Norfolk County Council

Scrutiny Committee

Date:	**Wednesday 14 February 2024**
Time:	**10 am**
Venue:	**Council Chamber, County Hall, Martineau Lane, Norwich NR1 2DH**

Membership:

Cllr Steve Morphew (Chair)	Cllr Mark Kiddle-Morris
Cllr Daniel Elmer (Vice-Chair)	Cllr Brian Long
Cllr Carl Annison	Cllr Ed Maxfield
Cllr Lesley Bambridge	Cllr Jamie Osborn
Cllr Phillip Duigan	Cllr Brian Watkins
Cllr John Fisher	
Cllr Tom FitzPatrick	
Cllr Keith Kiddie	

Parent Governor Representatives	**Church Representatives**
Vacancy	Helen Bates
Vacancy	Paul Dunning

Advice for members of the public:

This meeting will be held in public and in person.
It will be live streamed on YouTube and members of the public may watch remotely by clicking on the following link: Norfolk County Council YouTube

We also welcome attendance in person, but public seating is limited, so if you wish to attend please indicate in advance by emailing committees@norfolk.gov.uk

Current practice for respiratory infections requests that we still ask everyone attending to maintain good hand and respiratory hygiene and, at times of high prevalence and in busy areas, please consider wearing a face covering.

Please stay at home if you are unwell, have tested positive for COVID 19, have symptoms of a respiratory infection or if you are a close contact of a positive COVID 19 case. This will help make the event safe for attendees and limit the transmission of respiratory infections including COVID-19.

Agenda

1 To receive apologies and details of any substitute members attending

2 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, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
    - Exercising functions of a public nature.
    - Directed to charitable purposes; or
    - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

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

3 Public Question Time

Fifteen minutes for questions from members of the public of which due notice has been given. Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk) by **5pm on Thursday 8 February 2024.** For guidance on submitting a public question, please visit https://www.norfolk.gov.uk/what-we-do-and-how-we-work/councillors-meetings-decisions-and-elections/committees-agendas-and-recent-decisions/ask-a-question-to-a-committee

4 Local Member Issues/Questions

Fifteen minutes for local member 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) by **5pm on Thursday 8 February 2024.**

5 To note that the deadline for calling-in matters, from the Cabinet meeting held on Monday 29 January 2024 was 4pm on Monday 5 February 2024.

6 Norfolk County Council Budget 2024-25 **(Page 4)**

- **Appendix A**: Norfolk County Council Revenue Budget 2024-25 and Medium Term Financial Strategy 2024-2028

- **Appendix B**: Capital Strategy and Programme 2024-25

Report from the Director of Strategic Finance

7 Annual Investment and Treasury Strategy **(Page 326)**
Report from the Director of Strategic Finance

8 Scrutiny Committee Forward Work Programme **(Page 385)**

Tom McCabe
Chief Executive
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 06 February 2024

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Scrutiny Committee

Item No: 6

Report Title: Norfolk County Council Budget 2024-25

- *Norfolk County Council Revenue Budget 2024-25 and Medium Term Financial Strategy 2024-28*
- *Capital Strategy and Programme 2024-25*

Date of Meeting: 14 February 2024

Responsible Cabinet Member: Cllr Andrew Jamieson (Cabinet Member for Finance)

Responsible Director: Harvey Bullen (Director of Strategic Finance)

Executive Summary

Over the course of the 2023-24 financial year, the Scrutiny Committee has considered a number of items relating to development of the council's 2024-25 budget. The appended reports (presented to Cabinet at the meeting held on the 29 January 2024) represent the final stages of the budget setting process. This item supports the Scrutiny Committee in its duty to provide oversight and challenge to the council's process for developing the 2024-25 budget.

Action Required

The committee is asked to:

1. Consider and comment on the suite of 2024-25 budget reports presented to Cabinet on 29 January as appended to this report, with particular focus on the Cabinet recommendations to County Council in relation to:
   - The Norfolk County Council Revenue Budget 2024-25 and Medium Term Financial Strategy 2024-28
   - The Capital Strategy and Programme 2024-25

1. Background and Purpose

1.1 The Scrutiny Committee has a duty to provide effective 'critical friend' challenge to the annual budget process, ensuring sound financial decision making by reviewing how NCC resources are allocated, and exploring the integration between financial and service planning.

1.2 Over the course of the 2023-24 financial year, the Scrutiny Committee has considered the development of the 2024-25 Budget at various stages in the process – providing challenge where appropriate and laying the groundwork for further Scrutiny. In particular, the Committee has considered the following items:

- 21 June 2023 – First context setting piece for development of the 2024-25 budget, outlining key risks and challenges, as well as principles and timeline for engagement and approval.
- 18 October 2023 – strategic and financial planning item, updating committee members on initial budget proposals, the proposed approach to public consultation and key risks and service pressures. Members also received an update on savings identified as a result of the organisational strategic review.
- 25 January 2024 – Members received an update on the provisional local government finance settlement.

1.3 Service specific papers related to strategic and financial planning have also been taken to Select Committees for feedback and comment. These updates were received in July and November 2023.

1.4 This paper and appended Cabinet papers represent the culmination of the budget setting process, building on previous reports to support effective member challenge of strategic and financial planning and the proposed Budget for the 2024-25 council year.

1.5 At the meeting held on 29 January 2024, Cabinet considered the following appended reports:

- **Appendix A** – proposed 2024-25 Revenue Budget, level of council tax and forecast Medium Term Financial Strategy Position.
- **Appendix B** – proposed Capital Strategy and Programme 2024-25.

1.6 The Minutes and full reports for the items referred to in this paper can be found here. Budget recommendations were made to Full Council by Cabinet as set out in the Summary of Decision Notice.

2. Final Settlement and District Council forecasts

2.1 Since the publication of the 2024-25 Budget papers for Cabinet, there have been a number of events which will have an impact upon final 2024-25 Budget setting. On 24 January, the Government announced significant additional funding to be distributed to Local Government as part of the Final Local Government Finance Settlement (https://questions-statements.parliament.uk/written-statements/detail/2024-01-24/hcws206). Nationally this includes £500m additional funding for social care (with an expectation for the majority of this to be applied to meet children's social care pressures), and a £15m uplift in Rural Services Delivery Grant. The Final Settlement is due to be published in early February and will confirm the local allocations of this funding. The Council has also received updated tax base and collection fund estimates from District Council in relation to council tax. In addition, the Council awaits final forecasts for business rates for 2024-25 from District Councils.

2.2 In making its recommendations to Full Council in relation to the 2024-25 Budget, Cabinet authorised the Director of Strategic Finance, in consultation with the Leader of the Council and the Cabinet Member for Finance, to make any changes required to reflect Final Local Government Finance Settlement information, or changes in council tax and business rates forecasts from District Councils, in order to maintain a balanced budget position. To enable this, Cabinet in particular agreed "that any additional resources which become available should be used to delay the use of one-off funding from reserves from 2024-25 to 2025-26, or to establish a budget contingency, to add further growth items and consider the scope to remove or defer savings." Once further details are known, the impact of the above changes on the 2024-25 Budget will be summarised in the Director of Strategic Finance's covering report to Full Council. This will be circulated to the Scrutiny Committee as a supplementary agenda soon as possible in order to inform the discussion of the final proposed revenue budget at the Committee meeting on 14 February.

