the initial first steps of an approach to develop a new County Council Plan which best fit the Council's committee governance structure and contributes to the robustness of governance arrangements. The report also recognised that service committees are key in developing the plan and that this work should be fully integrated with the Council's new budget setting process.

13.2 The Committee **RESOLVED** that:

- The County Council Plan 2015-16 be revised to develop the areas set out in this report.
- Development of the plan be integrated with the annual budget setting process and, as part of this, committees identify outcomes for their services.

## **14 Health, Safety and Wellbeing Annual Report**

14.1 The Committee received the report by the Head of HR and Organisational Development, providing an overview of the activities of the Health Safety and Wellbeing (HSW) Service during 2013/14, Norfolk County Council's (NCC) health and safety performance for 2013/14 and the forward plan for 2014/15.

The Committee **RESOLVED** to note the report.

## **15 Digital Norfolk Ambition Update**

15.1 The Committee received the report by the Interim Director of Environment, Transport and Development, providing an update on the Digital Norfolk Ambition Programme. The programme was seeking to urgently address the Council's

technology provision and management of data through the implementation of a raft of new initiatives.

15.2 The Committee **RESOLVED** to

- Note the report.
- Agree to receiving reports on a regular basis.

The meeting closed at 12.42 pm.

**CHAIRMAN**



**If you need this document in large print, audio, Braille, alternative format or in a different language please contact Customer Services on 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.**

## 5. Member Questions

### 5.1 Question from Cllr Jonathon Childs

I find some of the issues in my area unrepresented. As an example children's services Yarmouth has serious issues with child protection and education; of the 9 councillors from the deprived area none are on the children's service committee and only Cllr Walker represents Yarmouth on ETD.

NCC has clear statistics to show how deprived Yarmouth is and as a matter of urgency can we call for a the issue of setting up the local area committee proposed in November to be brought forward. It's imperative that Yarmouth gets a voice in its urgent issues with childcare education and child protection, well being, health teenage pregnancy, etc..

#### **Response by George Nobbs, Chair of Policy and Resources Committee.**

The same issue raised by Jonathan's question was also raised with me by Mick Castle. So Members can see the concerns, I've set out the text of Councillor Castle's questions here:

*I should like to request that the Committee give their wholehearted support for the trialling of robust Local Arrangements for the Great Yarmouth area.  
My view is that work on a Local GY pilot now needs priority attention.  
For example given the challenges with regard to Children's Services - Schools, Safeguarding etc. - it is the case that not a single one of the 9 County Councillors in the GY area currently serves on the new Children's Services Committee.  
Getting good governance in a County with major geographic and demographic differences will require a strong "local dimension" and getting on with the Yarmouth initiative will help the Council address this.*

Policy and Resources committee members will know that when Full Council agreed the new constitution, it was also agreed that area arrangements should be considered at the six month review which will start in November so to bring this forward before the review would go against Council's decision.

I recognise that the points that Councillor Childs raises are important ones and I have a high degree of respect for his strength of feeling about these issues in Great Yarmouth, where he is a genuine and diligent local representative. I would urge him to consult with his colleagues in UKIP to see if he could serve on the Children's Committee, given his depth of local knowledge and commitment to improving outcomes for children and young people.

### 5.2 Question from Cllr Elizabeth Morgan

My question relates to the proposed disposal by this Council of the plot of land between 335 and 337 Dereham Rd in Norwich, which has been cultivated as a garden under a formal licence agreement for almost 30 years by the occupant of 337 Dereham Rd. I would like to ask the Chairman to consider delaying the sale of this land, as it is my belief that the loss of this garden land would have a serious

detrimental effect on the quality of life and health of the 86-year-old resident who cultivates it.

**Response by George Nobbs, Chair of Policy and Resources Committee.**

The area in question lies between two houses, on the left 337 occupied by the 'applicant', and on the right, 335. The land was originally ear-marked as access to Wensum Junior School, but other access is available for the School. Consequently, the use of the land, which was let on a gardening licence with a month's notice, was reviewed. This is part of the normal annual cycle to review the Council's assets and to identify where the reasons for holding them have changed

Planning permission was sought from Norwich City Council, around July 3rd, for a single residential property. During the hearing, Councillor Elizabeth Morgan presented the issues contained in her question for P&R Committee to the City Council. The planning permission was granted.

I wish I was able to give Councillor Morgan and her constituent the answers they want, but I have to say that as a council we have to use every asset available in order to support Social Services, Schools, Care for the Elderly, Highways and so on.

We have already offered the applicant a licence for a further 2 month period, but now that we have received planning permission from the City Council, the agents will be instructed to place the site on the market at the end of that period.

**5.3 Question from Eric Seward**

Given the vital importance of ensuring equity in the delivery of the Council's services to rural areas the Committee is asked to consider requesting a report on the adequacy of the Council's arrangements for rural proofing and what improvements may be required for this work to be effectively carried out

**Response by George Nobbs, Chair of Policy and Resources Committee.**

I share Councillor Seward's view about the importance of ensuring equity in service delivery for rural areas. Cabinet in April received and accepted the findings of a Cabinet Scrutiny working group looking at rural isolation which looked in depth at some of the issues for people in rural areas.

There will always be improvements we can make to strengthen rural proofing, and we need to ensure that this does not become a 'tick box' exercise – what matters is making decisions that are based on good analysis of all issues – including rural impact, equalities impact, sustainability and other risks. Rather than bring a separate report at this stage, I will ask officers to highlight to P&R arrangements for assessing rural impact as part of the engagement and consultation on budget proposals for future years. This will give Members of the Committee a chance to test the robustness of those arrangements and make any suggestions for improvement.

# Policy and Resources Committee Item No 6

<b>Report title:</b>	<b>2014-15 Revenue monitoring report month 3</b>
<b>Date of meeting:</b>	<b>5 September 2014</b>
<b>Responsible Chief Officer:</b>	<b>Head of Finance (Interim)</b>
<b>Strategic impact</b> This report gives details of the forecast outturn position for the 2014-15 Revenue Budget, General Balances, and the Council's Reserves at 31 March 2015, together with related financial information.	

## Executive summary

On 17 February 2014, the County Council agreed a net revenue budget of £308.397m. At the end of each month, officers prepare financial forecasts for each service showing forecast expenditure and the impact this will have on earmarked reserves.

**Members are recommended to note the following:**

- **Revenue expenditure is forecast to overspend by £5.157m on a net budget of £308.397m.**
- **General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast overspend.**
- **The Council has earmarked revenue reserves forecast to be £57.298m at 31 March 2015. The Residual Waste Treatment Contract Reserve, currently £21.9m following payments of £11.8m in July 2014, is forecast to be fully exhausted as a result of contract termination. The Council separately holds Reserves in respect of Schools estimated to be £36.469m at 31 March 2015.**

## 1. Introduction

The annex to this report summarises the Authority's 2014-15 financial position at the end of month 3: June 2014.

## 2. Evidence

The attached annex summarises forecasts for each service and the resulting impact on reserves and provisions.

The annex also summarises:

- Changes to the approved budget
- The impact of planning assumptions
- Performance against savings targets Savings
- A subjective analysis
- Treasury management
- Payments, debt and purchase order performance

### 3. Financial Implications

As stated above, revenue expenditure is forecast to overspend by £5.157m on a net budget of £308.397m. Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers are expected to explore measures to reduce or eliminate potential over-spends in-year, for example by reducing expenditure, to minimise the call on reserves.

### 4. Issues, risks and innovation

#### Risk implications

- 4.1 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

### 5. Background

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

### Officer Contact

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

Name	Telephone Number	Email address
Peter Timmins	01603 222400	<a href="mailto:peter.timmins@norfolk.gov.uk">peter.timmins@norfolk.gov.uk</a>
Harvey Bullen	01603 223330	<a href="mailto:harvey.bullen@norfolk.gov.uk">harvey.bullen@norfolk.gov.uk</a>



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.

# Norfolk County Council

## 2014-15 Revenue Finance Monitoring Report Month 3

Report by the Head of Finance (Interim)

### 1 Introduction

1.1 This report gives details of:

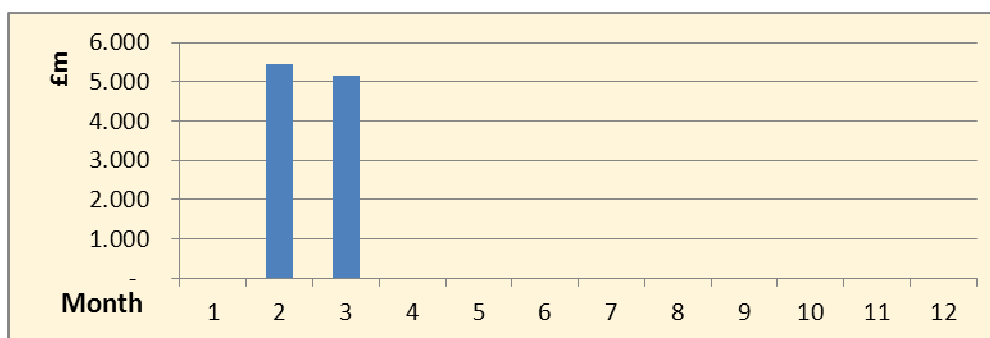
- the latest monitoring position for the 2014-15 Revenue Budget
- forecast General Balances and Reserves at 31 March 2015 and
- other key information relating to the overall financial position of the Council.

### 2 Summary of financial monitoring position

2.1 At the end of June:

- Revenue expenditure is forecast to overspend by £5.157m on a net budget of £308.397m, based on the position at the end of June 2014. The chart below shows the month by month trend.

**Chart 1: forecast revenue outturn 2014-15, by month**



*Note: month 2 restated to show the position before use of reserves*

- Chief Officers are expected to explore measures to reduce or eliminate the overspend in-year, for example by reducing expenditure, to minimise the call on reserves. The resolution of this will be reported in Month 4.
- General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast overspend.
- The Council has earmarked revenue reserves forecast to be £57.298m at 31 March 2015, which reflects the expected Willows settlement as set out in the paragraph below. The Council separately holds Reserves in respect of Schools estimated to be £34.104m at 31 March 2015.
- Cabinet resolved to terminate the Willows Energy from Waste contract on 7 April 2014, resulting in termination costs estimated at £33.7m for which a reserve has been created. The contract was formally terminated on 16 May 2014. The Council has made a payment of £11.8m from the reserve representing the cost of cancelling arrangements put in place to mitigate foreign exchange and interest rates risks. The Council's specialist advisors are scrutinising the evidence submitted in respect of other contractual termination costs. Further details are given in section 6.

### 3 Agreed budget, changes and variations

- 3.1 The 2014-15 budget was agreed by Council on 17 February 2014 and is summarised in Appendix 1. The budget has been monitored in accordance with the timetable at Appendix 2.

**Table 1: 2014-15 original and revised net budget by service**

Service	Approved net budget	Budget last period	Changes to budget June 2014	Revised budget
	£m	£m	£m	
Children's Services	161.903	161.966	-	161.966
Community Services	264.923	264.923	-	264.923
Environment, Transport and Development	108.840	108.985	-	108.985
Fire and Rescue Service	27.804	27.804	-	27.804
Resources	55.457	55.394	-	55.394
<b>Finance General</b>	-310.675	-310.675	-	-310.675
<b>Total</b>	<b>308.397</b>	<b>308.397</b>	<b>-</b>	<b>308.397</b>

- 3.2 The Council's total net budget has not changed during the year to date. Only minor re-allocations between services have taken place to date.
- 3.3 The approved net budget shown has taken into account discussions at County Council on 17 February resulting in a one-off £1m allocation not reflected in the papers prepared in advance of the meeting. This allocation is for supporting personal care/wellbeing services for older people and is funded from revenue saving on deferring borrowing for 2014-15 only.
- 3.4 Significant new in-year revenue grants over £0.100m are listed in Appendix 3 including a universal infant free school meals (UIFSM) grant of £5.395m received in June 2014.
- 3.5 The Department for Communities and Local Government has confirmed that the Council will receive a Bellwin grant in July 2014 as a result of costs relating to the tidal surge and flooding in December 2013. The Council's eligible costs totalled £82,075. Norfolk County Council's threshold is £58,910 and therefore the grant payable amounts to £23,165.



## 4 Control of growth, cost pressures and savings targets

- 4.1 **Planning assumptions:** The key planning assumptions made during the preparation of the 2014-15 budget are shown in Appendix 4 along with a brief narrative showing the status in each of these areas.
- 4.2 All the areas listed in Appendix 4 remain areas of budgetary pressure, with continuing pressures forecast in relation to Looked After Children.
- 4.3 **Savings targets:** The key savings targets required for the preparation of a balanced 2014-15 budget are shown in Appendix 5.
- 4.4 Forecast savings of £64.453m are £2.814m (previous month £3.042m) short of the budgeted £68.267m savings target. Savings in Community Services – Cultural, ETD, Fire, Resources and Finance General remain on track. The number and cost of Looked After Children is a continued pressure in Children's Services as are arrangements relating to reviews of agreements for mental health and care services in Community Services. A full analysis is shown in Appendix 5.
- 4.5 **Termination of Willows Energy from Waste contract:** As reported to County Council on 27 May, Cabinet of 7 April 2014 resolved to allow the Willows Energy from Waste contract to terminate for planning failure. The contract was formally terminated on 16 May 2014 incurring contractual termination costs estimated at £33.7m, including £11.8m paid in July 2014. Further details are included in section 6.

## 5 Revenue outturn – forecast over/underspends

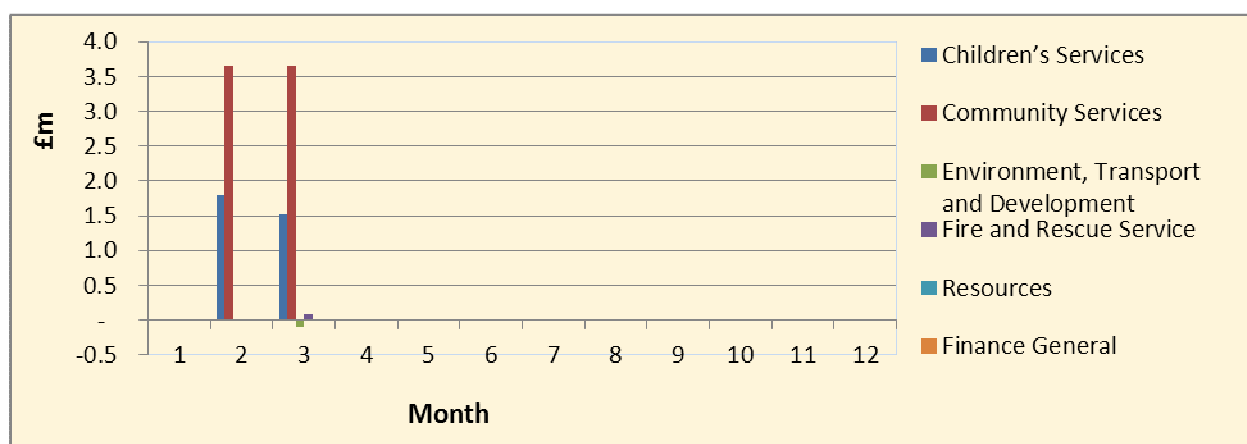
- 5.1 Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. They have been charged with reviewing all of their cost centres to ensure that, where an overspend is identified, action is taken to ensure that a balanced budget is achieved for the year.
- 5.2 Based on the position at the end of June 2014 the latest projection for the 2014-15 revenue outturn shows a net projected overall overspend, before use of reserves, of £5.157m.
- 5.3 Details of all projected under and over spends for each service, together of areas where mitigating action is being taken, are shown in Appendix 6, and are summarised in the following table:

**Table 2: 2014-15 projected budget variations by service**

Service	Revised Budget £m	Projected net (under)/ over spend before use of reserves £m	%	RAG
Children's Services	161.966	1.515	0.94	A
Community Services	264.923	3.656	1.38	A
Environment, Transport and Development	108.985	-0.094	-0.09	G
Fire and Rescue Service	27.804	0.080	0.29	G
Resources	55.394	-		G
<b>Finance General</b>	-310.675	-		G
<b>Totals</b>	<b>308.397</b>	<b>5.157</b>	<b>1.67</b>	

- 5.4 The following chart shows service outturn projections by month:

**Chart 2: service revenue outturn projections 2014-15, by month, before use of reserves**



*Note: month 2 restated to show the position before use of reserves*

Analysis by subjective type:

**Table 3a: 2014-15 forecast over/(under) spends by subjective**

<b>Subjective analysis</b>	<b>Approved budget</b>	<b>Projected (under)/ over spend</b>	<b>%</b>
<b>Expenditure</b>	<b>£m</b>	<b>£m</b>	
Employees	529.601	-0.859	-0.2%
Premises	44.531	0.149	0.3%
Transport	52.143	-0.121	-0.2%
Supplies and services	139.030	-1.549	-1.1%
Agency and contract services	455.408	6.030	1.3%
Transfer Payments	24.681	0.503	2.0%
Support Services	1.596	0.911	57.1%
Departmental recharge	43.503	0.000	0.0%
Capital Financing	106.240	0.000	0.0%
<b>Income</b>			
Government Grants	-789.646	0.280	0.0%
Other Grants, Reimbursements etc.	-69.483	-0.173	0.2%
Customer & Client Receipts	-103.673	-0.014	0.0%
Interest Received	-1.832	0.000	0.0%
Corporate Recharges including Capital Finance	-72.085	0.000	0.0%
Departmental Recharge	-48.492	0.000	0.0%
Budgeted net transfers to earmarked reserves and general balances (see below)	-3.125		
<b>Total</b>	<b>-308.397</b>	<b>5.157</b>	

- 5.5 The main pressures relate to the cost of agency and contract services, with a large percentage interest in “support services” a significant part of which relates to hired transport costs. A more detailed analysis of over and underspends by subjective and service is shown in Appendix 7.
- 5.6 The following table gives a breakdown of transfers to and from earmarked reserves and general balances within the approved budget

**Table 3b: 2014-15 analysis of use of reserves within approved budget**

	Transfer to earmarked reserves £m	Transfer from earmarked reserves £m	Transfer to General Balances £m	Net transfers £m
Children's Services	0.406	-3.000		-2.594
Community Services - Cultural	0.075	-0.845		-0.770
Community Services - Adults		-0.051		-0.051
Environment, Transport & Development	3.531	-4.907		-1.377
Finance General	8.000	-3.451	3.000	7.549
Resources	0.135	-6.017		-5.883
	<b>12.146</b>	<b>-18.271</b>	<b>3.000</b>	<b>-3.125</b>

## 6 General balances and reserves

- 6.1 On 17 February 2014 Council agreed the recommendation from the Head of Finance that a minimum level of General Balances of £19m be held in 2014-15. General Balance levels at 31 March 2015 are estimated as follows.