3. Impact of the Proposal

3.1 Highlighted in appended reports.

4. Evidence and Reasons for Decision

4.1 Highlighted in appended reports.

5. Alternative Options

5.1 Highlighted in appended reports.

6. Financial Implications

6.1 Highlighted in appended reports.

7. Resource Implications

7.1 **Staff:** Highlighted in appended reports.

7.2 **Property:** Highlighted in appended reports.

7.3 **IT:** Highlighted in appended reports.

8. Other Implications

8.1 **Legal Implications:** Highlighted in appended reports.

8.2 **Human Rights Implications:** Highlighted in appended reports.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** Highlighted in appended reports. A full EQIA has been undertaken in respect of saving proposals for 2024-25 and is included within the Revenue Budget report. The EQIA has been considered by Cabinet in making its recommendations to County Council as part of the budget process.

8.4 **Data Protection Impact Assessments (DPIA):** Highlighted in appended reports.

8.5 **Health and Safety implications (where appropriate):** Highlighted in appended reports.

8.6 **Sustainability implications (where appropriate):** Highlighted in appended reports.

8.7 **Any Other Implications:** Highlighted in appended reports.

9. Risk Implications / Assessment

9.1 Highlighted in appended reports.

10. Select Committee Comments

10.1 Select Committees have considered and commented on the Revenue Budget at various points in the process as highlighted in appended reports.

11. Recommendations

The Committee is asked to:

1. Consider and comment on the suite of 2024-25 budget reports presented to Cabinet on 29 January 2024 as appended to this report, with particular focus on the Cabinet recommendations to County Council in relation to:
    - The Norfolk County Council Revenue Budget 2024-25 and Medium Term Financial Strategy 2024-28
    - The Capital Strategy and Programme 2024-25

12. Background Papers

12.1 As listed in appended reports.

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

Officer name: Titus Adam
Telephone no.: 01603 222806
Email: titus.adam@norfolk.gov.uk

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Appendix A

Cabinet

Item No:

Decision making report title: 2024-25 Revenue Budget and Medium Term Financial Strategy 2024-28

Date of meeting: 29 January 2024

Responsible Cabinet Member: Cllr Andrew Jamieson (Deputy Leader and Cabinet Member for Finance)

Responsible Director: Harvey Bullen (Director of Strategic Finance)

Is this a key decision? Yes/~~No~~

If this is a key decision, date added to the Forward Plan of Key Decisions: 2 March 2023

Introduction from Cabinet Member

I am once again pleased to be able to present to Cabinet a set of balanced Budget proposals for 2024-25. However, I cannot shy away from the fact that the Council faces an extremely challenging financial outlook and this year's Budget includes a number of difficult decisions which we do not take lightly. The simple reality is that in common with almost all other upper tier authorities, we face very significant financial pressures arising from rising costs driven by inflation, growth in demand and the continuing upward trajectory of the National Living Wage. These have combined with a very tight financial settlement for local government which provided no additional funding compared to the amounts already announced for 2024-25 in 2023-24.

These external factors have come to bear against the backdrop of the MTFS position agreed in February 2023, which anticipated a budget gap for 2024-25 of just over £46m. While this was materially lower than the gap tackled for 2023-24, it remained a significant challenge, particularly in the context of the level of savings required to deliver a balanced budget over recent years. Since February 2023, as the budget setting process has progressed, a number of factors have emerged to worsen the position. These included in-year overspending, principally linked to social care demand and unit cost pressures coupled with ongoing high levels of inflation and the continuing impact of the cost of living crisis. All of these, along with the global effects of external factors including the ongoing war in Ukraine and the conflict in Israel and the Occupied Palestinian Territories have placed considerable pressure on the Council's budgets for both 2023-24 and 2024-25. In spite of the level of growth provided for in 2023-24 and over the MTFS period, we have therefore once again seen very significant additional cost pressures emerge, all of which have needed to be addressed within the 2024-25 Budget.

In setting the Budget, and in spite of the Policy Statement announcements by Government in both 2023-24 and 2024-25, the Council continues to face high levels of uncertainty about its planning assumptions. Once again, the publication of the Provisional Settlement was extremely late in the year, being announced on 18 December 2023. This provides the Council with very little opportunity to respond to key changes in Government funding. As a result of the pressures and uncertainties I have described, the balanced Budget presented in these papers inevitably includes some difficult decisions.

The Autumn Statement and the subsequent Provisional Settlement set out a worse funding position for local authorities than had previously been anticipated, including an unexpected and sharp reduction in Services Grant. Looking to the future, the funding position for 2025-26 onwards looks to be particularly challenging with no new money in the system for social care pressures. Fair Funding Reform remains deferred and looks increasingly unlikely to be realised in any meaningful way. All local authorities therefore continue to face a wide range of core risks and uncertainties, with the funding position for the sector as a whole appearing increasingly unsustainable. Many commentators have spoken of “systemic” issues in the funding of local councils, and it appears likely that there will be further financial failures of otherwise well run organisations as a result. The stark reality is that the Council is having to work exceptionally hard, and make difficult choices about savings, simply to keep pace with the ever increasing inflationary, demand, and other cost pressures which are being experienced across almost all areas of service delivery. This operating environment will mean a need to begin work early to ensure that the 2024-25 Budget is delivered in line with plans and to support in the development of a robust and achievable Budget for 2025-26 and beyond.

In this context, I can confirm that I consider the Council to be in a sound financial position and that collectively we have risen to the challenge of tackling the 2024-25 Budget gap while providing considerable levels of growth for key services. The papers attached to this report therefore set out the details of a balanced Budget for 2024-25, based on a gross total of £52.219m of new savings (including £12.116m relating to transformation). I have continued to target savings from transformation in preference to service reductions, but I do recognise that this year’s Budget includes a number of proposals which require us to make some very difficult decisions about significant savings across all services and proposes that Cabinet recommend that Full Council agree a 4.99% council tax increase for 2024-25.

The decisions set out in the report will enable the recommendation of a robust and sustainable budget to Full Council. A Budget which lays the groundwork for Norfolk to seize the opportunities which are presented by the County Deal, while continuing to deliver on our key priorities for the County:

1. A vibrant, clean and sustainable economy
2. Better opportunities for children and young people
3. Healthy, fulfilling and independent lives
4. Strong, engaged and inclusive communities
5. A greener, more resilient future

Moreover, this is a Budget which will:

- Protect our vital public services including Adults and Children's social care to the maximum possible extent within our limited available resources;
- Invest in our local economy while ensuring we are well placed to capitalise on the benefits of the County Deal and unlock future investment;
- Minimise any reductions in the services we deliver which are valued by so many across the County, instead targeting efficiency savings and transformation as a priority;
- Position the Council to continue to invest in key infrastructure priorities through a sound and appropriate Capital Programme;
- Ensure that the financial stability of the Council is safeguarded in the face of significant challenges, in order to establish a robust platform on which to develop a sustainable Budget for future years; and
- Continue to put transformation of the way we deliver our services at the heart of our cost control initiatives.

Executive Summary

Appended to this report are a set of papers which support the Council's Revenue Budget decisions for 2024-25.

- Appendix 1: Norfolk County Council Revenue Budget 2024-25
- Appendix 2: Medium Term Financial Strategy 2024-25 to 2027-28
- Appendix 3: Statement on the Adequacy of Provisions and Reserves 2024-25 to 2027-28
- Appendix 4: Statement on the Robustness of Estimates 2024-25 to 2027-28
- Appendix 5: Findings of Public Consultation
- Appendix 6: Equality Impact Assessment
- Appendix 7: Provisional Settlement Consultation response

Collectively, these papers provide an overview of the Council's strategic and financial planning for 2024-25 to 2027-28 and set out the detailed information to support Cabinet's Revenue Budget and council tax recommendations to the County Council, including the Director of Strategic Finance (Section 151 Officer's) statutory assessment of the robustness of the overall budget. In particular, the papers:

- explain the background to planning for the 2024-25 Revenue Budget, including the wider funding context for the County Council;
- set out the growth and savings proposals for budget planning in both the 2024-25 Revenue Budget and the Medium Term Financial Strategy (MTFS) for 2024-25 to 2027-28;
- recommend the overall level of council tax in 2024-25 based on a 4.99% increase, and future year council tax assumptions, setting out the implications of these for the MTFS position;
- set out forecasts of the level of reserves and provisions across the life of the MTFS;
- provide the Director of Strategic Finance's view on the robustness of the estimates used in the preparation of the 2024-25 Budget; and

- outline the findings of public consultation and equality impact assessment, along with proposed mitigations.

Recommendations:

1) **To consider the statements regarding the uncertain planning environment, robustness of budget estimates, assumptions and risks relating to the 2024-25 budget, and authorise the Director of Strategic Finance, in consultation with the Leader of the Council and the Cabinet Member for Finance, to make any changes required to reflect Final Local Government Finance Settlement information (if available), or changes in council tax and business rates forecasts from District Councils, in order to maintain a balanced budget position for presentation to Full Council. In recognition of the budget gap forecast for 2025-26 and to enable a final balanced Budget position to be recommended to County Council, Cabinet is asked to agree the following principles:**

   a) **that any additional resources which become available should be used to delay the use of one-off funding from reserves from 2024-25 to 2025-26, or to establish a budget contingency, or**
   b) **that any income shortfall should be addressed from the Corporate Business Risk Reserve (to the extent possible). Where the Corporate Business Risk Reserve is insufficient, to note that the ultimate source of funding to balance the Budget will be the General Fund.**

2) **To note that a number of further savings have been developed to support the preparation of a balanced budget since the initial list of proposals considered by Cabinet in October 2023, some of which may require consultation or equality impact assessment that will be undertaken as soon as possible. Cabinet is therefore asked:**

   a) **To agree that the proposals subject to further consultation will be brought back to Cabinet for final decision making during 2024-25;**
   b) **To agree that in the event that proposals cannot be implemented in 2024-25, either following consultation and equality impact assessment, or as a result of subsequent member decision making, the following approach would be adopted:**
      i) **One-off options would be sought to deliver a balanced Budget.**
      ii) **In order to achieve a robust and sustainable financial position, service departments would be asked to identify alternative recurrent proposals to replace the one-off measures in-year; and**
      iii) **In the event that recurrent 2024-25 proposals cannot be found, service departments will be asked to bring forward ongoing replacement savings at the same level for 2025-26 and proposals that enable the one-off resources used in 2024-25 to be replenished.**

For all other proposals, Cabinet is asked:

3) **To review the findings of public consultation as set out in Section 14 of Appendix 1, and in full in Appendix 5, and consider these when**

recommending the budget changes required to deliver a balanced budget as set out in Appendix 1.

4) **To consider and comment on the findings of equality impact assessments, as set out in Appendix 6 to this report, and in doing so, note the Council's duty under the Equality Act 2010 to have due regard to the need to:**

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

5) **To note that the Council has responded to the consultation undertaken on the Provisional Local Government Settlement for 2024-25 as detailed in Section 3 of Appendix 1.**

6) **To note that the Council will continue to operate a Business Rates Pool for 2024-25 in partnership with Norfolk District Councils on the same terms as the existing 2023-24 Pool and as set out in Section 6 of Appendix 1, and approve the use of 2023-24 Pool funds as set out.**

7) **To agree to recommend to County Council:**

   a) **The level of risk and budget assumptions set out in the Robustness of Estimates report (Appendix 4), which underpin the revenue and capital budget decisions and planning for 2024-28.**
   b) **The general principle of seeking to increase general fund balances as part of closing the 2023-24 accounts and that in 2024-25 any further additional resources which become available during the year should be added to the general fund balance wherever possible.**
   c) **The findings of public consultation (Appendix 5), which should be considered when agreeing the 2024-25 Budget (Appendix 1).**
   d) **To note the advice of the Director of Strategic Finance (Section 151 Officer), in Section 5 of Appendix 1, on the financial impact of an increase in council tax and the sustainability of the Council's medium term position.**
   e) **That the Council's 2024-25 Budget will include a general council tax increase of 2.99% and a 2.00% increase in the Adult Social Care precept, an overall increase of 4.99% (shown in Section 5 of Appendix 1), as recommended by the Director of Strategic Finance, and resulting in an increased overall County Council Net Revenue Budget of £527.748m for 2024-25, including budget increases of £116.024m, budget savings of £45.022m, and funding changes of £36.961m as set out in Table 15 of Appendix 1, and the actions required to deliver the proposed savings, subject to any changes required in line with recommendation 1 above to enable a balanced budget to be proposed. This would result in a budget**

gap of £45.927m to be addressed for 2025-26, and £132.428m over the life of the Medium Term Financial Strategy.

f) The budget proposals set out for 2025-26 to 2027-28, including authorising Executive Directors to take the action required to deliver budget savings for 2025-26 to 2027-28 as appropriate.

g) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2025-26 to 2027-28 are developed and brought back to Cabinet during 2024-25 as soon as possible and in line with the proposed timetable.

h) Noting Government's assumptions that local authorities will raise the maximum council tax available to them, and that the final level of council tax for future years is subject to Member decisions annually (informed by any referendum principles defined by the Government), to confirm, or otherwise, the assumptions set out in the Medium Term Financial Strategy (MTFS Table 2 in Appendix 2) that the Council's budget planning for 2024-25 will include for planning purposes:

i) general council tax increases of 1.99% from 2025-26;
ii) Adult Social Care precept increases of 1.00% 2025-26 and 0.00% from 2026-27); and
iii) that if the referendum threshold were increased in the period 2025-26 to 2027-28, or any further discretion were offered to increase the Adult Social Care precept (or similar), the Section 151 Officer would recommend the Council take full advantage of any flexibility in view of the overall financial position.

i) That the Director of Strategic Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2024-25 Budget, to make payments, to raise and repay loans, and to invest funds.

j) To agree the Medium Term Financial Strategy 2024-28 as set out in Appendix 2, including the two policy objectives to be achieved:

i) Revenue: To identify further funding or savings for 2025-26 to 2027-28 to produce a balanced budget in all years 2024-28 in accordance with the timetable set out in the Revenue Budget report (Section 4 of Appendix 1).
ii) Capital: To continue to provide a framework for identifying and prioritising capital requirements and proposals to ensure that all capital investment is targeted at meeting the Council's priorities.

k) The mitigating actions proposed in the equality impact assessments (Appendix 6).

l) Note the planned reduction in non-schools earmarked and general reserves of 36.72% over five years, from £175.232m (March 2023) to £110.880m (March 2028) (Section 6 of Appendix 3);

m) Note the policy on reserves and provisions in Section 3 of Appendix 3;

n) Agree, based on current planning assumptions and risk forecasts set out in Section 5 of Appendix 3:

i) for 2024-25, a minimum level of general balances of £26.660m, and
ii) a forecast minimum level for planning purposes of
- **2025-26, £27.910m;**
- **2026-27, £29.160m; and**
- **2027-28, £30.410m.**

as part of the consideration of the budget plans for 2024-28 and supporting these budget recommendations;

o) Agree the use of non-school Earmarked Reserves, as set out in Section 6 of Appendix 3.