**Table 4: forecast general balances**

	£m
General Balances 31 March 2014 – Outturn report	17.288
Transfer to Residual Waste Treatment Contract Reserve (Table 6)	(1.288)
General Balances at 1 April 2014	<b>16.000</b>
Use of released funds for one-off purposes: Increase in General Balances, agreed County Council 17 February 2014	3.000
<b>Latest forecast General Balances at 31 March 2015</b>	<b>19.000</b>

The forecast does not take into account the current year projected overspend.

- 6.2 A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Appendix 8 includes a schedule showing net reserves usage approved as part of the 2014-15 budget setting process, and the effect of these movements on actual balances brought forward on 1 April 2014. Future monitoring reports will show in more detail the effect of more recent forecast usage on the projected residual balances after three years.
- 6.3 A summary of the latest forecast balances is shown in detail in Appendix 8 and is summarised as follows:

**Table 5: budget, actual and forecast reserves**

	Actual balances b'fwd 1.4.14	Forecast balance 31.3.15 Approved budget	Previous month forecast 31 March 2015	Current forecast 31 March 2015
	£m	£m	£m	£m
Earmarked reserves - non schools	77.669	32.931	69.536	57.298
Residual Waste Treatment Contract Reserve	19.065	11.000	0.000	0.000
Reserves for Capital Use	1.755	6.270	3.550	3.277
Earmarked reserves - schools	43.075	37.661	36.469	34.104
<b>Total</b>	<b>141.564</b>	<b>87.862</b>	<b>109.555</b>	<b>94.679</b>

- 6.4 As part of the budget setting process, non schools reserves were forecast to reduce significantly during the year. Significant changes include not reflected in the last report include:

- Significant use of the IT reserve in relation to the Council's "Digital Norfolk Ambition" project (£5m)
- Significant use of the Icelandic banks reserve (£1m), the Modern Reward Strategy reserve (£5m), and the Organisational change reserve (£4m) as agreed in the funding of the approved 2014-15 budget.

- 6.5 The decrease in forecast schools' reserves is accounted for by a reduction in LMS balances due primarily to anticipated academy conversions and forecast use of balances in-year.
- 6.6 A full list of reserves can be found in Appendix 8. This appendix also lists the Council's accounting provisions, which are amounts put aside to fund future liabilities or losses which are certain or very likely to occur, but where the amounts or dates when they will arise are uncertain.

## 6.7 Residual Waste Treatment Contract Reserve

As reported to County Council on 27 May, Cabinet of 7 April 2014 resolved to allow the Willows Energy from Waste contract to terminate for planning failure. The contract was formally terminated on 16 May 2014 incurring contractual termination costs estimated at £33.7m for which a Residual Waste Treatment Contract Reserve has been set aside as follows:

**Table 6: Creation of Residual Waste Treatment Contract Reserve**

	£m
Opening balance 1 April 2014, before transfer of excess general balances	19.065
Outturn 2013-14 – excess of general balance over minimum requirement	1.288
Savings in 2014-15 (total £5.350m)	
Norse contributions	1.000
Sale of property – substituted for current revenue funding of capital project	0.700
Waste procurement arrangements	0.650
Household waste reserve	1.000
Savings in 2014-15 – Approved by County Council	
Reduction in funding set aside for redundancies based on past trends	1.000
Service reductions - Libraries	0.140
Service reductions – Road maintenance	0.860
Budget 2014-15 cost pressure: Willows Power and Recycling Centre planning uncertainty (ref Appendix 4)	8.000
<b>Total set aside</b>	<b>33.703</b>
Payments to date	(11.800)
<b>Current balance</b>	<b>21.903</b>
Estimated further payments during 2014	(21.903)
<b>Estimated balance 31 March 2015</b>	<b>-</b>

The Council has made a payment of £11.8m from the reserve representing the cost of cancelling arrangements put in place to mitigate foreign exchange and interest rates risks in the residual waste treatment contract. The Council's specialist advisors are scrutinising the evidence submitted in respect of other contractual termination costs.

It is anticipated that the Residual Waste Treatment Contract reserve will be fully exhausted as a result of Cabinet's decision on 7 April 2014 to terminate the Willows Energy from Waste contract.

## **7 Treasury management, payment performance and debt collection**

- 7.1 Treasury management: the corporate treasury management function ensures the efficient management of all the authority's cash balances. A detailed update is included as Appendix 9.
- 7.2 Payment performance: approximately 460,000 invoices are paid annually. In June 2014, 93.9% were paid within a target of 30 days from receipt, against a target of 90%. An analysis is shown in Appendix 10.
- 7.3 Outstanding debt: the value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council. An analysis of the amounts due to the Council, including average debtor days, is included at Appendix 11.
- 7.4 For the period 1 April 2014 to 30 June 2014, 183 debts less than £10,000 were written off following approval from the Head of Finance. These debts totalled £68,500.44. No debts over £10,000 have been written off.

## **8 Purchase order performance**

- 8.1 Whenever a commitment is made to purchase goods or services, a purchase order should be raised in advance. The Council's objective is that ultimately there should be no 'retrospective' purchase orders – orders raised after the invoice has been received with a target of no more than 5% by April 2015.
- 8.2 Performance against this objective is measured in two ways:
- by value – the value of spending via retrospective orders as a percentage of total spending; and
  - by volume – the number of retrospective orders as a percentage of all orders.
- 8.3 As can be seen in Appendix 12, performance on both measures has improved. Compared to the same month last year, retrospective spending has reduced from 45% to 25% by value, whilst the proportion of orders which are retrospective has fallen from 46% to 28%. The tables in Appendix 12 also set out the performance by directorate.

## 9 Medium Term Financial Strategy

- 9.1 The Council's Medium Term Financial Strategy 2014-17, includes the following policy objectives:

**Table 8: MTFS 2014-17 status**

<b>MTFS 2014-17 action</b>	<b>Current status</b>
County Farms: To review the economic case for the investment in and returns from County Farms	A member working group is being set up to review County Farms strategy and policy, as proposed to Economic Development Sub-Committee on 24 June 2014.
Carbon – to consider the stretch target proposed by the October 2013 Corporate Resources Overview and Scrutiny Panel for the 2015-18 MTFS.	Base line data, based on 2013-14 energy usage, is being collated and analysed to determine whether the target has been met and cost reductions obtained. Known risks and costs, including the carbon tax escalator, are being identified, and links with transformation projects and budget management are being considered in relation to managing future energy use and cost reductions through 2015-18.

### Officer Contact

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

<b>Name</b>	<b>Telephone Number</b>	<b>Email address</b>
Peter Timmins	01603 222400	<a href="mailto:peter.timmins@norfolk.gov.uk">peter.timmins@norfolk.gov.uk</a>
Harvey Bullen	01603 223330	<a href="mailto:harvey.bullen@norfolk.gov.uk">harvey.bullen@norfolk.gov.uk</a>

**If you need this report in large print, audio, Braille, alternative format or in a different language please contact 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.**



## **Appendices**

**Appendix 1: Approved budget**

**Appendix 2: Monthly timetable**

**Appendix 3: In-year grant funding**

**Appendix 4: Planning assumptions**

**Appendix 5: Savings**

**Appendix 6: Projected outturn for each service**

**Appendix 7: Revenue projections by subjective**

**Appendix 8: Projected reserves and provisions**

**Appendix 9: Treasury management**

**Appendix 10: Payment performance**

**Appendix 11: Debt collection**

**Appendix 12: Purchase order performance**



## Approved budget 2014-15

Agreed by Council 17 February 2014

	Approved budget
<b>Analysis by service</b>	<b>£m</b>
Children's Services	161.903
Community Services - Adult	248.597
Community Services - Cultural	15.326
Environment, Transport and Development	108.840
Fire and Rescue Service	27.804
Resources	55.457
<b>Finance General</b>	<b>-309.530</b>
<b>Total net expenditure</b>	<b>308.397</b>

<b>Funded by</b>	
Council tax	-308.397
<b>Total</b>	<b>-308.397</b>

<b>Subjective analysis</b>	
<b>Expenditure</b>	
Employees	529.601
Premises	44.531
Transport	52.143
Supplies and services	154.176
Agency and contract services	455.408
Transfer Payments	24.681
Support Services	1.596
Departmental recharge	43.503
Capital Financing	106.240
<b>Total Expenditure</b>	<b>1,411.879</b>
<b>Income</b>	
Government Grants	-789.646
Other Grants, Reimbursements etc.	-87.754
Customer & Client Receipts	-103.673
Interest Received	-1.832
Corporate Recharges including Capital Finance	-72.085
Departmental Recharge	-48.492
Council Tax	-308.397
<b>Total Income</b>	<b>-1,411.879</b>

**Budget monitoring timetable 2014-15**

<b>Accounting Period</b>	<b>Accounting Month Period End</b>	<b>Finance report prepared</b>	<b>MEMBERS &amp; PUBLIC circulation</b>	<b>Meeting</b>
April	30-Apr			
May	31-May	Fri 27/06/2014	Fri 04/07/2014	Mon 14/07/2014
June	30-Jun	Fri 25/07/2014	Thu 28/08/2014	Fri 05/09/2014
July	31-Jul	Fri 29/08/2014	Fri 19/09/2014	Mon 29/09/2014
August	31-Aug	Thu 25/09/2014		
September	30-Sep	Mon 27/10/2014	Fri 21/11/2014	Mon 01/12/2014
October	31-Oct	Thu 27/11/2014		
November	30-Nov	Fri 02/01/2015	Fri 16/01/2015	Mon 26/01/2015
December	31-Dec	Wed 28/01/2015		
January	31-Jan	Thu 26/02/2015	Fri 13/03/2015	Mon 23/03/2015
February	28-Feb	Thu 26/03/2015	Mon 20/04/2015	Tue 28/04/2015
March	31-Mar	Thu 30/04/2015	tbc	tbc
	Outturn	Tue 02/06/2015		

## In-year Grant Funding

The following table summarises revenue grants greater than £0.100m announced since the budget was approved, due to be received in 2014-15

**Table A3: New grant funding > £100,000 since 1 April 2014**

<b>New Grant Funding</b>	<b>Details</b>	<b>£m</b>
PE and Sports Grant	New unconditional DfE grant for the improvement of PE and sports in schools	1.174
Universal Infant Free School Meals Grant	The universal infant free school meals (UIFSM) grant is designed to enable schools to provide free school meals to all pupils in reception, year 1 and year 2.	5.395
	<b>Total in-year grants &gt; £100,000 to date</b>	6.569

### Financial Plan – 2014-15 planning assumptions

In preparing the 2014-15 financial plan, the following key risk areas have been taken into account (Cost Pressures, Budget Book page 10).

**Table A4: key financial planning assumptions 2014-15**

Planning assumption 2014-15	Financial impact	Latest position
	£m	
<b>Significant funding pressures</b>		
Government funding reductions	24.786	No change in assumption. Note: the council tax freeze grant listed in Appendix 3 was anticipated in the 2014-15 base budget.
<b>Significant cost pressures</b>		
Pay inflation	1%	National Employers have made a full and final pay offer of a 1% increase for those on salaries starting at £14,880 per annum, with those on salaries below this getting a slightly higher increase.  Strike action was taken by union members on 10 July 2014.
Price inflation	14.260	Price inflation has only been forecast where there is a contractual need or where it is known that price increases will occur. Rates of inflation applied to budgets differ between 0% where inflationary increases have been withheld, to an expected 7% rise in the contract price for electricity. Some budgets will experience price rises linked to CPI which was forecast at 2.34%.  CPI annual inflation (the Government's target measure) was 1.9% in June 2014, up from 1.5% in May (Source: ONS).
Demographics – primarily increases in Looked after Children and Adult Community Services demographic growth	11.590	Community Services – Adult demographic pressure of £6.934m was based on the latest ONS statistics for population growth (2.18% in over 65s and 0.36% in 18-64 year olds) and 2013/14 expenditure trends. Learning Difficulties demographic pressures were calculated by forecasting the number of service users transitioning from Children's Services and estimates of expected growth in adult service users. These forecast pressures are reviewed again in the Autumn when sufficient new trend data can be gathered."  Children's Services original demographic pressure of £2.081m was based on being 40 Looked After Children above target. The demographic pressure was revised to £3.931m in November 2013 taking into account being 84 LAC above target and revised average LAC costs. The demographic pressures are inextricably linked with budgeted savings in place to change the services we provide to prevent children coming into care. In June 2014, the forecast number of Looked After Children is approximately 60 above the assumptions above.
Willows Power and Recycling Centre planning uncertainty	8.000	The County Council resolved to terminate the Willows Energy from Waste contract on 7 April 2014, resulting in termination costs estimated at £33.7m and a reserve set up for this amount. The Council has made a payment of £11.8m from the reserves relating to foreign exchange and interest rates risks.