1. Background and Purpose

1.1. Norfolk County Council's robust and well-established approach to medium term service and financial planning is based on the preparation of a rolling Medium Term Financial Strategy (MTFS), with an annual budget agreed each year.

1.2. The County Council agreed the 2023-24 Budget and MTFS to 2026-27 at its meeting 21 February 2023. Cabinet has since received reports through the year on the emerging 2024-25 Budget position and related matters. This report now sets out the final 2024-25 Budget proposals and associated MTFS to 2027-28 for Cabinet consideration and recommendation to Full Council. The report brings together a range of information to support Cabinet's consideration of how the proposals contribute to delivering an overall balanced budget for the whole Council, and all relevant factors to inform recommendations. To enable discussion of the budget position it:

- Summarises details of Cabinet decisions to date;
- Provides a summary of announcements made at the Autumn Statement 2023, and the Provisional Local Government Finance Settlement for 2024-25.
- Summarises the latest position in relation to some of the significant uncertainties facing local government finances.
- Sets out details of risks to the MTFS position for 2024-25 onwards.
- Provides an overview of some of the key issues facing services in relation to their financial strategy, pressures, risks and uncertainties and details the saving proposals identified by each Service in order to contribute to setting a balanced Budget for 2024-25.
- Details the outcomes of Service Department and Corporate planning, the input from Scrutiny Committee and Select Committees during the year, and the results of public consultation and equality impact assessments.

1.3. During the budget setting process, Scrutiny Committee has considered the development of the budget. The Council's three Select Committees have also received reports on the broad approach to developing budget proposals for the services within their remit at meetings held in July, and detailed proposals at meetings in November. Select Committee comments on the Budget process are set out in Section 11.

2. Proposals

2.1. This report and its appendices now set out the latest information on the financial and planning context for the County Council for 2024-25 to 2027-28. They summarise the pressures, changes and savings proposals for 2024-25 for all Departments, in order to present the proposed cash limited revenue budget of £527.748m, based on a 4.99% increase in council tax. The Budget report to Cabinet includes the Director of Strategic Finance's advice about the implications of a 4.99% council tax increase for the robustness of the Council's MTFS position. The budget setting process undertaken throughout the development of the 2024-25 budget has enabled the identification of robust savings, although a small number of savings have been identified that may require consultation before any final decisions can be made and they are incorporated into the Budget. Details are set out in paragraph 10.5 below. The proposed Budget reflects a significant investment in key service areas to address the cost pressures they face. Taken together, the proposed changes are expected to enable the Council to set a realistic, deliverable and balanced budget for 2024-25. Norfolk County Council is due to agree its new Budget and Medium Term Financial Strategy for 2024-25 to 2027-28 on 20 February 2024.

3. Impact of the Proposals

3.1. The recommendations set out in this report are intended to enable Cabinet to recommend to Full Council a balanced budget, and the level of council tax for 2024-25. The proposals, in line with organisational ambitions and priorities, will impact on the nature and type of services provided by the Council. In particular, the Budget will:

- provide for growth and investment in key services, and the implementation of budget savings across Council departments, which will help to shape service and financial activity for the year to come;
- contribute to the Council setting a balanced budget for 2024-25; and
- inform future development of the 2025-26 budget and the MTFS beyond 2027-28.
- Continue to put ongoing and sustained transformation of the way we deliver our services at the heart of our cost control initiatives.

3.2. Success in operating within the approved budget for the year and the delivery of identified savings will both be closely monitored throughout the year and reported to Cabinet as part of regular financial reporting. There is extremely limited flexibility within the Council's overall financial position and therefore remaining within the available 2024-25 Budget during the year will be of paramount importance. The budget setting process for 2025-26 will also be reported to Cabinet in line with the timetable set out in the appended papers.

4. Evidence and Reasons for Decision

4.1. The County Council continues to engage with Government, MPs and other stakeholders to campaign for adequate and sustainable funding for Norfolk to maintain delivery of vital services to residents, businesses and visitors Potentially significant funding reforms, including long-delayed social care reform, the Fair Funding Review, and Business Rates reset have been repeatedly delayed and are likely to be dependent on the priorities of any new Government following the expected 2024 General Election. As a result, it is likely that reforms will not be brought forward until 2026-27 at the earliest.

4.2. Government announcements, including funding allocations for 2024-25, have informed financial planning assumptions, and supported the preparation of a robust budget, but concerns remain about the level of pressure in the system driven by a range of factors including the National Living Wage, demand led services, and levels and complexity of demand. The Council's MTFS planning builds on the baseline position agreed in February 2023 and this has been continually updated as more reliable information about cost pressures and funding impacts has emerged through the process. It is noteworthy that the level of additional pressures throughout the budget setting processes for both 2023-24 and 2024-25 have been exceptional, reflecting a number of elements such as the cost of living crisis and its associated impacts, inflation, and the level of recent pay awards agreed nationally.

4.3. The full suite of information and evidence to support the Council's 2024-25 budget proposals is laid out in the appended papers. The Cabinet needs to recommend a budget in order for the Council to fulfil the legal requirement to set a balanced budget for 2024-25 and determine the level of council tax for the year. This year, the need to identify savings has been fundamentally driven by service cost pressures as set out elsewhere in the appended papers.

4.4. The proposals in this report are informed by the Council's constitution, local government legislation, best practice recommendations for financial and strategic planning including the CIPFA Financial Management Code, and feedback from residents and other stakeholders via the public consultation on the 2024-25 Budget as detailed within this report. The proposals in the report reflect a prudent response to the challenges and uncertainties present in the 2024-25 planning process and ultimately will support the Council to agree a robust budget for the year.

5. Alternative Options

5.1. The papers appended to this report represent the culmination of the process to develop detailed budgets and savings proposals for 2024-25 to be recommended to Full Council and therefore forms a key part of the framework for developing the annual budget. At this stage no proposals have been agreed, meaning that a range of alternative options remain open.

5.2. In particular, there are a number of areas where Cabinet could choose to consider different parameters for both the Budget and associated recommendations to Full Council, such as:

- Varying the level of council tax and/or Adult Social Care precept for 2024-25, in the context of the referendum principles for the year, and the implications for the level of savings to be found and the overall budget position;
- Considering alternative saving proposals, taking into account the time constraints required to develop proposals, undertake public consultation (where necessary), and meet statutory deadlines for the setting of council tax.
- Changing other assumptions within the MTFS (including reducing assumptions about budget pressures or varying the level of council tax) and therefore altering the level of savings required in future years.

The deliverability of the overall budget and saving proposals are kept under review by the Section 151 Officer in order to advise on final budget setting proposals. Final decisions on the Budget need to be taken by the County Council in February 2024 informed by final Local Government Finance Settlement figures, forecasts supplied by District Councils, and the findings of EQIA and public consultation activity. A small number of proposals have been identified which may require further consultation and these will be brought back to Cabinet in a future report during 2024-25 for decision making.