## Financial Plan 2014-15 savings

	Children's Services	Community Services - Adults	Community Services - Cultural	ETD	Fire	Resources	Finance General	Total
Categorisation of Saving	£m	£m	£m	£m	£m	£m	£m	£m
Organisational Change - Staffing	0.375	0.460	0.260	1.250	0.499	2.769	0.000	5.613
Organisational Change - Systems	8.725	1.340	0.212	3.340	0.381	3.174	0.000	17.172
Procurement	0.790	4.150	0.000	6.400	0.000	0.094	0.000	11.434
Shared Services	0.000	2.004	0.260	0.050	0.000	0.000	0.000	2.314
Capital	0.000	0.000	0.000	0.200	0.724	0.000	0.000	0.924
Terms & Conditions of Employees	0.126	0.108	0.000	0.038	0.000	0.019	0.000	0.291
Income & Rates of Return	0.000	0.000	0.361	1.623	0.043	0.411	5.138	7.576
Assumptions under Risk Review	0.000	0.000	0.000	0.150	0.036	3.201	7.220	10.607
Reducing Standards	2.670	4.000	0.931	1.151	0.000	0.073	0.000	8.825
Cease Service	0.474	2.640	0.010	0.300	0.087	0.000	0.000	3.511
<b>Budgeted Savings</b>	<b>13.160</b>	<b>14.702</b>	<b>2.034</b>	<b>14.502</b>	<b>1.770</b>	<b>9.741</b>	<b>12.358</b>	<b>68.267</b>
<b>P03-15 Forecast Savings</b>	<b>11.296</b>	<b>13.752</b>	<b>2.034</b>	<b>14.502</b>	<b>1.770</b>	<b>9.741</b>	<b>12.358</b>	<b>65.453</b>
<b>Total further savings to be identified</b>	<b>1.864</b>	<b>0.950</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-2.814</b>

	Children's Services	Community Services - Adults	Total
Categorisation of Saving	£'000	£'000	£'000
Organisational Change - Staffing	0.000	0.000	0.000
Organisational Change - Systems	-2.468	0.000	-2.468
Procurement	0.000	-0.750	-0.750
Shared Services	0.000	-0.200	-0.200
Capital	0.000	0.000	0.000
Terms & Conditions of Employees	0.000	0.000	0.000
Income & Rates of Return	0.000	0.000	0.000
Assumptions under Risk Review	0.484	0.000	0.484
Reducing Standards	0.120	0.000	0.120
Cease Service	0.000	0.000	0.000
<b>Total further savings to be identified</b>	<b>1.864</b>	<b>0.950</b>	<b>2.814</b>

- As at P03-15 forecast savings of £64.453m coupled with newly identified use of reserves of £1.950m are £1.864m short of the budgeted £68.267m savings target.
- Savings in Community Services – Cultural, ETD, Fire, Resources and Finance General are all on track.
- The number and cost of Looked After Children are not reducing as planned leading to a forecast saving shortfall of £2.468m.
- These shortfalls in Children's Services have been offset slightly by an additional £0.484m saving for reduced retirement costs for teachers, achieving a saving of £0.120m early to reduce funding for school crossing patrols.
- Community Services – Adults are £0.250m short on a saving to review the agreement with the Mental Health Trust, and £0.500m short on the saving to review the Norse Care agreement for the provision of residential care. The remaining £0.200m shortfall is on the saving for joint senior management posts with Health. Work is underway, but this is unlikely to deliver savings for 2014/15.

### Projected revenue outturn by service analysis

Chief Officers monitor their cash limited budgets throughout the year and report the position through the Head of Finance. The latest projection for the 2014-15 revenue budget shows a net projected overall variance analysed as follows:

**Table A6a: projected revenue over and (under) spends by service**

Service	Revised Budget £m	Service total projected overspend £m	Service total projected (under) spend	Net total over / (under) spend	%
Children's Services	161.966	3.519	-2.004	1.515	0.94
Community Services	264.923	5.840	-2.184	3.656	1.38
Environment, Transport and Development	108.985	-	-0.094	-0.094	-0.09
Fire and Rescue Service	27.804	0.080	-	0.080	0.29
Resources	55.394	-	-	-	
<b>Finance General</b>	-310.675	-	-	-	
<b>Totals current month</b>	<b>308.397</b>	<b>9.439</b>	<b>-4.282</b>	<b>5.157</b>	<b>1.67</b>
Previous month	308.397	9.233	-7.440	1.793	0.58

The net overspend is a result of a range of underlying forecast over and underspends which are listed on the following pages and which are the subject of detailed monitoring.

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

Where action has not been identified, it may be necessary to draw on reserves:

### Reconciliation between current and previously reported underspend

**Table A6b: monthly reconciliation of over / (under) spends**

	£m
Forecast 2014-15 over/(under)spend previous month	<b>1.793</b>
Movements in current period - summary	
Children's Services	-0.278
Community Services (overspend now shown before use of reserves)	3.656
Environment, Transport and Development	-0.094
Fire and Rescue Service	0.080
Resources	-
Finance General	-
Latest forecast over / (under) spend before use of reserves	<b>5.157</b>

## Projected revenue budget outturn by service - analysis

<b>Children's Services</b>	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Additional Looked After Children agency costs	2.208		-0.496
Additional Residence / Kinship costs	0.260		0.260
Savings on Looked After Children legal costs		-0.430	
Savings on Looked After Children transport costs		-0.190	
Additional adoption allowances	0.159		0.159
Additional adoption recruitment costs	0.020		0.020
Additional fostering recruitment costs	0.098		0.098
Reduced cos of Information Advice and Guidance Service		-0.200	-0.200
Reduced cost of Early Years & Childcare Service		-0.200	-0.200
Savings on school crossing patrols		-0.120	
Reduced school pension/redundancy costs		-0.484	0.081
Reduced Education Support Grant due to schools becoming academies	0.224		
Additional cost of SEN transport	0.550		
Clinical commissioning team		-0.380	
<u>Dedicated Schools Grant</u>			
No over/(underspends reported) under this heading			
Cont'n to schools contingency fund as a result of the above	0	0	
Forecast outturn for Children's Services	<b>3.519</b>	<b>-2.004</b>	<b>-0.278</b>
		<b>1.515</b>	

<b>Community Services</b>	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
<u>Adult Social Services</u>			
Management, Finance and Transformation		-1.913	0.050
Commissioning, including Supporting People	2.581		-0.077
Central Services – Business Development		-0.090	-0.054
Human Resources, Training and Organisational Development		-0.008	-0.008
Safeguarding	2.774		0.558
Prevention	0.485		-0.396
Income from Service users		-0.173	-0.073
Use of Reserves – overspend now reported before use of reserves		-	3.656
<b>Forecast subtotal for Adult Social Services (excluding Cultural Services)</b>	<b>5.840</b>	<b>-2.184</b>	<b>3.656</b>
		<b>3.656</b>	

Norfolk Libraries and Information Service		0.000	
Museums and Archaeology Service		0.000	
Norfolk Records Office		0.000	
Arts Service		0.000	
Adult Education Service		0.000	
Norfolk Guidance Service		0.000	
Active Norfolk		0.000	
<b>Forecast subtotal for Cultural Services</b>	<b>0.000</b>	<b>-0.000</b>	<b>0.000</b>
		<b>-0.000</b>	
<b>Forecast outturn for Community Services</b>	<b>5.840</b>	<b>-2.184</b>	<b>3.656</b>
		<b>3.656</b>	

<b>Environment Transportation &amp; Development</b>	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Highways		-	
Public Protection		-	
Travel & Transport		-	
Environment & Waste		-	
Business development and support		-0.094	-0.094
<b>Forecast out-turn for ETD</b>	<b>0.000</b>	<b>-0.094</b>	<b>-0.094</b>
		<b>-0.094</b>	

<b>Fire and Rescue Service</b>	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
<i>Central Finance – significant insurance cost increase</i>	0.080	-	0.080
<b>Forecast outturn for Fire and Rescue Service</b>	<b>0.080</b>	<b>-0.000</b>	<b>0.080</b>
		<b>0.080</b>	

<b>Resources and Finance General</b>	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
<b>Resources</b>			
<i>No forecast net over / (under) spends at end period 3</i>		-	
Net forecast outturn for Resources	<b>0.000</b>	<b>-0.000</b>	<b>0.000</b>
		<b>0.000</b>	
<b>Finance General</b>			
<i>No forecast net over / (under) spends at end period 2</i>		-	
Net forecast outturn for Finance General	<b>0.000</b>	<b>-0.000</b>	<b>0.000</b>
		<b>0.000</b>	



## Latest Revenue Projections by subjective analysis

<i>Subjective analysis</i>	<i>Approved Budget by subjective</i>	<i>Children's Services</i>	<i>Community Services</i>	<i>ETD</i>	<i>Fire &amp; Rescue</i>	<i>Resources</i>	<i>Finance general</i>	<i>Total variance</i>
		<b>Forecast (under)/over spend</b>						
<b>Expenditure</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Employees	529.601	-0.804	0.039	-0.094				-0.859
Premises	44.531	0.000	0.149					0.149
Transport	52.143	-0.100	-0.021					-0.121
Supplies and services	139.030	-0.362	-1.187					-1.549
Agency and contract services	455.408	2.197	3.833					6.030
Transfer Payments	24.681	0.000	0.503					0.503
Support Services	1.596	0.360	0.471			0.080		0.911
Departmental recharge	43.503	0.000	0					0.000
Capital Financing	106.240	0.000	0					0.000
<b>Income</b>								
Government Grants	-789.646	0.224	0.056					0.280
Other Grants, Reimbursements etc.	-69.483	0.000	-0.173					-0.173
Customer & Client Receipts	-103.673	0.000	-0.014					-0.014
Interest Received	-1.832	0.000						0.000
Corporate Recharges including Capital Finance	-72.085	0.000						0.000
Departmental Recharge	-48.492	0.000						0.000
Budgeted net transfers to earmarked reserves and general balances	-3.125							
<b>Council Tax / net expenditure</b>	<b>-308.397</b>	<b>1.515</b>	<b>3.656</b>	<b>-0.094</b>		<b>0.080</b>	<b>0</b>	<b>5.157</b>

## Reserves and provisions three year forecasts based on actual balances 1 April 2014 adjusted for approved use

	Forecast Balances at 31.3.14	Additions / reductions c/w forecast Jan-Mar 2014	Actual balances 1.4.14	Approved additions / (usage) 2014-15	Approved additions / (usage) 2015-16	Approved additions / (usage) 2016-17	Forecast residual balance 1.4.17
Earmarked Reserves	£m	£m	£m	£m	£m	£m	£m
<b>All Services</b>							
Building Maintenance	1.186	0.486	1.672	0.000	0.000	0.000	1.672
Information Technology Reserve	6.769	3.457	10.226	-3.835	-0.994	-0.088	5.309
Repairs and Renewals Fund	3.558	0.367	3.925	-1.401	-0.761	-0.625	1.138
Unspent Grants and Contributions	6.951	2.587	9.538	-2.162	-2.215	-1.527	3.634
	<b>18.464</b>	<b>6.897</b>	<b>25.361</b>	<b>-7.398</b>	<b>-3.970</b>	<b>-2.240</b>	<b>11.753</b>
<b>Children's Services</b>							
Children's Services Improvement Fund	1.500	0.241	1.741	-1.500	0.000	0.000	0.241
	<b>1.500</b>	<b>0.241</b>	<b>1.741</b>	<b>-1.500</b>	<b>0.000</b>	<b>0.000</b>	<b>0.241</b>
<b>Community Services</b>							
Adult Education Income Reserve	0.018	0.142	0.160	0.000	0.000	0.000	0.160
Adult Social Services Residential Review	2.023	1.002	3.025	0.000	0.000	-2.000	1.025
Adult Social Care Legal Liabilities	3.253	-0.159	3.094	-1.000	-1.100	-1.153	-0.159
Archive Centre Sinking Fund	0.264	-0.003	0.261	0.010	0.010	0.010	0.291
Museums Income Reserve	0.024	0.015	0.039	0.000	0.000	0.000	0.039
Prevention Fund	2.319	-1.179	1.140	-1.052	-1.267	0.000	-1.179
Residual Insurance and Lottery Bids	0.315	0.108	0.423	-0.215	-0.050	-0.050	0.108
	<b>8.216</b>	<b>-0.074</b>	<b>8.142</b>	<b>-2.257</b>	<b>-2.407</b>	<b>-3.193</b>	<b>0.285</b>
<b>ETD</b>							
Economic Development	4.353	-0.138	4.215	-1.704	-1.703	0.000	0.808
Highways Maintenance	3.179	1.446	4.625	-1.249	-1.000	-0.500	1.876
Historic Buildings	0.178	0.021	0.199	0.000	0.000	0.000	0.199
NDR Reserve	2.500	0.000	2.500	-2.500	0.000	0.000	0.000
Norfolk Infrastructure Fund	2.130	-0.115	2.015	-1.639	0.304	0.607	1.287
P & T Bus De-registration	0.082	-0.018	0.064	-0.082	0.000	0.000	-0.018

P & T Demand Responsive Transport	0.311	-0.155	0.156	-0.311	0.000	0.000	-0.155
P & T Park & Ride	0.012	0.000	0.012	0.000	0.000	0.000	0.012
P & T Road Safety Reserve	0.000	0.150	0.150	0.000	0.000	0.000	0.150
P & T Street Lighting Sinking Fund	6.695	0.345	7.040	-1.100	-1.200	-1.300	3.440
ETD – Reprourement Strategic Partnership	0.035	0.000	0.035	-0.035	0.000	0.000	0.000
ETD Transformation reserve		0.625	0.625	0.000	0.000	0.000	0.625
Public Transport Commuted Sums	0.016	0.000	0.016	0.000	0.000	0.000	0.016
Waste Management Partnership Fund	0.440	-0.043	0.397	-0.440	0.000	0.000	-0.043
	<b>19.931</b>	<b>2.118</b>	<b>22.049</b>	<b>-9.060</b>	<b>-3.599</b>	<b>-1.193</b>	<b>8.197</b>
<b>Fire</b>							
Fire Operational Equipment Reserve	0.998	-0.031	0.967	-0.700	-0.298	0.000	-0.031
Fire Pensions Reserve	0.348	0.000	0.348	-0.075	-0.100	-0.073	0.100
Fire Operational Reserve	0.377	0.165	0.542	-0.200	0.000	0.000	0.342
	<b>1.723</b>	<b>0.134</b>	<b>1.857</b>	<b>-0.975</b>	<b>-0.398</b>	<b>-0.073</b>	<b>0.411</b>
<b>Resources</b>							
nplaw Operational Reserve	0.306	0.000	0.306	0.000	0.000	0.000	0.306
Public Health Reserve (new)		3.288	3.288	0.000	0.000	0.000	3.288
	<b>0.306</b>	<b>3.288</b>	<b>3.594</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>3.594</b>
<b>Corporate</b>							
Car Lease Scheme surplus	0.598	-0.376	0.222	0.200	0.200	0.200	0.822
Community Construction Fund	0.000	0.195	0.195	0.000	0.000	0.000	0.195
Local Assistance Scheme Reserve (new)		0.900	0.900	0.000	0.000	0.000	0.900
Strategic Partnership	0.016	0.000	0.016	0.000	0.000	0.000	0.016
Icelandic Banks Reserve	2.235	0.209	2.444	-1.445	0.000	0.000	0.999
Industrial Estate Dilapidations	0.010	0.000	0.010	0.000	0.000	0.000	0.010
Insurance	0.017	0.010	0.027	0.000	0.000	0.000	0.027
Modern Reward Strategy Reserve	4.359	0.000	4.359	-4.359	0.000	0.000	0.000
Organisational Change and Redundancy Reserve	6.318	-0.713	5.605	-4.783	-0.020	-0.020	0.782
Strategic Ambitions Reserve	1.219	-0.072	1.147	-0.404	-0.636	-0.068	0.039
Residual Waste Treatment Contract Reserve	11.000	8.065	19.065	0.000	0.000	0.000	19.065
	<b>25.772</b>	<b>8.218</b>	<b>33.990</b>	<b>-10.791</b>	<b>-0.456</b>	<b>0.112</b>	<b>22.855</b>
<b>Non – Schools Total</b>	<b>75.912</b>	<b>20.822</b>	<b>96.734</b>	<b>-31.981</b>	<b>-10.830</b>	<b>-6.587</b>	<b>47.336</b>

<b>Reserves for Capital Use</b>							
Usable Capital Receipts	0.878	0.877	1.755	5.392	0.000	0.000	7.147
<b>Schools Reserves</b>							
Building Maintenance Non-Partnership Pool	1.061	0.136	1.197	0.000	0.000	0.000	1.197
Building Maintenance Partnership Pool	0.322	0.712	1.034	-0.322	0.000	0.000	0.712
Children's Services Equalisation	0.249	0.000	0.249	-0.249	0.000	0.000	0.000
LMS Balances	21.631	4.886	26.517	0.000	0.000	0.000	26.517
Norwich Schools PFI Sinking Fund	1.711	0.350	2.061	0.000	0.000	0.000	2.061
Schools Contingency	10.711	-1.396	9.315	0.000	0.000	0.000	9.315
Schools non-teaching activities	1.010	0.160	1.170	0.000	0.000	0.000	1.170
Schools Playing Field Surface Sinking Fund	0.409	-0.161	0.248	0.000	0.000	0.000	0.248
Schools Sickness Insurance Reserve	1.128	0.156	1.284	0.000	0.000	0.000	1.284
<b>Schools Total</b>	<b>38.232</b>	<b>4.843</b>	<b>43.075</b>	<b>-0.571</b>	<b>0.000</b>	<b>0.000</b>	<b>42.504</b>
<b>Provisions</b>							
<b>Community Services</b>							
Adult Social Services Doubtful Debts	0.951	-0.009	0.942	-0.100	-0.100	-0.100	0.642
Potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust	1.270	0.100	1.370	-1.270	0.000	0.000	0.100
<b>Corporate</b>							
Insurance	12.394	0.547	12.941	-0.394	0.000	0.000	12.547
Redundancy	5.152	0.011	5.163	-5.152	0.000	0.000	0.011
<b>ETD</b>							
Closed landfill long term impairment provision	9.189	0.000	9.189	-0.057	-0.059	-0.063	9.010
ETD Doubtful Debts	0.050	0.000	0.050	0.000	0.000	0.000	0.050
<b>Fire</b>							
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regulations	0.775	0.075	0.850	0.000	0.000	0.000	0.850
<b>Schools Provisions</b>							
Children's Services Provision for Holiday Pay	0.018	-0.001	0.017	0.000	0.000	0.000	0.017

As part of the 2014-15 budget planning, Cabinet approved, on 27 January 2014, the use of non-school Earmarked Reserves as set out above in terms of forecast annual net usage. (For completeness, capital and schools reserves, and provisions are also shown in the table above.)