6. Financial Implications

6.1. Financial implications are discussed throughout the report. The budget papers appended to this report set out details of proposals which will contribute to the Council’s long-term financial sustainability and enable the setting of a balanced Budget for 2024-25. This includes the level of council tax for the year, and the savings which will need to be delivered by each department, subject to formal approval by Full Council in February 2024. If ultimately approved in the Budget, the proposals in this paper will require departments to deliver further significant savings.

6.2. The Council is legally required to set a balanced Budget annually and should plan to achieve this using a prudent set of assumptions. In the event that additional budget pressures, or any removal of savings for 2024-25 were identified by Cabinet or Full Council, there would be a requirement to identify equivalent further savings, or increased income for 2024-25 to maintain a balanced Budget position.

6.3. A number of significant financial implications have been described in this report and the supporting papers. As highlighted in the report and the appendices, there has once again been a degree of uncertainty throughout the budget process about both the impact of the Local Government Finance Settlement for 2024-25 and other Government decisions and fiscal announcements. The Provisional Local Government Finance Settlement 2024-25 was published via a Written Ministerial Statement on 18 December

2023, but final figures remain to be confirmed in late January or early February 2024. The Provisional Settlement provided further details, but little change, from the funding increases originally announced at the Autumn Statement 2022 and subsequently set out in the DLUHC Policy Statements. This included previously announced increases in the level of funding for social care. The Provisional Settlement included a significant, and unexpected, reduction in Services Grant which is discussed in more detail elsewhere.

6.4. While the Local Government Settlement in recent years had begun to provide an improved level of funding for local authorities, the 2024-25 percentage funding increase in Core Spending Power is below the levels received in 2022-23 and 2023-24. In addition, nationally, council tax will account for 59% of the increase in Core Spending Power in 2024-25 (up from 45% in 2023-24), increasing the reliance on locally raised increases in funding. For local authorities, notional real-terms growth is not keeping pace with budget pressures. Demand-led pressures in social care, children's, homelessness, and high-needs schools budgets are easily outstripping the increases in funding. Fundamentally there remains a need for a larger quantum of funding to be provided to the sector to achieve a sustainable level of funding for future years given the nature and level of cost pressures faced.

6.5. The implications of funding reform changes for future years, now expected to be implemented in 2026-27 at the earliest (including a longer term funding settlement, social care reform, and funding reforms potentially including the long-delayed Fair Funding Review), remain the subject of very considerable uncertainty and although they have been reflected as far as possible in the Council's 2024-25 planning processes, these impacts will need to be refined as further information is made available by Government during the course of the year.

6.6. In this context, the Government's decisions about Council funding for 2025-26 and beyond will once again be hugely significant. The continuing course of the national economy, annual Government budgets, local government funding reform, and others may all offer opportunities to adequately fund local authorities to provide vital services and contribute towards the national economy. The future prospects for Social Care funding reform, now delayed until at least October 2025, remain to be fully detailed. Any changes in Government funding could have a material impact on both the level of savings to be identified, and the Council's wider budget process in future years.

7. Resource Implications

7.1. **Staff:** A number of the specific proposals set out in this report have various staffing implications and staff consultation will therefore need to be undertaken as appropriate as the proposals are further developed and implemented following approval by the County Council.

7.2. **Property:** The budget will have various property implications including the further disposal and rationalisation of certain properties. Consultation and engagement will therefore need to be undertaken as appropriate as the proposals are further progressed through to implementation following approval by the County Council. In addition, existing saving plans include activities linked to property budgets. The Budget includes some assumptions about the levels of capital receipts which will need to be achieved from property asset disposals to support proposals. The 2024-25 Budget includes activities which will be capitalised under the Government's flexible use of capital receipts policy[1].

7.3. **IT:** A number of the specific proposals set out in this report will have various IT implications, including the development, implementation and exploitation of new systems and approaches, which contribute to Smarter Working and transformational activity across the organisation. Existing saving plans include activities linked to IMT budgets.

8. Other Implications

8.1. **Legal Implications:** None specifically identified. This report forms part of the process to enable the Council to set a legal and balanced budget for 2024-25. Specific legal considerations apply to the requirements around the setting of council tax and undertaking public consultation and these are addressed within the appended papers.

8.2. **Human Rights implications:** No specific human rights implications have been identified.

8.3. **Data Protection Impact Assessments (DPIA):** None.

8.4. **Health and Safety implications (where appropriate):** None.

8.5. **Sustainability implications (where appropriate):** At its meeting 15 April 2019, the County Council recognised the serious impact of climate change globally and the need for urgent action, committing to cut down unnecessary resource use and waste, reducing its impact on the world, and shaping a more efficient, sustainable and competitive economy. Following this, on 25 November 2019, the County Council approved its Environmental Policy. In June 2023, the council launched its Climate Strategy. Structured around seven focus areas, it sets out how the council can best direct its powers, resources and influence in support of Norfolk's journey towards a clean and resilient future in the face of climate change. The council is also publishing a series of climate action plans, with the first endorsed by Cabinet in October 2023 and two more tranches due in 2024.

The Corporate Select Committee has also considered a draft Climate Policy which is due to be considered by Cabinet on 4 March 2024 and then recommended for approval by Full Council on 26 March 2024 before being

[1] As part of the Provisional Settlement, Government has extended the flexibility to use capital receipts to fund revenue costs on projects that reduce costs and improve efficiency to March 2030: https://questions-statements.parliament.uk/written-statements/detail/2023-12-18/hcws148

adopted as part of the Council's Policy Framework. The proposed Climate Policy does not introduce new financial implications for the council as it substantively reflects the existing Climate Strategy as a policy document. The financial viability of specific initiatives that are introduced towards meeting the policy goals will have to be reviewed on a case-by-case basis to ensure they can be budgeted for and are financially sustainable. Key to successful delivery of initiatives related to the policy will be ongoing success in securing government grants. However, it will also require exploring wider channels of funding including levering in private sector investment and enabling community investments in local priorities.

Underlying budget plans include funding for activities which are intended to have an impact on the environmental sustainability of the County Council through the delivery of the Environmental Policy and Climate Strategy. The MTFS provides for cost pressures and capital schemes which have been identified and agreed to date by Council, and which will contribute to achieving 2030 carbon neutrality as detailed in the Environmental Policy and Climate Strategy. However as set out in the paper accompanying the proposed Climate Policy (and described above) there will be a focus on securing additional external funding to contribute to the delivery of these objectives. Future initiatives will potentially have further financial implications for the County Council. Therefore as far as possible, any cost pressures linked to environmental policy and carbon reduction activities are reflected in this Budget and Medium Term Financial Strategy presented to Cabinet in January 2024, but future investment will need to be considered as part of individual programmes and activities and will be reported to Cabinet for decision as required. The 2024-25 Budget includes provision for environmental policy delivery. The Capital Programme elsewhere on this agenda includes a number of schemes which will contribute to sustainability including more than £20m[2] for decarbonisation across the County Council's property estate for 2024-25 onwards, as approved by Cabinet in June 2023.

Individual elements within the 2024-25 Budget may also have an impact on the environmental sustainability of the County Council, particularly the ongoing provision of additional resources to respond to flooding, and assumptions relating to changed ways of working – such as better utilisation of our property estate. In line with the updates to the Council's Financial Regulations made in November 2021, where individual budget proposals relate to (re)procurement activity, the council will also review contracts as they become due for renewal, both to identify opportunities for direct carbon reduction and with regard to any indirect impacts of the supply chain.

Sustainability issues in relation to any new 2024-25 budget proposals will need to be further considered once initiatives are finalised as part of budget setting in February 2024.

[2] Part of the total approved by Council of £22.5 million, which included £16.7m in new funding allocated to retrofitting projects across the Council's estate, with a focus on freehold buildings that are using fossil fuels for heating both spaces and water. At the time of approval, 160 buildings across 100 sites of the council's estate had been surveyed and had retrofit improvement plan reports completed.

Further details of sustainability issues and progress towards 2030 carbon neutrality commitments are detailed within the MTFS.

8.6. **Any other implications:** Significant issues, risks, assumptions and implications have been set out throughout the report.

9. Equality Impact Assessment (EqIA)

9.1. When exercising public functions, the Council must give due regard to the Public Sector Equality Duty.

9.2. In total, 131 equality impact assessments have been carried out on all new budget proposals for 2024-25. This includes the proposal to increase council tax and the Adult Social Care precept.

9.3. Based on the evidence available, it is possible to conclude that most proposals will likely have no significant adverse impact on people with protected characteristics.

9.4. Where there is a potential for adverse impact, this is always clearly described in each individual assessment.

9.5. The assessments are set out in Appendix 6.

9.6. The Cabinet is advised to take these impacts into account when deciding whether or not the proposals should go ahead, in addition to the mitigating actions recommended.

9.7. The task for decision-makers is to consider these impacts alongside the other factors to be taken into account to achieve a balanced budget that focuses the Council's resources where they are most needed.

9.8. As in previous years, the findings of public consultation (set out in Appendix 5) are part of the core evidence base informing the equality assessments and must be read alongside Appendix 6.

9.9. Equality issues in relation to brought forward saving proposals were considered in the Equality Impact Assessment of the 2023-24 Budget.

10. Risk Implications/Assessment

10.1. A number of significant risks have been identified throughout the papers appended to this report. Uncertainties remain which could have an impact on the 2024-25 Budget and the 2025-26 position. These include:

- The significant impacts of the "cost of living" crisis, ongoing inflationary pressures and wider economic impacts. All of these have the potential to drive further cost pressures (either through increased demand for services, or as a result of the increased price of delivering service provision) and may also lead to reductions in overall income. The MTFS approved by Full Council in February 2023 did not provide for continued levels of inflation above the Government's 2% target, which are now expected to continue into 2024-25. Inflationary pressures have the potential to impact on the Council's budget in a range of ways:

  - Pay pressures in excess of the 4% provided for in the Council's planning assumptions.
  - Pressures associated with increase in the National Living Wage (NLW), particularly in relation to services contracted by the Council. This has a material impact on any services commissioned whereby staff, typically care workers, are paid at, or just above, the NLW. In particular, this impacts upon the £400m of care services purchased by Adult Social Care, and (increasingly) on services commissioned by Children's Services. In addition, Children's Services are seeing an impact upon some in-house services. The National Living Wage will increase to £11.44 from April 2024. The rate will also apply to 21 and 22 year-olds for the first time. This represents an increase of 9.8% for over-23 year-olds from £10.42 in 2023-24, and an increase of 12.4% for workers aged 21 and 22.
  - Higher rates of general inflation measures (CPI and RPI) directly impact on the Council's contractual costs, many of which are set with reference to these indicators. Government has indicated that there is limited scope within the existing spending review envelope to address these exceptional inflationary pressures in future years. Although forecasts are for inflation to return to the target 2% over the medium term, this implies a permanent increase in the Council's cost base caused by the current extreme rates (i.e. inflationary pressures are not expected to be taken back out of the system by negative inflation in future).

- Ongoing uncertainty around local government (and wider public sector finances) including:
  - the need for a long term financial settlement for local government. There remains high uncertainty about the levels of funding for 2025-26 and beyond. The Council's budget planning assumes funding will continue at a similar level but this is a risk in the context of constraints on overall public spending.
  - It remains of major concern that Government continues to place significant reliance and expectations on locally raised income. If this trend persists, the financial pressures for 2025-26 and beyond may become unsustainable. The Government has confirmed that the council tax referendum limit for 2024-25 will be 5% but has given no insight into the rate for later years. Regardless of the level at which the referendum limit is set, the achievability of continued significant increases in council tax, which put the burden of funding key services onto local taxpayers, may be limited. The issue of sustainable funding for social care is a national one, which will require national funding solutions. Without a national approach, there is a high risk of an unsustainable fragmented system of local social care provision, which is wholly dependent on local council tax raising ability that bears no link to local needs.

- There remains a specific risk in relation to longer term reform of local government funding and any funding review in future, in that a failure by the Government to provide adequate resources to fund local authorities could lead to a requirement for further service reductions, particularly where these result in a redistribution between authority types or geographical areas. Changing Government policies around the nature, role, responsibilities and requirements of Local Government may also represent an area of risk, as will changing expectations of the public, taxpayers and service users. The Government has not made any formal announcement about funding reform for some time and this may not be going ahead in the short to medium term. The scale of adjustment required to deliver "fair funding" nationally grows every year that the issue is deferred.
- Linked to this are risks around delivery of reforms to local government funding including actions to deliver "Levelling Up", the funding review, the detailed implications of Adult Social Care reform, reforms to the Business Rates system, and changes to other funding streams including the New Homes Bonus.
- In respect of Adult Social Care reform, whilst it has been materially delayed until at least October 2025, the County Councils Network has previously estimated that Government's proposed reforms lack sufficient funding for implementation, with a shortfall of nearly £10bn compared to Government estimates.[3]
- Further decisions about Local Government reorganisation.
- Progress towards securing the County Deal, which (if approved later in 2024-25) will bring significant additional funding into the county.
- Risks around the Dedicated Schools Grant (DSG) deficit position and successful implementation of the 'Local First Inclusion' plan to eliminate the in-year DSG deficit over the short to medium term.

10.2. At the time of preparing budget papers, the final Local Government Finance Settlement for 2024-25 remains to be confirmed and the overall level of government funding for next year therefore remains an area of limited risk. Subject to the final details of the Local Government Finance Settlement and any other associated announcements, there may be a need for further actions to be taken in response to maintain a balanced budget position for 2024-25, and this position will need to be kept under careful review throughout the remainder of the budget setting process.

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

[3] https://www.countycouncilsnetwork.org.uk/new-analysis-reveals-the-regional-impact-on-local-councils-of-the-governments-flagship-adult-care-reforms/

- RM002 – Income streams
- RM006 – Service Delivery
- RM022b – Replacement EU Funding for Economic Growth
- RM031 – NCC Funded Children's Services Overspend
- RM035 – Adverse impact of significant and abnormal levels of inflationary pressure on revenue and capital budgets

10.4. Further details of all corporate risks, including those outlined above, can be found in Appendix C of the January 2024 Risk Management report to Cabinet[4]. There is close oversight of the Council's expenditure with monthly financial reports to Cabinet. Any emerging risks arising will continue to be identified and treated as necessary.