Cabinet also resolved that the Head of Finance should further review the level of the Council's Reserves and Provisions as part of closing the 2013-14 accounts in Summer 2014, and significant work was undertaken in April and May 2014 to increase the Residual Waste Treatment Contract Reserve from £11m to £19m.

The liabilities relating to the Residual Waste Treatment Contract Reserve did not crystallise until April 2014, and as a result the usage of that reserve was not anticipated when the budget was prepared. It is now expected that the reserve will be fully used in 2014-15 which reduces the forecast totals above, and the 2017 residual balance totals by £19.065m.

While the overall residual balance at 1 April 2017 for Community Services is positive, two reserves are not able to support the usage approved in January. As a result, Community Services are analysing sources of potential over and under-spending and how reserves use will be managed within the amounts available.

Forecast balances at 31 March 2015 based on (a) actual balances 1 April 2014, (b) approved net usage, (c) adjustments for Residual Waste Treatment Contract Reserve use and (d) adjustments for new reserves:

<b>Non-schools earmarked reserves</b>	<b>£m</b>
Total non-schools earmarked reserves 1 April 2014	<b>96.734</b>
Approved net usage 2014-15	(31.981)
Full use of Residual Waste Treatment Contract Reserve	(19.065)
ETD Transformation reserve (forecast balance 31 March 2015)	0.625
Public Health Reserve (unspent grant) (forecast balance 31 March 2015)	3.329
Local Assistance Scheme Reserve (forecast balance 31 March 2015)	0.871
Total forecast balance 31 March 2015 based on approved usage	<b>50.513</b>
Latest forecast for balances at 31 March 2015 (table on next page)	<b>57.298</b>

The table below shows the P3 forecast for balances at 31 March 2015.

## Appendix 8 (cont)

### Reserves and provisions current year forecasts

	Actual Balances 1.4.14 £m	Forecast 31.3.15 Approved Budget £m	Forecast Balances 31.3.15 Prev mnth £m	Forecast Balances 31.3.15 current £m
<b>Earmarked Reserves</b>				
<b>All Services</b>				
Building Maintenance	1.672	1.186	1.186	1.537
Information Technology Reserve	10.226	2.934	9.133	3.979
Repairs and Renewals Fund	3.925	2.157	3.407	3.386
Unspent Grants and Contributions	9.538	4.789	7.576	6.355
	<b>25.361</b>	<b>11.066</b>	<b>21.302</b>	<b>15.257</b>
<b>Children's Services</b>				
Children's Services Improvement Fund	1.741	-	0.241	0.241
	<b>1.741</b>	<b>0.000</b>	<b>0.241</b>	<b>0.241</b>
<b>Community Services</b>				
Adult Education Income Reserve	0.160	0.018	0.159	0.159
Adult Social Services Residential Review	3.025	2.023	3.330	3.330
Adult Social Care Legal Liabilities	3.094	2.253	0.133	3.789
Archive Centre Sinking Fund	0.261	0.274	0.264	0.261
Museums Income Reserve	0.039	0.024	0.040	0.024
Prevention Fund	1.140	1.267	0.533	0.533
Residual Insurance and Lottery Bids	0.423	0.100	0.410	0.410
	<b>8.142</b>	<b>5.959</b>	<b>4.869</b>	<b>8.506</b>
<b>ETD</b>				
Economic Development	4.215	2.649	4.615	4.394
Highways Maintenance	4.625	1.930	4.177	4.303
Historic Buildings	0.199	0.178	0.244	0.121
NDR Reserve	2.500	-	2.500	2.500
Norfolk Infrastructure Fund	2.015	0.491	2.130	3.291
P & T Bus De-registration	0.064	-	0.064	0.064
P & T Demand Responsive Transport	0.156	-	0.156	0.156
P & T Park & Ride	0.012	0.012	0.012	0.012
P & T Road Safety Reserve	0.150	0.000	0.226	0.226
P & T Street Lighting Sinking Fund	7.040	5.595	6.550	6.550
ETD – Re-procurement Strategic Partnership	0.035	-	-	-
ETD – Transformation Reserve	0.625	-	0.625	0.625
Public Transport Commuted Sums	0.016	0.016	0.014	0.014
Waste Management Partnership Fund	0.397	-	0.569	0.281
	<b>22.049</b>	<b>10.871</b>	<b>21.882</b>	<b>22.537</b>
<b>Fire</b>				
Fire Operational Equipment Reserve	0.967	0.298	0.967	0.967
Fire Pensions Reserve	0.348	0.273	0.348	0.348
Fire Operational Reserve	0.542	0.177	0.542	0.542
	<b>1.857</b>	<b>0.748</b>	<b>1.857</b>	<b>1.857</b>
<b>Resources</b>				
nplaw Operational Reserve	0.306	0.306	0.306	0.306
Public Health Reserve	3.288	-	3.329	3.329

	<b>3.594</b>	<b>0.306</b>	<b>3.635</b>	<b>3.635</b>
<b>Corporate</b>				
Car Lease Scheme surplus	0.222	0.798	0.455	0.455
Health and Wellbeing Board Reserve	0.195		0.275	0.275
Local Assistance Scheme Reserve	0.900	0.016	0.871	0.871
Strategic Partnership	0.016	0.790	0.016	0.016
Icelandic Banks Reserve	2.444	0.010	2.235	1.000
Industrial Estate Dilapidations	0.010	0.017	0.010	0.010
Insurance	0.027	-	0.017	0.017
Modern Reward Strategy Reserve	4.359	-	4.359	-
Organisational Change and Redundancy Reserve	5.605	1.535	6.365	1.750
Strategic Ambitions Reserve	1.147	0.815	1.174	0.871
Residual Waste Treatment Contract Reserve	19.065	11.000	-	-
	<b>33.990</b>	<b>14.981</b>	<b>15.777</b>	<b>5.265</b>
<b>Non – Schools Total</b>	<b>96.734</b>	<b>43.931</b>	<b>69.563</b>	<b>57.298</b>
<b>Reserves for Capital Use</b>				
Usable Capital Receipts	<b>1.755</b>	<b>6.270</b>	<b>3.550</b>	<b>3.277</b>
<b>Schools Reserves</b>				
Building Maintenance Partnership Pool	1.197	1.061	1.197	1.197
Building Maintenance Non-Partnership Pool	1.034	-	1.034	0.996
Children's Services Equalisation	0.249	-	0.655	0.655
LMS Balances	26.517	21.631	20.505	18.238
Norwich Schools PFI Sinking Fund	2.061	1.711	2.061	2.061
Schools Contingency	9.315	10.711	8.315	8.315
Schools non-teaching activities	1.170	1.010	1.170	1.170
Schools Playing Field Surface Sinking Fund	0.248	0.409	0.248	0.188
Schools Sickness Insurance Reserve	1.284	1.128	1.284	1.284
<b>Schools Total</b>	<b>43.075</b>	<b>37.661</b>	<b>36.469</b>	<b>34.104</b>
<b>Provisions</b>				
<b>Community Services</b>				
Adult Social Services Doubtful Debts	0.942	0.851	0.952	0.952
Potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust	1.370	-	1.270	1.270
<b>Corporate</b>				
Insurance	12.941	12.000	12.394	12.394
Redundancy	5.163	-	5.093	5.091
<b>ETD</b>				
Closed landfill long term impairment provision	9.189	9.132	9.189	9.128
ETD Doubtful Debts	0.050	0.050	0.050	0.050
<b>Fire</b>				
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regs	0.850	0.775	0.850	0.850
<b>Schools Provisions</b>				
Children's Services Provision for Holiday Pay	0.017	0.018	0.017	0.017

The main changes between 31 March 2014 and the estimated position at 31 March 2015 are:

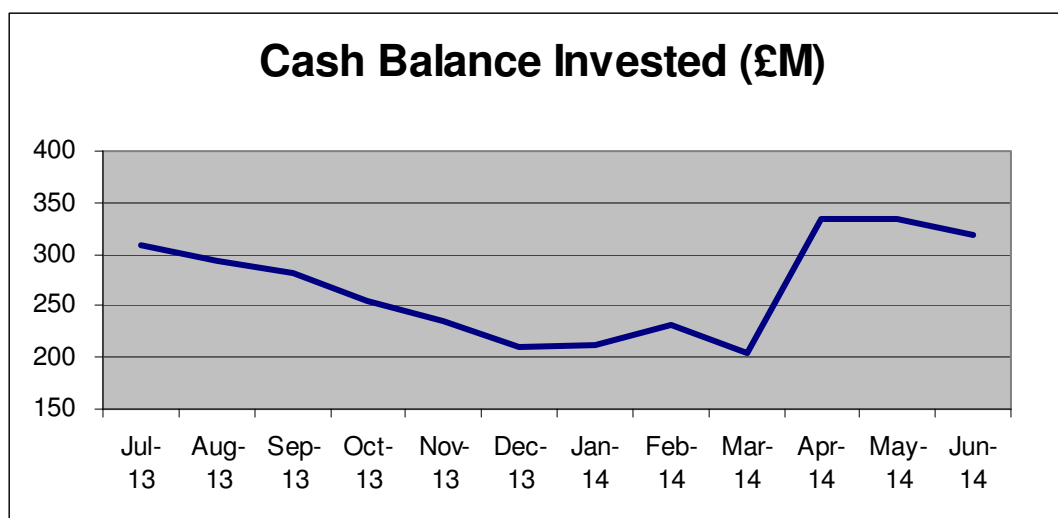
- Residual Waste Treatment Contract Reserve – Following the Council's decision to terminate the Willows Energy from Waste Contract, this reserve will be fully exhausted.
- Increase of £1m in the residential review reserve, offset by an equivalent decrease in ASC unspent grants and contributions in respect of the social care reform grant which is being used to fund the transformation programme.
- Modern Reward Strategy reserve forecast to reduce to zero by 31 March 2015 in line with funding in approved budget.
- Icelanding Banks Reserves and Organisational Change reserves reduced in line with approved budget.



## Treasury Management Performance Monitoring

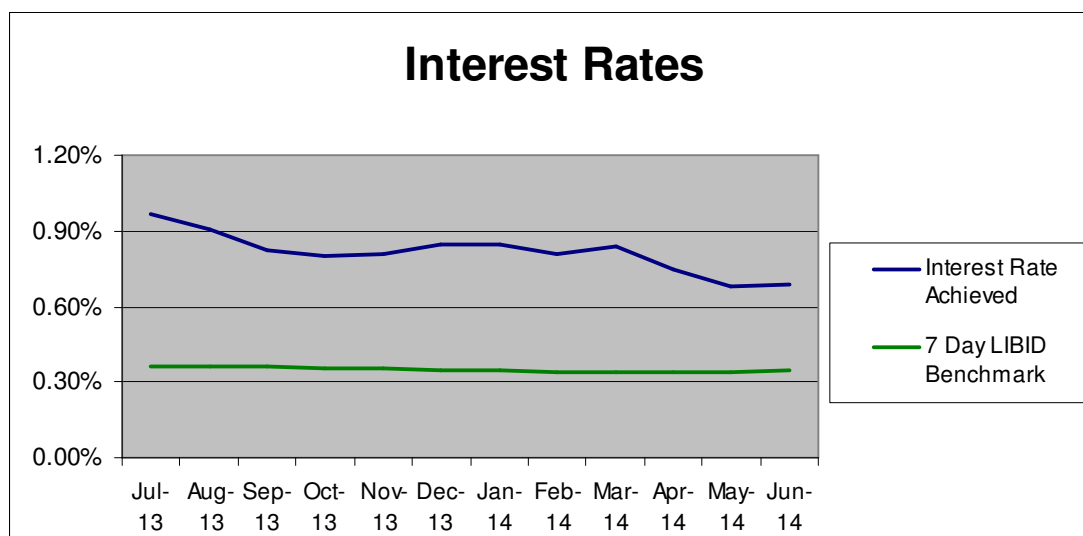
### A9.1 Cash Flow Management

A9.1.1 Income received amounts to £505m, while payments (including debt repayment) total £389m, resulting in an overall increase in cash balances of £116m. Cash balances available for investment have therefore increased from £203m at 1<sup>st</sup> April 2014 to £319m at the 30<sup>th</sup> June 2014. The cumulative average balance un-invested has remained within the tolerance of plus/minus £0.025m across all 560 bank accounts.



### A9.2 Interest Earned on Cash Balances

A9.2.1 All monies invested by the County Council in the money markets are placed with institutions on the Council's Authorised Lending List.



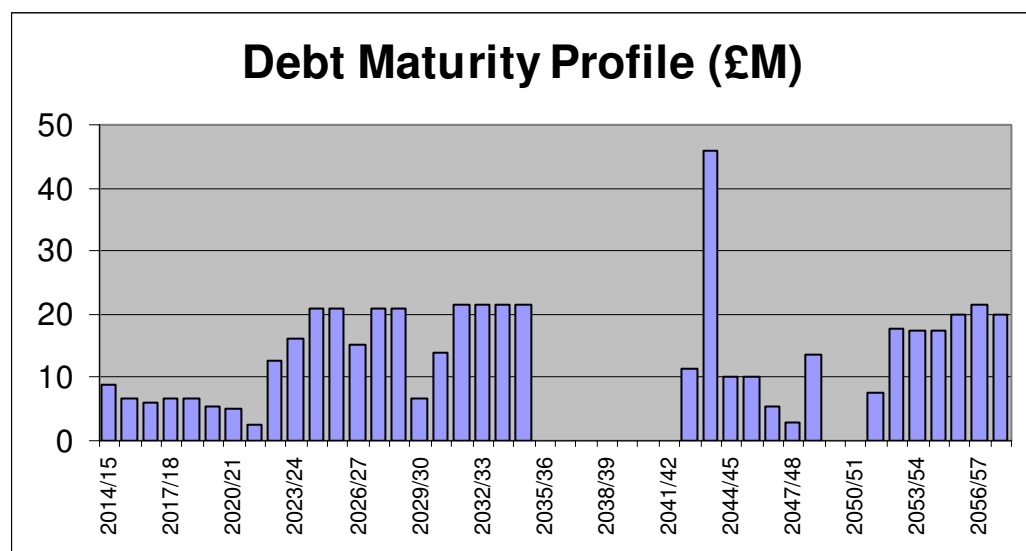
A9.2.2 Gross interest earned for the period 1<sup>st</sup> April 2014 to 30<sup>th</sup> June 2014 is £0.535m.

### A9.3 Long Term Borrowing

A9.3.1 In accordance with the approved 2014-15 Investment Strategy, the County Council continues to delay new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. Delaying borrowing and running down the level of investment balances also reduces the County Council's exposure to investment counterparty risk.

A9.3.2 The Council's overall borrowing requirement in 2014-15 is approx. £117m. This represents past capital expenditure for which the approved borrowing has not yet been drawn down due to the treasury management factors explained above.

A9.3.3 The Council's debt portfolio at 30<sup>th</sup> June 2014 is £499m.