10.5. The Council undertook further rounds of saving development during December 2023 and January 2024 to help close the overall budget gap arising following the Provisional Settlement and in-year monitoring. A small number of the budget proposals identified as a result of this process have been identified as potentially requiring consultation as they may relate to a policy or service change. These include:

- Charging an admin fee for brokering on behalf of self-funders
- Review of the ASC Non-Residential Charging Policy - including Minimum Income Guarantee (MIG)
- Recommissioning of Social Isolation and Loneliness contracts
- Norfolk Record Office - Expansion of the limited Friday opening arrangements to a Thursday and pre-booking of seats on Tuesday and Wednesday to manage demand when a full service is available; a reduction in Accessions: Pre-booking of accessions with appointments only available for 3 days a week; a reduction in the amount of Collection management work by around 25% and launch of new paid services to increase income generation
- Switching off 2% of streetlights
- Recycling centres: Reduction of opening hours at some Recycling Centres to deliver a more consistent approach, in line with neighbouring authorities

10.6. As outlined in recommendation 2, these proposals are expected to be subject to further consultation, which will be undertaken if required before the proposals are brought back to Cabinet alongside any EQIA considerations, for final decision making during 2024-25. The savings listed above, if ultimately approved by Cabinet, would help contribute to addressing the balance of service savings still to be identified which is currently held within the Finance General budget.

10.7. Where required, staff consultation in relation to savings proposals is due to commence in shortly. As such the detailed plans and associated

[4] Cabinet 10 January 2024: https://norfolkcc.cmis.uk.com/norfolkcc/CalendarofMeetings/tabid/128/ctl/ViewMeetingPublic/mid/496/Meeting/2056/Committee/169/Default.aspx

savings cannot be confirmed until consultation responses have been considered. In the event that the response to staff consultation identifies modifications to proposals, or proposals which are not ultimately deliverable, this will be reported in the usual way as part of financial monitoring during the financial year. Service Departments are expected to manage within their agreed budget envelope for the year and in the first instance would be expected to identify alternative savings to avoid overspending in 2024-25. Ultimately any shortfall in savings that could not be addressed through alternative proposals would need to be met from reserves on a one-off basis in 2024-25.

10.8. High level risks associated with budget proposals are described as part of the report on the Robustness of Estimates. The Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of general balances. In setting the Budget, the Council can accept different levels of risk, for example, minimising risk through investment in services, reducing higher risk savings, or putting in place additional reserves for specific risks. The robustness of the budget estimates are evaluated, setting out budget assumptions and areas of risk, to enable Members to consider the assumptions and risks that will underpin further decisions for agreeing the budget and level of general balances. The assumptions set out in the Robustness of Estimates report directly impact on the risk assessment of the level of general balances.

10.9. Executive Directors have responsibility for managing their budgets within the amounts approved by County Council. Executive Directors will therefore take measures throughout the year to identify, and then reduce or eliminate, potential overspends.

11. Select Committee comments

11.1. As in previous years, Select Committees have had two opportunities to consider and provide input to the Council's budget setting. In July, Select Committees discussed the broad strategic approach to budget setting for the services within their remit, and then in November 2023 had an opportunity to comment on detailed proposals taken to October 2023 Cabinet for the 2024-25 Budget being taken forward for public consultation.

11.2. Links to the papers and (where available) minutes of Select Committee discussions can be found here:

11.3. July 2023:

- Corporate Select Committee, 10/07/2023
- Infrastructure and Development Select Committee, 12/07/2023
- People and Communities Select Committee, 14/07/2023

11.4. November 2023:

- Corporate Select Committee, 13/11/2023
- Infrastructure and Development Select Committee, 15/11/2023
- People and Communities Select Committee, 17/11/2023

11.5. In their discussions, Select Committees:

- Considered the latest Budget and Medium Term Financial Strategy position, noting in particular the emerging risks and uncertainties within the Council's planning position.
- Considered and commented on the October 2023 Cabinet savings proposals withing their remit for 2024-25;
- Considered areas to explore for savings development under the following headings:
  - New initiatives which would deliver savings;
  - Activities which could be ceased in order to deliver a saving; and
  - Activities which the Council should seek to maintain at the current level as far as possible (i.e. areas where the Committee considers there is limited scope for savings).

11.6. Full details of Select Committee discussions can be found within the meeting minutes.

12. Recommendations

12.1. Cabinet is recommended:

1) **To consider the statements regarding the uncertain planning environment, robustness of budget estimates, assumptions and risks relating to the 2024-25 budget, and authorise the Director of Strategic Finance, in consultation with the Leader of the Council and the Cabinet Member for Finance, to make any changes required to reflect Final Local Government Finance Settlement information (if available), or changes in council tax and business rates forecasts from District Councils, in order to maintain a balanced budget position for presentation to Full Council. In recognition of the budget gap forecast for 2025-26 and to enable a final balanced Budget position to be recommended to County Council, Cabinet is asked to agree the following principles:**

    a) **that any additional resources which become available should be used to delay the use of one-off funding from reserves from 2024-25 to 2025-26, or to establish a budget contingency, or**
    b) **that any income shortfall should be addressed from the Corporate Business Risk Reserve (to the extent possible). Where the Corporate Business Risk Reserve is insufficient, to note that the ultimate source of funding to balance the Budget will be the General Fund.**

2) **To note that a number of further savings have been developed to support the preparation of a balanced budget since the initial list of proposals considered by Cabinet in October 2023, some of which may require**

consultation or equality impact assessment that will be undertaken as soon as possible. Cabinet is therefore asked:

a) To agree that the proposals subject to further consultation will be brought back to Cabinet for final decision making during 2024-25;
b) To agree that in the event that proposals cannot be implemented in 2024-25, either following consultation and equality impact assessment, or as a result of subsequent member decision making, the following approach would be adopted:
   i) One-off options would be sought to deliver a balanced Budget.
   ii) In order to achieve a robust and sustainable financial position, service departments would be asked to identify alternative recurrent proposals to replace the one-off measures in-year; and
   iii) In the event that recurrent 2024-25 proposals cannot be found, service departments will be asked to bring forward ongoing replacement savings at the same level for 2025-26 and proposals that enable the one-off resources used in 2024-25 to be replenished.

For all other proposals, Cabinet is asked:

3) To review the findings of public consultation as set out in Section 14 of Appendix 1, and in full in Appendix 5, and consider these when recommending the budget changes required to deliver a balanced budget as set out in Appendix 1.

4) To consider and comment on the findings of equality impact assessments, as set out in Appendix 6 to this report, and in doing so, note the Council's duty under the Equality Act 2010 to have due regard to the need to:

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

5) To note that the Council has responded to the consultation undertaken on the Provisional Local Government Settlement for 2024-25 as detailed in Section 3 of Appendix 1.

6) To note that the Council will continue to operate a Business Rates Pool for 2024-25 in partnership with Norfolk District Councils on the same terms as the existing 2023-24 Pool and as set out in Section 6 of Appendix 1, and approve the use of 2023-24 Pool funds as set out.