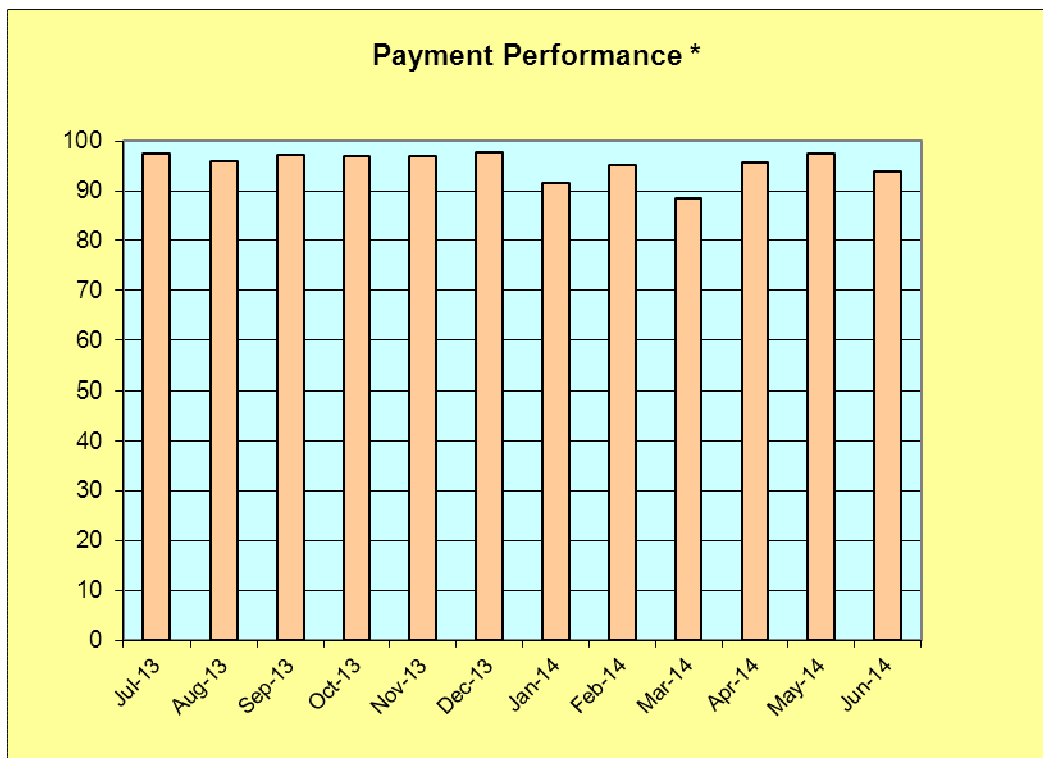
### A9.4 Icelandic Banks

10.4.1 The latest projected cash recovery from all 3 banks is £31.325m.

## June 2014

### BVPI8 – Payment Performance

This BVPI is a measure of our timely payment of invoices – specifically, the percentage of invoices for commercial goods and services that were paid by the authority within 30 days of such invoices being received by the authority. The target is 90%. Some 460,000 invoices are paid annually. 93.9% were paid on time in June 2014.



\*The figures include an allowance for disputes/exclusions.

### **Analysis of Outstanding Debt 30 June 2014**

1. The value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council. In the 12 months to 31 March 2014 the County Council raised 126,678 invoices of which 100,980 were for services provided to customers of Community Services.
2. The table below shows an analysis of the County Council's outstanding debt at 30 June 2014 compared with the outstanding debt at 31 May 2014.

NCC Debt Analysis	NCC Debt 30/06/2014	NCC Debt 31/05/2014
	£m	£m
Total Unsecured Debt	27.22	28.23
Aged Debts (days): -		
1- 30	9.29	11.05
31- 60	3.95	3.34
61- 90	2.61	3.15
91-180	3.93	3.16
181+ Referred to NP Law	0.42	0.42
181+ Awaiting estate finalisation	2.01	1.98
181+ On hold pending investigation		0
181+ Instalments and other debt	5.01	5.12
Total Secured Debt	8.97	8.73
Awaiting estate finalisation	2.04	2.13
Residential care	6.93	6.6
Total Debt	36.19	36.96

3. Customers of Community Services have certain rights when it comes to paying for residential care. If they declare an interest in a property they can elect to defer payment (all or part) until the property is sold. If the client defers payment the debt is secured by a deferred payment agreement and it may be some time before the debt can be collected. Secured debts amount to £8.97m at 30 June 2014. Within this total £2.04m relates to estate finalisation where the client has died and the County Council is in the hands of the executors.
4. Approximately £1.27m of the unsecured debt aged 181+ days that Credit Control is collecting and managing is being paid off by regular instalments. Of the balance the most material amounts relate to invoices due to the Council from the NHS, these total £1.84m and continue to be actively chased.

5. A test used by the Audit Commission to indicate the effectiveness of income collection is “debtor days”. The Council’s debtor days at 30 June 2014 and 31 May 2014 are shown in the table below.

Debtor days		
Type of debt	30/06/2014	31/05/2014
Unadjusted	21.36	22.35
Excluding secured and estate finalisation debts	14.86	15.85
Excluding current month debt	15.55	15.45
Excluding current month, secured and estate finalisation debts	9.05	8.95

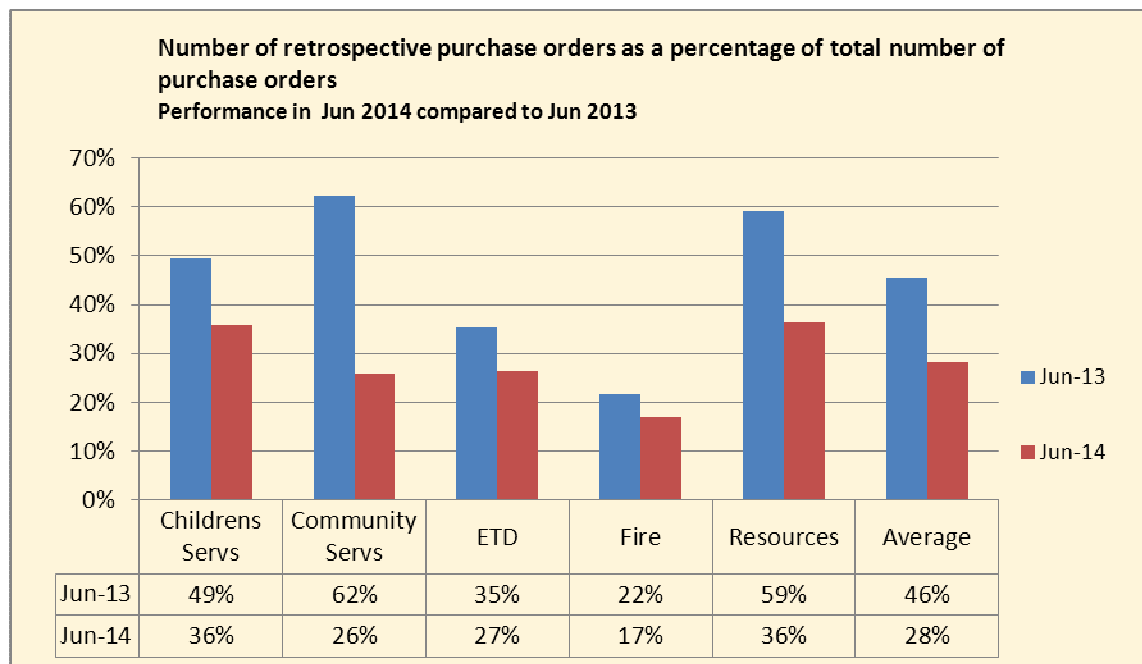
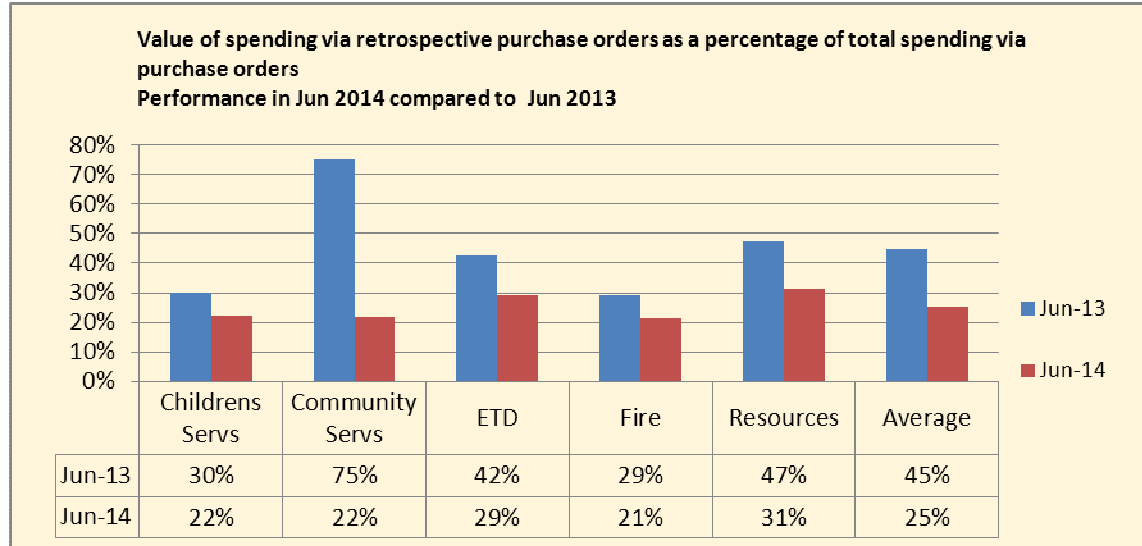
6. In accordance with Financial Regulation and Financial Procedures, Cabinet is required to approve the write-off of debts over £10,000. The Head of Finance approves the write off of all debts up to £10,000. This value is reviewed regularly and adjusted in line with inflation, as appropriate.
7. Before writing off any debt all appropriate credit control procedures are followed. Where economically practical the County Council’s legal position is protected by court proceedings being issued and judgment being entered. For a variety of reasons, such as being unable to locate the debtor, it is sometimes not appropriate to commence legal action.
8. For the period 1 June 2014 to 30 June 2014, 103 debts less than £10,000 were written off following approval from the Head of Finance. These debts totalled £24,771.16.
9. For the period 1 April 2014 to 30 June 2014, 183 debts less than £10,000 were written off following approval from the Head of Finance. These debts totalled £68,500.44. No debts over £10,000 have been written off
10. Given the above factors the level of outstanding debt is considered reasonable.

### Purchase order performance – retrospective purchase orders

- 1.1 Whenever a commitment is made to purchase goods or services, a purchase order should always be raised in advance, for a number of reasons:
- raising a purchase order creates a commitment against the relevant budget – this leads to more accurate forecasting;
  - sending a purchase order to the supplier ensures that the purchase is made against the Council's terms and conditions, which reduces legal risk;
  - the purchase order process enables the purchase to be approved (or rejected) before it is too late to influence it – this improves financial controls, and enables the number of suppliers to be reduced and better deals to be negotiated.
- 1.2 The Council's objective, therefore, is that ultimately there should be no 'retrospective' purchase orders – orders raised after the invoice has been received.
- 1.3 Performance against this objective is measured in two ways:
- by value – the value of spending via retrospective orders as a percentage of total spending; and
  - by volume – the number of retrospective orders as a percentage of all orders.
- 1.4 The first of these measures focuses on the contribution to forecasting accuracy and to reducing legal risk; the second on administrative costs and supplier rationalisation.
- 1.5 Performance on both measures has improved. Compared to the same month last year, retrospective spending has reduced from 45% to 25% by value, whilst the proportion of orders which are retrospective has fallen from 46% to 28%. The tables below also set out the performance by directorate.
- 1.6 Despite the improvement since last year, there is still room for significantly reducing retrospective ordering. Therefore an internal target has been set such that the performance measures for each of the targets should be no more than 5% by April 2015.

## Purchase order performance – retrospective purchase orders

The tables below reflect the progress made against the Council's objective to minimise and ultimately eradicate retrospective purchase orders: ie orders raised after the invoice has been received.



# Policy and Resources Committee

Item No 7

<b>Report title:</b>	<b>2014-15 Capital Finance Monitoring Report Month 3</b>
<b>Date of meeting:</b>	<b>5 September 2014</b>
<b>Responsible Chief Officer:</b>	<b>Head of Finance (Interim)</b>
<b>Strategic impact</b> This report provides a monthly update on the progress towards the achievement of the capital programme set by the Council in January 2014. It is necessary to provide regular monitoring on this progress in order to ensure that Members are aware of any developments in the delivery of the programme.	

## Executive summary

On 17 February 2014, the County Council agreed a 2014-15 capital programme of £202.462m with further future years' funding of £188.676m. Following the agreement of that programme, there were further adjustments resulting in the programme's opening position reported at Month 2. This report summarises further revisions to the programme following this reported opening position to give a revised programme of £239.005m.

There have been further changes to the disposal schedule set out in the Month 2 monitoring report reducing the forecast capital receipts for 2014-15 by £0.230m. This report sets out the primary changes on the disposal schedule and the proposed impact on the capital receipts reserve, including a revised figure of £6.432m of capital receipts now forecast to be used to reduce borrowing incurred through financing the 2014-15 capital programme.

The annexes to this report also looks at the proposed funding of the programme, including the impact of these proposals on future revenue budgets.

### Recommendations:

#### Members are recommended to:

- note the revised expenditure and funding of the 2014-17 capital programme and the changes which have occurred following the position reported in July, as set out in Section 1 of Annex A
- note the progress towards the achievement of the 2014-15 programme, as set out in Section 2 of Annex A
- note the proposed changes to the disposals schedule and the impact on the capital receipts reserve, summarised in Section 4 of Annex A and further detailed in Appendix 4
- note the impact of using borrowing to finance the programme on future revenue budgets, as identified in Appendix 1
- to approve an additional £0.200m prudential borrowing as part of a spend to save scheme to move adult social care services from Holt to Sheringham and enable the sale of property estimated at £0.650m.



## **1. Introduction**

- 1.1 This report sets out the revised 2014-17 capital programme incorporating changes following the position reported in July 2014, and a new spend to save scheme.

## **2. Evidence**

- 2.1 The Council set an initial 2014-15 capital programme of £202.462m in January 2014, which was subsequently revised to £237.935m to account for reprofiling and other adjustments as reported in July 2014.
- 2.2 There has been further reprofiling and adjustments of £1.070m in the period following the presentation of the opening position, as set out in the attached report. This has resulted in a revised position of £239.005m.

## **3. Financial Implications**

- 3.1 The revised position of the 2014-15 capital programme is £239.005m.
- 3.2 This is to be funded by £47.338m of borrowing; £8.296m of capital receipts; £2.387m of revenue & reserve funding; and £180.984m of grants and contributions.
- 3.3 The impact of the additional borrowing on future revenue budgets as a result of interest and setting aside amounts for the repayment of the borrowing is £4.261m, as set out in Appendix 1.

## **4. Issues, risks and innovation**

- 4.1 Risks associated with the capital programme, in terms of prioritising funding, and the timing and control of spend, are being addressed through links with Asset Management Plans and the on-going development of the Property Client function. The format and content of the capital monitoring reports is being developed and will increasingly highlight activity and risks associated with the capital programme.
- 4.2 Officers have considered all the implications which members should be aware of. Apart from those listed in the report and summarised above, there are no other implications to take into account.

## **5. Background**

- 5.1 Having set a capital budget at the start of the financial year, the Council needs to ensure its delivery within allocated and available resources which in turn underpins the financial stability of the Council. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required.
- 5.2 Further details are given in the annexes to this report.

## Officer Contact

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

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

Officer Name:	Tel No:	Email address :
Peter Timmins	01603 222400	<a href="mailto:peter.timmins@norfolk.gov.uk">peter.timmins@norfolk.gov.uk</a>
Howard Jones	01603 222832	<a href="mailto:howard.jones@norfolk.gov.uk">howard.jones@norfolk.gov.uk</a>



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.

**Norfolk County Council**

**Annex A: 2014-15 Capital Finance Monitoring Report Month 3**

Report by the Head of Finance (Interim)

**Introduction**

This report gives details of:

- Changes to the capital programme during June 2014
- future capital programmes
- forecast and actual income from property sales
- how the programme is funded and
- other key information relating to capital expenditure.

Context

The capital programme for 2014-17 was agreed by County Council on 17 February 2014. This programme, which complements the Council's Asset Management Plan, consists of schemes improving and augmenting the Council's existing assets, including the provision of extra school places, maintenance and development of the County's highways network and improvement of the Council's office accommodation.

The progress on the capital programme and the associated sources of funding is monitored on a monthly basis throughout the year and reported regularly to Members.

Revised Capital Programme

The revised opening position of £237.935m for the 2014-15 capital programme was reported to Policy and Resources committee on 14 July 2014. This report identifies further refinements to that opening capital programme as plans are developed for the delivery of the constituent projects. Major changes during June include an increase in the funding of the Children's Services and Highways capital programmes from developer contributions. Reprofiting of expenditure funded through Department of Health grants as work continues to identify future priorities within Adult Social Care.

Capital Receipts

There have been further changes to the projected capital receipts for 2014-15 as reported in section 4, with the projection for overall receipts now being £9.535m. These changes to the disposal schedule result in a revised figure of £6.432m of general capital receipts now forecast to be used to reduce borrowing incurred through financing the 2014-15 capital programme.

## 1 Capital Programme 2014-15 Period 3 Position

- 1.1 The 2014-15 Capital Programme was approved by the County Council on 17 February 2014 and is published in the Council's 2014-15 Financial Strategy and Medium Term Financial Plan.
- 1.2 Subsequent to the agreement of the 2014-15 Capital Programme, there has been further reprofiling and other changes reported to Cabinet in 2013-14, slippage, and adjustments to funding which were not anticipated at the time of the Capital Programme's publication. These changes have now been incorporated into the below reported opening position of the 2014-15 programme.
- 1.3 Subsequent to the Period 2 monitoring report presented to Policy and Resources committee on 14 July 2014, the capital programme has undergone further revisions as summarised in Table 1.
- 1.4 The table below provides a high level view of how the revised 2014-15 programme is made up for each service:

**Table 1: Revised capital programme 2014-15**

Service	Opening Capital Programme 2014-15	Cumulative Changes To Date	Reprofiling To Be Approved	Other Changes To Be Approved	2014-15 Capital Programme	Forecast Outturn	Over / (Under)spend
	£m	£m	£m	£m	£m	£m	£m
Children's Services	91.160	0.000	-0.327	1.314	92.147	92.147	0.000
Adult Social Care	10.552	0.000	-3.065	0.005	7.492	7.492	0.000
Cultural Services	1.119	0.000	0.000	0.032	1.151	1.151	0.000
Highways	90.492	0.000	0.000	2.759	93.251	93.100	-0.151
ETD Other	7.727	0.000	0.000	0.000	7.727	7.728	0.000
Fire & Rescue Service	2.841	0.000	0.000	0.003	2.844	2.844	0.000
Resources	34.044	0.000	0.000	0.349	34.393	34.401	0.008
<b>Total</b>	<b>237.935</b>	<b>0.000</b>	<b>-3.392</b>	<b>4.462</b>	<b>239.005</b>	<b>238.862</b>	<b>-0.142</b>
		<b>237.935</b>		<b>1.070</b>			

### 1.5 Reprofiling

**Table 1a: Reprofiling in June 2014**

Service	Project	Funding Type	Amount £m	Explanation
Children's Services	Brooke Replacement School	Borrowing, Capital Receipts and External	-2.998	Project reassessed. Now expected to commence in 2015-16 with works completed in 2016-17.
	Basic Need 2013-14 previously allocated to	External	5.150	Use of Basic Need funding brought forward from future years to cover a number of growth schemes, including: <ul style="list-style-type: none"> <li>• Great Yarmouth Primary;</li> </ul>

	2015-16			<ul style="list-style-type: none"> <li>• St Augustines in Costessey;</li> <li>• Wymondham High;</li> <li>• Roydon Primary;</li> <li>• Further works in West Lynn and Sparhawk;</li> <li>• Initial stages of Great Yarmouth and Wymondham reorganisation.</li> </ul>
	Bignold Growth	External	-2.479	All stages of the Bignold Growth project have now been combined with plans for commencement of work in 2015-16.
<b>Children's Services Total</b>			<b>-0.327</b>	
Adult Social Care	IT Infrastructure	Borrowing and Capital Receipts	-0.145	Deferred for future development of Care First and other ICT projects.
	Unallocated DoH Social Care Grant	External	-2.314	Unallocated pot of grant funding reprofiled to future years while plans for its use are further developed. Plans for this funding are being discussed with the Adult Social Care Capital Steering Group.
	Great Yarmouth Dementia Day Care	External	-0.050	Reprofiled to better reflect the longer term nature of the Dementia Day Care programme.
	ASC Housing Development Fund	Borrowing, Capital Receipts and External	-0.400	No specific plans this financial year to develop new sites. Funding moved back to 2015-16 to fund potential future developments.
	Other Small Schemes	External	-0.156	Various small schemes reprofiled
<b>Adult Social Care Total</b>			<b>-3.065</b>	
<b>Total Reprofiting</b>			<b>-3.392</b>	

## 1.6 Other Changes

**Table 1b: Other changes in June 2014**

Service	Project	Funding Type	Amount £m	Explanation
Children's Services	Schools' Capital Expenditure Schemes	Revenue	0.848	Revenue contributions provided out of school revenue budgets during the first three months of 2014-15 towards the cost of smaller capital schemes taking place within schools
	Developer Contributions	External	0.430	Developer contributions received in the first three months of 2014-15. £0.100m has been allocated to improvements on the Thorpe St Andrew Sports Hall and a further £0.135m towards increasing capacity

				at Poringland Primary.
	Other Schemes	Revenue	0.036	Other small changes
<b>Children's Services Total</b>			<b>1.314</b>	
Adult Social Care	Other schemes	Borrowing	0.005	Corporate Minor Works schemes
<b>Adult Social Care Total</b>			<b>0.005</b>	
Cultural Services	CERF Watton Library	Borrowing	0.025	New scheme allocated from CERF funding
	Other schemes	External	0.007	New Section 106 money for libraries schemes
<b>Cultural Services Total</b>			<b>0.032</b>	
Highways	Various Developer Funded Schemes	External	2.759	<p>Following the agreement of the programme in January, the costs of a number of developer-funded schemes have been revised upwards. The funding agreements for these schemes require the developers to fund the whole cost of each scheme and therefore the additional cost will be covered by developer contributions.</p> <p>These schemes include:</p> <ul style="list-style-type: none"> <li>• Costessey Lodge Farm road widening and junction improvements</li> <li>• Costessey William Frost Way slip road scheme</li> </ul>
<b>Highways Total</b>			<b>2.759</b>	
Fire and Rescue Service	Other Schemes	Borrowing	0.003	Corporate Minor Works schemes
<b>Fire and Rescue Service Total</b>			<b>0.003</b>	
Resources	County Farms	Capital Receipts	0.382	Additional works to the County Farms estate have been identified and scheduled for completion in 2014-15. These include a new bridge at Creek Farm in Nordelph at a cost of £0.250m.
	Corporate Minor Works Pot	Borrowing	-0.008	Corporate Minor Works schemes devolved to services
	Carbon	Borrowing	-0.025	CERF schemes devolved to services

	Energy Reduction Fund			
<b>Resources Total</b>			<b>0.349</b>	
<b>Total Other Changes</b>			<b>4.462</b>	

1.7 The following virements within services have taken place in June 2014:

- £3.000m for a dementia care scheme in Bowthorpe has been allocated from Department of Health funding within Adult Social Care
- £0.400m of borrowing has been disaggregated from Kings Lynn Satellite Station Scheme to create a new project for improvements at the Kilham's Way Fire Station in King's Lynn. The original bid for borrowing covered works at both sites, supporting the Fire Integrated Risk Management Plan, but these are now being managed as separate projects.

1.8 The revised programme for 2015-17 is as follows:

**Table 2: Opening capital programme 2015-17**

<b>Service</b>	<b>Capital Programme Opening Position £m</b>	<b>Reprofiling in June £m</b>	<b>Revised Position at end of June 2014 £m</b>
Children's Services	46.570	0.327	46.897
Adult Social Care	0.000	3.065	3.065
Cultural Services	0.000	0.000	0.000
ETD Highways	123.722	0.000	123.722
ETD Other	3.600	0.000	3.600
Fire and Rescue	1.769	0.000	1.769
Resources	20.971	0.000	20.971
<b>TOTAL</b>	<b>196.632</b>	<b>3.392</b>	<b>200.024</b>

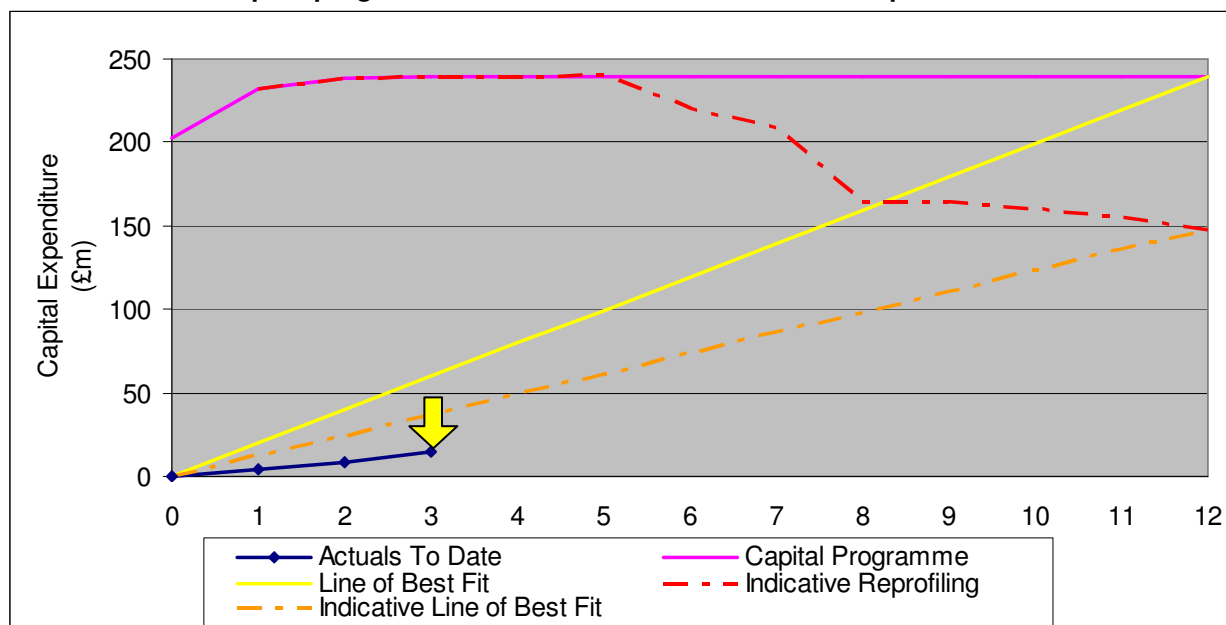
1.9 The opening position of the future years programme was reported to Policy and Resources committee on 14 July 2014.

1.10 Reprofiling into future years is as reported in Table 1a.

## 2 Actual Spend and Progress on Capital Programme

2.1 Progress on the overall capital programme is as follows:

**Chart 1: Capital programme 2014-15 and cumulative actual expenditure**



2.2 Total expenditure on the 2014-15 capital programme to the end of June was £14.809m. By comparison, the Council had spent £21.723m by the end of June 2013.

2.3 Capital projects by their nature do not lend themselves to evenly profiled expenditure, which would suggest a target spend percentage of 25%. A number of reasons may result in higher expenditure during certain parts of the year. In particular, major construction and infrastructure projects would expect to incur greater expenditure during the summer and autumn. There may be other reasons for delays in projects such as difficulties in obtaining planning permission.

2.4 The graph above suggests that there may be a significant amount of re-profiling of expenditure into future year's programmes. The difference between the current profile and actual at Month 3 is 18.8%.

2.5 The dotted lines on Chart 1 present an indicative pattern of reprofiling based on last year's capital programme. If there is similar reprofiling in this year then the outturn capital programme would be £143.5m and expenditure to date would represent 10.3% of the outturn, 14.7% below expected progress.

2.6 Progress towards the completion of the current capital programme by each service is as follows:

**Table 3: Comparison of capital programme, by service, and expenditure to date**

Service	Capital Programme £m	Expenditure To Date £m	% Capital Expenditure Incurred	RAG
Children's Services	92.147	3.820	4.1%	R
Adult Social Care	7.492	0.254	3.4%	R
Cultural Services	1.151	0.238	20.7%	G
Highways	93.251	6.746	7.2%	R



ETD Other	7.727	0.054	0.7%	<b>R</b>
Fire & Rescue Service	2.843	0.343	12.0%	<b>A</b>
Resources	34.393	3.354	9.8%	<b>R</b>
<b>Total</b>	<b>239.005</b>	<b>14.809</b>	<b>6.2%</b>	<b>R</b>

- 2.7 The expenditure to date figures include an accrual for £3m of expenditure on Better Broadband which has been incurred but not yet charged to the capital programme.
- 2.8 As reported on 14 July 2014, there may still be some accruals of expenditure from 2013-14 which have not yet been fully resolved and therefore distort the actual expenditure figures.
- 2.9 Reasons for expenditure being below an evenly distributed budget profile are as follows:

Children's Services (Month 3 gap: £19.217m) - "Red"

The three year programme for Children's Services remains heavily front-loaded and the expenditure in 2014-15 will not meet the current budget. There is further work required to refine the programme and correctly profile expenditure in line with anticipated works on the constituent schemes. A number of these schemes are still awaiting the completion of a land purchase or planning consent and are unlikely to be completed in this year. The reassessment of the programme is being undertaken with a view to reprofiling the budgets at the earliest opportunity.

Expenditure on schemes at existing schools is likely to accelerate over the coming months with the majority of work being undertaken during school holidays.

Adult Social Care (Month 3 gap: £1.619m) – "Red"

The Adult Social Care capital programme includes £3.000m for the provision of the dementia care and housing with care schemes at Bowthorpe in conjunction with NorseCare. The money for this scheme will be transferred to NorseCare later in the year as a contribution to the cost of the works, which will commence shortly and are due to be completed in this financial year.

There is a significant capital provision to transform accommodation from residential care to Housing With Care, whilst rationalising the provision for supported living. An ASC Care Accommodation Strategy is being developed to underpin this investment and schemes will be developed within this strategy.

Highways (Month 3 gap: £16.567m) – "Red"

There is a delay in recognising expenditure on Highways schemes following the change of Highways contractor at the beginning of this financial year. The overall highways programme remains broadly in line with expected progress in terms of works completed but billing is currently being delayed. This issue is expected to be resolved prior to the end of the year.

ETD Other (Month 3 gap: £1.878m) – "Red"

The majority of the programme for ETD Other relates to loans to be paid to Norfolk Energy Futures Ltd in respect of developing renewable energy projects. There have not been any further loans agreed with NEF during the first quarter

of 2014-15 and work ongoing to identify suitable schemes to finance remains challenging.

The other major scheme within this budget is for drainage improvements at the county's Household Waste Recycling Centres and landfill sites. There remain five sites at which works are required and these are expected to be completed in 2014-15 at a considerable underspend due to a reassessment of the works required and a change of contractor.

#### Resources (Month 3 gap: £5.244m) – “Red”

The majority of the programme for Resources in 2014-15 consists of two schemes:

- Better Broadband - £13.389m
- County Hall - £16.690m

The expenditure on County Hall in the first quarter of 2014-15 is broadly in line with expectations and, at this point, does not raise any cause for concern.

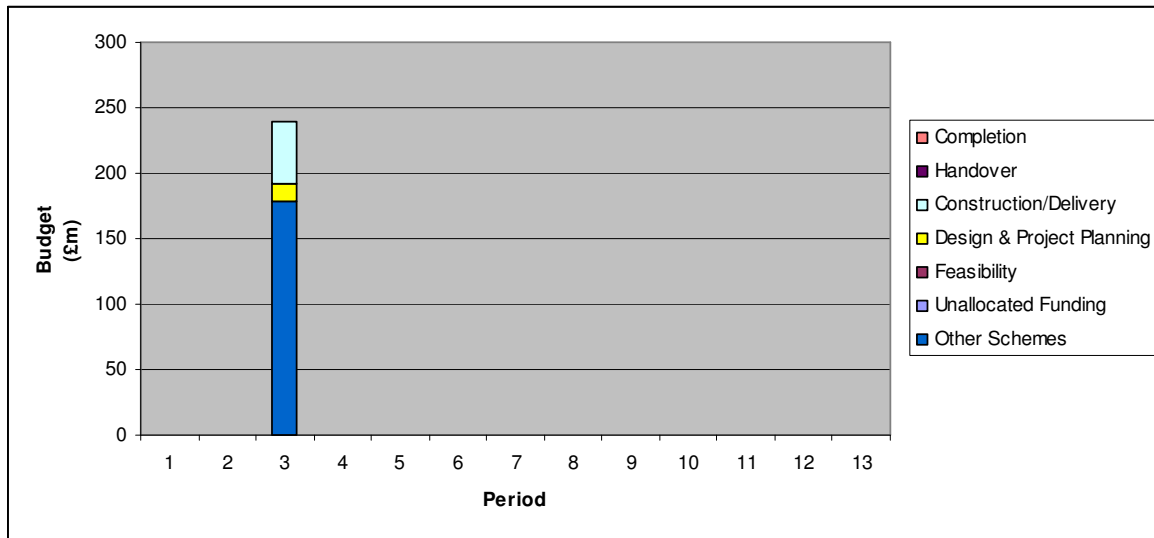
Better Broadband payments are paid quarterly and based on milestone reports received from BT. The need to validate these reports prior to payment means that the first quarterly payment has not been made yet. Progress on the scheme has been consistent with the plan to date and therefore the full £13.389m is currently expected to be spent in 2014-15.

- 2.10 An important indicator of progress on the capital programme as a whole is the stage, or gateway, of the constituent projects.
- 2.11 The following gateways will be applied to determine the progress of the schemes within the programme:

<b>Project stage / Gateway</b>	<b>Description</b>
Unallocated Funding	Funding for projects which are undergoing options analysis to identify the best
Feasibility	Projects which have been identified and are undergoing options analysis to identify the best route for delivery
Design and Project Planning	Projects where initial plans are being developed into a comprehensive project plan and design
Construction/Delivery	Construction, delivery & installation of the assets is underway
Handover	Works on the assets are substantially complete and they have been handed over but are still undergoing a defects maintenance period prior to completion
Completion	Project is signed off and complete
Other Schemes	Schemes below the de minimis for gatewaying (initially £10m)

- 2.12 The table below identifies the current gateways of projects within the capital programme at the end of June 2014-15:

**Chart 2 (in development): Gateway analysis of 2014-15 capital programme at end of June 2014**



### 3 Financing The Programme

- 3.1 The Council uses a number of sources of funding to support its capital programme.
- 3.2 Funding comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves.
- 3.3 The below table identifies the planned funding of the revised capital programme:

**Table 4: Financing of the capital programme**

<b>Funding Stream</b>	<b>Approved Capital Programme</b>	<b>Previously Approved Changes</b>	<b>Changes To Be Approved</b>	<b>2014-15 Programme</b>	<b>2014-15 Forecast Outturn</b>	<b>2014-15 Over / (Under)spend</b>	<b>Future Years Forecast</b>
	£m	£m	£m	£m	£m	£m	£m
Prudential Borrowing	44.884	2.510	-0.056	47.338	47.346	0.008	52.925
Capital Receipts	2.258	6.276	-0.238	8.296	8.296	0.000	1.894
Revenue & Reserves	3.567	-2.559	1.379	2.387	2.386	0.000	0.09
Grants and Contributions							145.115
DfE	58.463	13.300	0.196	71.959	71.959	0.000	
DfT	48.760	3.437	10.852	63.049	62.899	-0.150	
DoH	7.482	0.848	-2.520	5.810	5.810	0.000	
DCLG	0.406	0.496	0.000	0.902	0.902	0.000	
DCMS	10.378	0.000	0.000	10.378	10.378	0.000	
GNDP/CIF	0.000	0.000	2.673	2.673	2.673	0.000	
Developer Contributions	0.000	0.000	14.669	14.669	14.669	0.000	
Other	26.264	11.165	-25.885	11.544	11.544	0.000	
<b>TOTAL</b>	<b>202.462</b>	<b>35.473</b>	<b>1.070</b>	<b>239.005</b>	<b>238.862</b>	<b>-0.142</b>	<b>200.024</b>

- 3.4 Developer contributions and GNDP support have now been identified separately from the other grants and contributions in the above table.
- 3.5 The previous funding analysis included only block funding and funding relating to the development of the NDR under the DfT heading. There are a number of other funding streams from DfT relating to directed investment, such as cycle route improvements, better public transport and schemes addressing particular congestion issues. These have now been identified and moved out of Other into DfT funding.
- 3.6 The table above shows forecast prudential borrowing requirement for the Council to support the 2014-15 programme of £47.346m. The overspend of £0.008m on borrowing is related to overspending on the North Norfolk Office Reorganisation – options for funding this overspend without increasing borrowing requirements are currently being investigated.

The revenue consequences of borrowing are shown in Appendix 1. The key issues continue to be:

- To evidence that spend-to-save schemes generate savings to fund their costs; and

- That unsupported borrowing schemes are reviewed to identify alternative revenue funding.

Further details of spend-to-save schemes and other schemes largely funded through borrowing are shown in Appendices 1 and 2.

## 4 Capital Receipts

- 4.1 The Council's Asset Management Plan, as agreed on 14 April 2014, details the short and medium term plan for the management of the Council's assets and how this supports the delivery of the Capital Programme.
- 4.2 Key themes of the asset management plan relating to the capital programme were:
- Using our property portfolio more efficiently and rationalising the office space used by the Council;
  - Reducing the number of surplus properties;
  - Generating capital receipts in line with the requirements of the agreed capital programme; and
  - Developing an investment strategy and policy.
- 4.3 The capital programme, approved in February, further detailed how asset management would support capital expenditure through generating £10.163m of capital receipts through property disposals.
- 4.4 Since then, there have been a significant number of changes to the draft disposal schedule as a result of identifying further general disposals to reduce borrowing across the capital programme. The current revised schedule for disposals is:

**Table 5: Revised disposal schedule £m**

	<b>2014-15 Approved</b>	<b>2014-15 End of May</b>	<b>2014-15 End of June</b>	<b>Changes since the end of May</b>
General Capital Receipts Available	2.258	6.205	5.865	-0.340
Financial Packages	1.485	1.135	1.235	0.100
County Farms Capital Receipts	6.420	2.425	2.435	0.010
<b>Estimated Total Capital Receipts</b>	<b>10.163</b>	<b>9.765</b>	<b>9.535</b>	<b>-0.230</b>

- 4.5 Changes on expected capital receipts following the last report are as follows:

### 4.5.1 General Capital Receipts

Movements on general capital receipts are as follows:

- The forecast receipt for the sale of the former Claydon High School in Great Yarmouth has reduced by £0.600m to £1.800m. This reduction reflects the value attainable through a direct sale, where the previously reported valuation included a developer's profit.
- Tanner House and Shrublands sold in June for £0.428m compared to a previously forecast receipt of £0.290m, an increase of £0.138m.
- Other increases in valuations have resulted in an increase of £0.175m.

- The movement of a property valued at £0.138m to County Farms disposals, and subsequently moved back to 2015-16.
- The addition of a new disposal of land at Dereham Road valued at £0.085m

#### 4.5.2 Financial Packages Receipts

This movement relates to the addition of Stalham Highway depot for £0.100m.

#### 4.5.3 County Farms Receipts

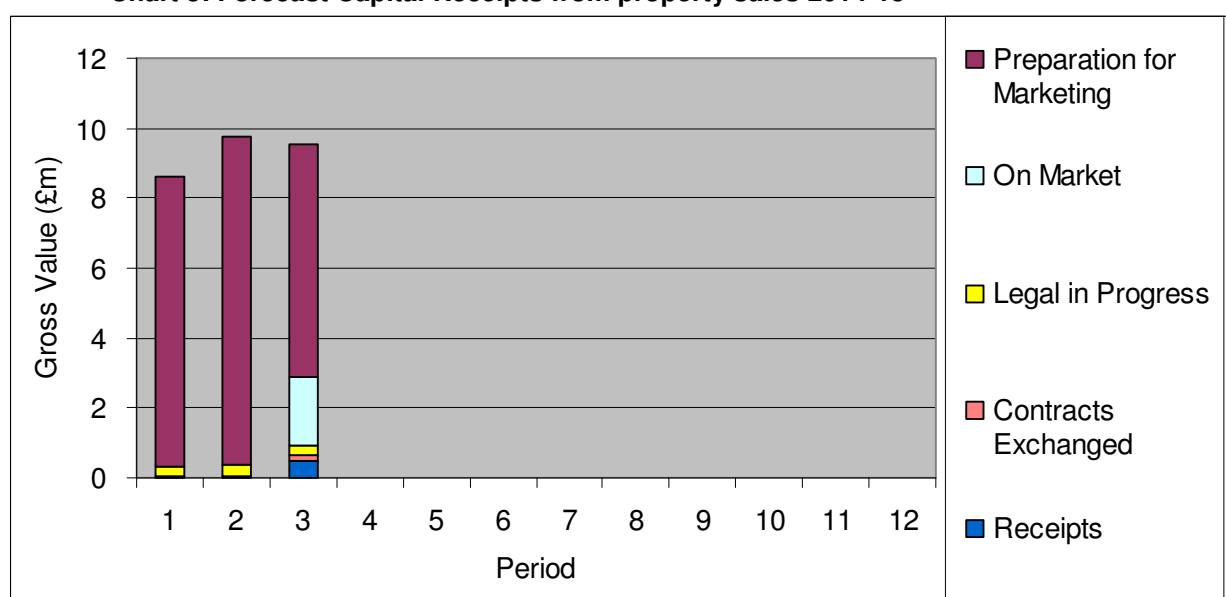
One farm in the capital programme at £0.150m and previously valued at £0.120m in May was sold at auction on 20 June 2014 for £0.130m with the sale currently awaiting completion.

**Table 6a: Reconciliation of Disposal Schedule Estimates**

	£m
Capital receipts estimate at end of May 2014	9.765
Additions	0.000
Upward revaluations of estimates	0.323
Brought forward from future years	0.185
Removals	
Downwards revaluations of estimates	-0.600
Delayed until future years	-0.138
<b>Revised Estimate 2014-15</b>	<b>9.535</b>

- 4.6 The chart below shows the progress on realisation of the forecast capital receipts for 2014-15.

**Chart 3: Forecast Capital Receipts from property sales 2014-15**



A detailed list of property sales and their status may be found in Appendix 4.

- 4.7 Where unallocated capital receipts are generated the Council uses these to support its general capital programme. Anywhere capital receipts have been allocated as part of a financial package, but are still to be used, they are

retained in the capital receipts reserve to fund future projects. The table below identifies expected movements on the capital receipts reserve:

**Table 7: Capital receipts reserve forecast 2014-15**

	<b>General</b>	<b>Financial Packages</b>	<b>County Farms</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening Balance</b>	<b>0.000</b>	<b>1.385</b>	<b>0.367</b>	<b>1.752</b>
Forecast receipts from sales of properties	5.865	1.235	2.435	9.535
Receipts from sales of assets to leasing companies	0.867	0.000	0.000	0.867
Other capital receipts	0.000	0.000	0.000	0.000
<b>Forecast receipts generated in year</b>	<b>6.732</b>	<b>1.235</b>	<b>2.435</b>	<b>10.402</b>
Sales expenses	-0.300	0.000	0.000	-0.300
Receipts repayable to third parties	0.000	0.000	0.000	0.000
<b>Forecast net receipts available for funding</b>	<b>6.432</b>	<b>2.620</b>	<b>2.802</b>	<b>11.854</b>
Forecast use to fund incomplete leases	0.000	0.000	0.000	0.000
Forecast use to fund programme and reduce borrowing	-6.432	-1.228	-0.917	-8.577
<b>Forecast Closing Balance</b>	<b>0.000</b>	<b>1.392</b>	<b>1.885</b>	<b>3.277</b>

- 4.8 Financial packages exist where the Council has agreed to link receipts from the sale of an asset with the funding of a specific project. Balances on financial packages exist where these projects remain incomplete.



## **5 New capital scheme proposals requiring borrowing**

- 5.1 There are currently no new proposals for schemes requiring borrowing.

## **6 Spend to Save schemes**

- 6.1 An analysis of spend-to-save schemes, Economic Development schemes, and schemes funded through the Norfolk Infrastructure Fund is set out in Appendix 2.

## **7 Capital schemes in development**

- 7.1 The following capital schemes, which have been reported to previous cabinet meetings, are in development:

- Land developments at former RAF Coltishall,
- Further development of broadband in rural areas,
- Greater Norwich infrastructure projects.

- 7.2 Norfolk County Council has joined a consortium of local authorities to support the upgrade of the A14. DfT has announced its commitment to the project on the basis of a £100m local contribution. This has been allocated across members of the consortium of which Norfolk County Council's contribution is £1m.

Terms with DfT are currently being reviewed by NPLaw.

The financial implications of this area cost of approximately £0.040m per annum payable between 2020 and 2044.

## **Appendices**

**Appendix 1: Revenue Consequences of Borrowing**

**Appendix 2: Spend to Save and NIF-Supported Schemes**

**Appendix 3: Norfolk Infrastructure Fund Update**

**Appendix 4: Capital Receipts**

## Appendix 1: Revenue Consequences of Borrowing

- i. The Council is required under the Local Government Act 2003 to have regard for the CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code).
- ii. The Prudential Code sets out the principles by which authorities should ensure that their level of borrowing is prudent and affordable. It also prescribes the indicators an authority must use to assess the prudence and affordability of its borrowing.
- iii. The prudential indicators, which include the authorised limit for borrowing and the expected ratio of financing costs to net revenue stream for future years, are set annually and were agreed alongside the Capital Programme on 17 February 2014.
- iv. The indicators are monitored on a monthly basis and any significant deviation from the set level, which would indicate that the Council is acting imprudently, is reported to Members by Treasury Management. Currently the Council is working well within the indicators set in February and does not plan to undertake any further borrowing in 2014-15.
- v. The level of borrowing on the Council's Balance Sheet reflects prior capital funding decisions and must be viewed in the context of the overall portfolio of assets held by the Council.
- vi. The Council is required to set aside an amount of money annually to service its debt and ensure that its actions do not impair the ability of the Council to borrow to support its capital requirements in the future. This is known as the Minimum Revenue Provision (MRP). The underlying assets provide services for the Council over a significant period of time and, through setting aside an amount of money annually to service the associated borrowing, the Council matches the cost of these assets to the service potential provided by them.
- vii. Additional borrowing results in an increase in the amount of interest the Council must pay each year and an increase in the MRP it must make. The table below shows the incremental effect of the current programme of unsupported borrowing on future revenue budgets:

**Table A1a: Analysis of unsupported borrowing required to support the capital programme**

	2014-15	2015-16	2016-17	2017-18
	£m	£m	£m	£m
Forecast additional borrowing required in year	47.338	33.022	19.903	N/A
<b>Cumulative additional borrowing</b>	<b>47.338</b>	<b>80.370</b>	<b>100.273</b>	<b>100.273</b>
Interest		2.367	4.183	5.278
MRP		1.894	3.214	4.011
<b>Total annual revenue impact of borrowing (cumulative)</b>		<b>4.261</b>	<b>7.397</b>	<b>9.289</b>

- viii. The figures are based on interest rates for borrowing of 5.00%, 5.50% and 5.50% for 2014-15, 2015-16 and 2016-17 respectively. MRP is calculated on the basis of accounting for 1/25 of capital expenditure per year, which is consistent with

expenditure on buildings; where expenditure is incurred on other types of asset, MRP figures will vary from those shown above.

- ix. During 2013-14, the Council will be repaying loans of £9.000m, resulting in a reduction of £0.479m in interest costs.
- x. Unsupported borrowing may be analysed into “spend to save” schemes and those schemes which do not have a recognised saving or income stream related to them:

**Table A1b: Analysis of unsupported borrowing**

	2014-15	2015-16	2016-17
	£m	£m	£m
Spend to save (Appendix 2)	20.913	9.530	0.000
Economic Development & NIF Funded Schemes (Appendix 2)	14.712	24.297	20.000
Deferred borrowing	9.304	0.000	0.000
Other schemes	9.758	0.979	0.013
Capital receipts available to reduce deferred and other borrowing	-7.349	-1.784	-0.110
<b>Total</b>	<b>47.338</b>	<b>33.022</b>	<b>19.903</b>

xi. Spend to Save Schemes

Spend to save schemes are schemes where savings or income to cover the revenue consequences of borrowing in future years (or a specific capital receipt) have been identified. Proceeding with these schemes should have no adverse impact on future revenue budgets.

xii. Economic Development & NIF Funded Schemes

Schemes financed through Economic Development and Norfolk Infrastructure Fund also have specific future revenue streams and savings attached to them. For example, loan repayments on the Norfolk Energy Futures loan.

xiii. Deferred Borrowing

Deferred borrowing represents 2014-17 capital schemes that are nominally funded from revenue and reserves, but which are now being funded from borrowing as reserves were used in previous years to minimise the revenue costs of borrowing.

The funding for these schemes should not be considered for removal as the borrowing has already been committed to in previous financial years when the decision to use revenue contributions was made.

- xiv. The following table identifies the breakdown of those schemes which do not fall into one of three above categories:

**Table A1c: Analysis of Other Schemes**

Scheme	2014-15	2015-16	2016-17	2017-18
	£m	£m	£m	£m
Corporate				

Corporate Minor Works	0.305	0.113		
Alterations to Offices to Comply with Disability Discrimination Act	0.124	0.130		
Asbestos Survey & Removal Programme (Chief Exec)	0.509			
Fire Safety Requirements	0.125			
<b>Unsupported schemes</b>				
Kings Lynn Fire Station	1.173			
Kings Lynn North Improvements	0.400			
Real Fire Training Unit	0.108			
New Fire Station - Boat Store & Enhanced	0.005	0.153		
Closed Landfill Site Capping	0.248			
HWRC Drainage Improvements	2.034			
<b>Education schemes initially funded through supported borrowing</b>				
Schools Access Initiative Post 2011-12	0.165	0.200		
BEST Briggan Road	0.506			
Kings Lynn Academy	0.034			
Drake Land	0.350			
Gayton Land	0.066			
Queens Hills Land	0.350			
Chapel Rd site	0.150			
Sustainability	0.455			
Condition Contingency	0.448			
Thetford Replacement School	1.117			
Robert Kett, Wymondham	0.176			
Valley Primary	0.136			
Brooke Replacement School		0.145		
Other education schemes	0.386			
<b>Other small schemes</b>				
Other Schemes	0.388	0.238	0.013	
	<b>9.758</b>	<b>0.979</b>	<b>0.013</b>	
<b>Cumulative Borrowing</b>	<b>9.758</b>	<b>10.737</b>	<b>10.750</b>	
<b>Impact on revenue</b>		0.878	0.971	0.972

- xv. The schemes identified in the first part of Table A1c represent corporate programmes intended to maintain Norfolk County Council assets and ensure that the Council complies with legislation.
- xvi. Reprofiled schemes includes costs previously reported as being deferred borrowing, as described above.
- xvii. To fund or reduce the Council's unsupported borrowing detailed above, there are three options:
  - a. Amend the future capital programme to reduce the funding available to support these schemes, including an ongoing review of the Corporate Minor Works programme

- b. Identify revenue budget to fund the capital expenditure directly.
- c. Identify a suitable reserve from which to draw down the funding for the schemes.

## Appendix 2

### Appendix 2: Analysis of Spend to Save and Economic Development & NIF Funded Schemes

- i. The total for “spend to save” schemes in Appendix 1 Table A1b in can be analysed as follows, with details of the benefits to be realised for each project.

**Table A2a: Analysis of “spend to save” capital schemes 2014-17**

<b>Scheme</b>	<b>Financing</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Carbon Energy Reduction Fund (CERF)	Energy cost savings	2.050		
County Hall Carbon Energy Reduction Fund		0.535	0.771	
County Hall Better Ways of Working	Office closures rent saving	2.462	1.760	
County Hall Strategic Maintenance		13.555	6.999	
North Norfolk Office Reorganisation	Office closures running cost saving and sales proceeds	0.022		
County Farms Improvements	Capital receipts from County Farms disposals	0.916		
Great Yarmouth Property Rationalisation	Capital receipts from disposal of Great Yarmouth office accommodation	0.420		
Gressenhall Sewerage Works	Increased capacity for visitor numbers	0.253		
RAF Coltishall	Identified capital receipt used to replace direct funding from NIF	0.700		
<b>Total Current and Proposed Spend To Save Schemes</b>		<b>20.913</b>	<b>9.530</b>	<b>0.000</b>

- ii. The following table analyses Economic Development & NIF Funded schemes funded through borrowing and /or supported by the Norfolk Infrastructure Fund. The Norfolk Infrastructure Fund (NIF) is a fund using second homes council tax income.

**Table A2b: Analysis of Economic Development and Norfolk Infrastructure funded capital Schemes 2013-16**

<b>Scheme</b>	<b>Financing</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Better Broadband</b>	Telecommunications contract savings and NIF support	3.012	11.197	
<b>Northern Distributor Road</b>	GNDP/ CIF	7.550	9.500	20.000

<b>Loan to Norfolk Energy Futures</b>	Loan Repayments From renewable energy incomes generated by a wholly owned company	4.150	3.600	
<b>Total Economic Development and NIF funded projects</b>		<b>14.712</b>	<b>24.297</b>	<b>20.000</b>

- iii. Updates on Better Broadband, the Beach Coach Station and NORA are included in Appendix 3.



### Appendix 3: Norfolk Infrastructure Fund Update

- i. The Norfolk Infrastructure Fund is a reserve funded by Second Homes receipts and created to support investment in economic development and infrastructure schemes undertaken by the Council.
- ii. This support is in the form of either:
  - a. one-off funding from the reserve, whereby the Council does not incur future revenue costs related to borrowing, or
  - b. through support for borrowing, providing an annual contribution to mitigate the future effects of interest and MRP.
- iii. An annual update detailing progress on the fund was presented to Cabinet on 3 March 2014.
- iv. The commitments on the fund at that point were reported in the last capital monitoring report. A revised list of commitments following the closure of 2013-14 is being prepared for the Economic Development Sub-Committee and will be included in the report following that committee.
- v. The following provides an update on the position of the current schemes within the Norfolk Infrastructure Fund:

#### **NORA (Nar Ouse Regeneration Area) Housing Project**

##### **Progress update**

- Pre-commencement planning conditions and associated works were completed and signed off in July 2013. The expected surplus from phase one was £0.392m (outline business case May 2012).
- There have been significant issues in regard to ground conditions and a pumped sewer main across the site which have now been resolved. Compared to the plan, a further contribution may be necessary.
- Infrastructure works commenced in August 2013 and piling commenced in October 2013.
- Construction of the first 54 dwellings (Phase 1) commenced in November 2013 with the first of these properties programmed to be completed in May 2014 with the whole of Phase 1 being handed over by October 2014.
- William H Brown has been appointed as agent for the site, interest from potential purchasers is strong. A number of offers have already been accepted "off-plan". To help generate sales there will be a show home on the site and the scheme is registered with the Help to Buy scheme.
- The business plan for phase 1 is being refreshed. Later phases cannot commence until a business plan has been agreed.
- After each phase of development is finalised, a report analysing the results of that phase will be completed (Cabinet April 2010).

## **Royal Britannia Crescent (formerly Beach Coach Station Car Park, Great Yarmouth)**

### **Sales update**

- All 19 homes have been built. There has been further progress on the sales of properties following the May 2014 report.
- Sales activity to date is as follows:
  - Five completed and sold at the end of June 2014, including three to the Saffron Housing Association, in line with the expectations of the last report.
  - Six sold subject to contract and a further two properties where offers have now been accepted
- In total, 13 of the 19 properties have now been sold or are in the process of being sold, with work ongoing to secure sales on the remaining properties.

### **Scheme estimates**

- Current estimates for the scheme outturn are as follows:

	<b>Original estimate</b>	<b>Change from Original Estimate</b>	<b>Current forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total Budgeted Costs	2.076	0.144	2.220
Estimated Sales	-2.440 +/- 5%	-0.146	2.294
Estimated surplus (-)	-0.364	0.290	-0.074

The surplus has dropped compared to the original estimates, due to increased costs on the site. The latest figures show a small upward revision to the expected returns and still forecast a return on the project.

As further sales continue to be agreed and completed there will be increasing certainty that a surplus will be realised, but at this stage there remains a risk around that return.

Once the properties are sold the initial investment will be returned to the fund and will be available to fund future projects.

## **Supporting better broadband access in rural areas**

### **Progress update**

- On 21 December 2012, using the Broadband Delivery UK (BDUK) Framework Contract, Norfolk County Council signed a contract for the delivery of improved broadband infrastructure across Norfolk
- Once complete in late 2015, the combination of commercial deployments and the 'Better Broadband for Norfolk' project should mean that 89% of Norfolk premises to have access to 'next generation access' infrastructure and 83% of all Norfolk premises have access to speeds of 24Mbps+
- All premises are expected to have access to a minimum of 2Mbps (enough to run BBC iPlayer).

- Implementation commenced three months ahead of plan, and at the end of December 2013, over 20,000 premises have access to Superfast (24 Mbps+) broadband
- Further funding of £5.590m was announced by central government subject to the provision of match funding. A further £4m was requested from DCMS and agreed subject to the entire £9.590m being matched with local funding.

A report was presented to the Environment, Development and Transport committee on 8 July 2014 detailing options for procurement and match funding. Currently, Norfolk County Council proposes to make a £1m contribution with the remaining being sought from District Councils and the Local Enterprise Partnership.

The programme is still on schedule to be complete by the end of 2015.

### Appendix 4: Capital Receipts

- i. The current budgeted requirement for borrowing and capital receipts to support the 2014-15 capital programme is £55.634m, with a further £54.819m required to fund 2015-17.
- ii. As detailed in Appendix 1, borrowing to finance the capital programme incurs revenue costs for both the interest on loans and the Minimum Revenue Provision that the Council is required to set aside. These increased revenue costs have an impact on the future revenue budgets set by the Council.
- iii. In order to reduce the borrowing required to finance the programme, the Council may seek to generate capital receipts through the rationalisation of its property portfolio.
- iv. The table below sets out in detail the sales which the Council has generated to date in 2014-15 in order to realise capital receipts and reduce the Council's borrowing requirement:

**Table A4a: Sales to Date**

Property	2014-15 Status	Capital Programme 2014-15	Forecast / Actual Receipt	Variance	Notes
		£m	£m	£m	
Former Landfill Site, North Walsham	Completed 4 July 2014	0.000	0.004	0.004	
Former Highways Office, Aylsham	Completed 19 June 2014	0.175	0.303	0.128	
Shrublands, Great Yarmouth	Completed 7 July 2014	0.050	0.166	0.116	
Former St Michael's School Site, Kings Lynn	Contracts Exchanged	0.000	0.050	0.050	
Former Railway Line, Walsingham	Legal in Progress	0.001	0.030	0.029	
Land at Norwich Road, Acle	Legal in Progress	0.000	0.000	0.000	
Tanner House, Thetford	Legal in Progress	0.000	0.262	0.262	
Clere House HFE, Ormesby St Margaret	On Market	0.000	0.000	0.000	
Magdalen House HFE, Great Yarmouth	On Market	0.000	0.000	0.000	
Highways Depot, Watton	On Market	0.000	0.400	0.400	
Former Court House, Fakenham	On Market	0.000	0.100	0.100	
Primary School, Cringleford	On Market	0.750	0.950	0.200	
30 Swansea Road, Norwich	On Market	0.000	0.170	0.170	
Marsh House, Kings Lynn	Preparation for Market	0.185	0.185	0.000	
Former Youth & Community Centre, North Walsham	Preparation for Market	0.000	0.200	0.200	
Dereham Road Land, Norwich	Preparation for Market	0.000	0.085	0.085	
Earthsea House,	Preparation	0.000	0.310	0.310	

East Tuddenham Junior School, Lingwood	for Market Preparation	0.000	0.150	0.150	
Unthank Centre, Norwich	for Market Preparation	0.000	0.700	0.700	
Former Claydon High School, Great Yarmouth	for Market Preparation	0.000	1.800	1.800	
Former Drill Hall, Great Yarmouth		0.025	0.000	-0.025	Staged payment accounted for in prior financial year
The Hollies Youth & Community Centre, Loddon		0.004	0.000	-0.004	Staged payment accounted for in prior financial year
New Youth & Community Centre, Sheringham		0.058	0.000	-0.058	Staged payment accounted for in prior financial year
Land Adjacent to 20 Three Mile Lane, Costessey		0.100	0.000	-0.100	Sale of property completed in March 2013-14
Herondale HFE, Acle		0.900	0.000	-0.900	No longer being considered for sale
Former Sailing Base, Filby		0.010	0.000	-0.010	Delayed until future years
Mildred Stone House HFE, Great Yarmouth		0.000	0.000	0.000	Delayed until future years due to community asset listing
<b>General Capital Receipts</b>		<b>2.258</b>	<b>5.865</b>	<b>3.607</b>	
Former School, Necton	On Market	0.350	0.350	0.000	
Former Highways Depot, Stalham	Preparation for Market	0.250	0.100	-0.150	
Alderman Jackson School, Kings Lynn	Preparation for Market	0.335	0.335	0.000	
Land at Sewell Park College, Norwich	Preparation for Market	0.000	0.450	0.450	
Former Sixth Form Centre, Swaffham		0.150	0.000	-0.150	Sale of property completed in March 2013-14
The Hollies and Ivy House, Great Yarmouth		0.200	0.000	-0.200	Sale of property completed in March 2013-14
Former Highway Depot, Hillington		0.200	0.000	-0.200	Sale of property completed in March 2013-14
<b>Financial Packages Capital Receipts</b>		<b>1.485</b>	<b>1.235</b>	<b>-0.250</b>	
Priory Farm, Wiggenshall St Germans	Contracts Exchanged	0.150	0.130	-0.020	
Sparrow Hall Bungalow, Blofield	Preparation for Market	0.150	0.180	0.030	
Hall Farm, Thorpe Market	Preparation for Market	0.000	0.900	0.900	
Church Farm Barns, Bacton	Preparation for Market	0.090	0.000	-0.090	
Barns at College Farm, Denver	Preparation for Market	0.300	0.300	0.000	
Site for 14 Homes Including Affordable Housing, Blofield	Preparation for Market	0.475	0.225	-0.250	
Vicarage Farm	Preparation	0.200	0.200	0.000	

Barns, North Elmham	for Market				
Hall Farm Cottage, Haddiscoe	Preparation for Market	0.200	0.200	0.000	
Tunstead Barns, Tunstead	Preparation for Market	0.150	0.300	0.150	
Land for 150 Homes Including Affordable Housing, Acle		4.000	0.000	-4.000	Delayed until future years
Development Site, Hilgay		0.080	0.000	-0.080	Delayed until future years
Additional Land for Hospice, Hopton		0.060	0.000	-0.060	Delayed until future years
Site for 5 Homes Including 3 Affordable Housing, Salthouse		0.065	0.000	-0.065	Delayed until future years
Site for 20 Homes Including 12 Affordable Housing, South Walsham		0.500	0.000	-0.500	Delayed until future years
<b>Farms Capital Receipts</b>		<b>6.420</b>	<b>2.435</b>	<b>-3.985</b>	
<b>TOTAL RECEIPTS</b>		<b>10.163</b>	<b>9.535</b>	<b>-0.628</b>	

**Norfolk County Council****Annex B: Capital spend to save scheme: Services for adults with learning difficulties, Cromer Road, Sheringham****Introduction**

The opportunity has arisen to replace buildings in Holt currently used to provide services for adults with learning difficulties, but which are no longer “fit for purpose” with two adjoining units constructed as part of the recent Tesco’s development in Sheringham.

**Proposal**

The new properties in Sheringham will be used by Independence Matters (IM), a social enterprise company set up by Norfolk County Council, to provide services to adults under its contracts with the Council. The new buildings are an opportunity to provide facilities which are more appropriate and more accessible.

The units will be leased to Norfolk County Council, one at a commercial rate and subject to a rent free period, the other rent free as part of the developer’s commitment to provide a community building. Maintenance costs are forecast to be significantly lower than the existing buildings, and the savings will significantly outweigh the rental charges. There will be further savings in transportation costs.

Initial fit out works are required since the building is being let in a ‘shell’ condition. These are budgeted to cost no more than £200k and will comprise:

- Creating an opening in the dividing wall between the two units;
- Providing wall, ceiling and floor finishes according to various activities and suitable for wheelchair users;
- Provision of heating and lighting;
- Providing fully accessible male and female WCs and changing places facilities
- Providing café with servery for customers to include kitchen appliances
- Installation of a small office and meeting room and a training kitchenette
- Providing activity space;
- Providing a quiet/comfortable area for time out.

The decision to take on the lease will be determined by the NCC Managing Director, following consultation with the Chair of Policy and Resources Committee.

**Capital finance implications**

In order for the proposal above to be actioned, a sum of £0.200m needs to be added to the capital programme. This will initially be funded from prudential borrowing. However the borrowing will be for a limited period as the proposal will release an estimated £0.650m from the sale of the present building and land in Charles Road, Holt.

The current premises in Holt have been previously identified for potential disposal towards the end of a 5 year disposal programme, but no specific year allocated. If this acquisition is approved, the disposal of premises in Holt will be brought forward to the 2015-16 disposal programme.