7) To agree to recommend to County Council:

a) The level of risk and budget assumptions set out in the Robustness of Estimates report (Appendix 4), which underpin the revenue and capital budget decisions and planning for 2024-28.
b) The general principle of seeking to increase general fund balances as part of closing the 2023-24 accounts and that in 2024-25 any further additional resources which become available during the year should be added to the general fund balance wherever possible.
c) The findings of public consultation (Appendix 5), which should be considered when agreeing the 2024-25 Budget (Appendix 1).
d) To note the advice of the Director of Strategic Finance (Section 151 Officer), in Section 5 of Appendix 1, on the financial impact of an increase in council tax and the sustainability of the Council's medium term position.
e) That the Council's 2024-25 Budget will include a general council tax increase of 2.99% and a 2.00% increase in the Adult Social Care precept, an overall increase of 4.99% (shown in Section 5 of Appendix 1), as recommended by the Director of Strategic Finance, and resulting in an increased overall County Council Net Revenue Budget of £527.748m for 2024-25, including budget increases of £116.024m, budget savings of £45.022m, and funding changes of £36.961m as set out in Table 15 of Appendix 1, and the actions required to deliver the proposed savings, subject to any changes required in line with recommendation 1 above to enable a balanced budget to be proposed. This would result in a budget gap of £45.927m to be addressed for 2025-26, and £132.428m over the life of the Medium Term Financial Strategy.
f) The budget proposals set out for 2025-26 to 2027-28, including authorising Executive Directors to take the action required to deliver budget savings for 2025-26 to 2027-28 as appropriate.
g) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2025-26 to 2027-28 are developed and brought back to Cabinet during 2024-25 as soon as possible and in line with the proposed timetable.
h) Noting Government's assumptions that local authorities will raise the maximum council tax available to them, and that the final level of council tax for future years is subject to Member decisions annually (informed by any referendum principles defined by the Government), to confirm, or otherwise, the assumptions set out in the Medium Term Financial Strategy (MTFS Table 2 in Appendix 2) that the Council's budget planning for 2024-25 will include for planning purposes:

i) general council tax increases of 1.99% from 2025-26;
ii) Adult Social Care precept increases of 1.00% 2025-26 and 0.00% from 2026-27); and
iii) that if the referendum threshold were increased in the period 2025-26 to 2027-28, or any further discretion were offered to increase the Adult Social Care precept (or similar), the Section 151 Officer would recommend the Council take full advantage of any flexibility in view of the overall financial position.

i) That the Director of Strategic Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2024-25 Budget, to make payments, to raise and repay loans, and to invest funds.

j) To agree the Medium Term Financial Strategy 2024-28 as set out in Appendix 2, including the two policy objectives to be achieved:

- **i) Revenue: To identify further funding or savings for 2025-26 to 2027-28 to produce a balanced budget in all years 2024-28 in accordance with the timetable set out in the Revenue Budget report (Section 4 of Appendix 1).**
- **ii) Capital: To continue to provide a framework for identifying and prioritising capital requirements and proposals to ensure that all capital investment is targeted at meeting the Council's priorities.**

k) The mitigating actions proposed in the equality impact assessments (Appendix 6).

l) Note the planned reduction in non-schools earmarked and general reserves of 36.72% over five years, from £175.232m (March 2023) to £110.880m (March 2028) (Section 6 of Appendix 3);

m) Note the policy on reserves and provisions in Section 3 of Appendix 3;

n) Agree, based on current planning assumptions and risk forecasts set out in Section 5 of Appendix 3:

- **i) for 2024-25, a minimum level of general balances of £26.660m, and**
- **ii) a forecast minimum level for planning purposes of**
  - **2025-26, £27.910m;**
  - **2026-27, £29.160m; and**
  - **2027-28, £30.410m.**

as part of the consideration of the budget plans for 2024-28 and supporting these budget recommendations;

o) Agree the use of non-school Earmarked Reserves, as set out in Section 6 of Appendix 3.

13. Background Papers

13.1. Background papers for this report are listed below:

Norfolk County Council Revenue and Capital Budget 2023-24 to 2026-27, County Council 21/02/2023, agenda item 5

Norfolk County Council 2023-24 Budget Book

Finance Monitoring 2022-26 Report Outturn, Cabinet, 05/06/2023, agenda item 15

Strategic and Financial Planning 2024-25, Cabinet, 05/06/2023, agenda item 16

Strategic and Financial Planning 2024-25, Cabinet, 02/10/2023, agenda item 16

Risk Management, Cabinet, 10/01/2024, agenda item 12

Strategic and Financial Planning 2024-25 reports to November 2023. Select Committees:

- Corporate Select Committee
- Infrastructure and Development Select Committee
- People and Communities Select Committee

Finance Monitoring Report 2023-24 P8, Cabinet, 29/01/2024 (on this agenda)

Officer Contact

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

Officer name: Alex Cook
Tel no.: 01603 224310
Email address: alex.cook2@norfolk.gov.uk

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Norfolk County Council
Revenue Budget 2024-25

1. Introduction

1.1. The Revenue Budget for 2024-25 proposed in this report represents the culmination of a process over the course of the current financial year to develop a robust, balanced Budget for consideration by Cabinet and Full Council. This has included detailed work to validate unavoidable cost pressures, model changes in funding, and identify saving options.

1.2. Budget development has been undertaken in the context of unprecedented uncertainty in the sustainability of local government. Seven councils in England have issued section 114 notices since 2020, indicating that their expenditure will exceed income. Government appointed commissioners have been appointed to a number of local authorities to take over functions of councils considered at risk of failing in their best value duty. In 2023, The Government established the Office for Local Government (Oflog) a new performance body focused on local government in England. Oflog plans to visit at risk councils as part of a new early warning system to flag potential serious failure in local authorities.

1.3. Following the Autumn Statement 2023, almost one in five council leaders and chief executives in England surveyed by the Local Government Association[5] judged that it is "very" or "fairly likely" that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep services running. In the LGA survey, half of council leaders and chief executives were not confident they will have enough funding to fulfil their legal duties in 2024-25 and nearly two thirds thought there were no announcements in the Autumn Statement that they thought would help them deal with their council's financial position.

1.4. The Provisional Local Government Finance Settlement 2024-25 published via a Written Ministerial Statement on 18 December 2023, provided no additional funding for local authorities. The LGA estimates that councils in England face a £4 billion funding gap[6] over the next two years just to keep services standing still, with councils remaining exposed to inflation and demand pressures.

1.5. A number of councils face significant budget shortfalls and have proposed service cuts, council tax increases above the 5% referendum threshold, and/or seeking capitalisation directives to allow them to use the proceeds from disposing of assets to help deliver balanced budgets in 2024-25.

[5] https://www.local.gov.uk/about/news/section-114-fear-almost-1-5-council-leaders-and-chief-executives-after-cashless-autumn
[6] https://www.local.gov.uk/about/news/funding-gap-growing-councils-firmly-eye-inflationary-storm

1.6. Local authorities have made representations to Government for additional funding in the Final Local Government Finance Settlement. At this stage there has been no indication that there will be significant funding changes in the final settlement. Government has extended the flexibility to use capital receipts and indicated it will consider representations from councils on council tax referendum levels. Government has also advised local authorities to consider the scope to make further use of reserves in order to maintain services in the short term.

1.7. The level of Settlement funding provided since 2021-22 had begun to reverse the trend of year-on-year cuts to local government funding experienced during the austerity period. The provisional 2024-25 Settlement provides an increase in funding, but significantly less of an increase than was provided in 2023-24. It comes at a time of continued immense financial pressure. Demand-led pressures in social care, children's, homelessness, and high-needs schools budgets are easily outstripping the increases in funding. The need remains for the Council to continue to identify material levels of savings in order to operate within the resources available to it. Cost pressures are still increasing for many of the Council's services, and persistent higher inflation rates and increases in the National Living Wage are particular challenges within the 2024-25 Budget.

1.8. Dealing with ongoing spending pressures of this scale requires the Council to keep its business and operations under constant review, and to continually seek to deliver value for money services in the most economic, efficient, and effective way possible, for the lowest cost. This imperative, alongside the Council's vision and strategy, as set out in *Better Together, for Norfolk*, have been critical to informing the preparation of the Council's 2024-25 Budget and Medium Term Financial Strategy (MTFS).

1.9. Work through the course of 2023-24 has enabled the Council to prepare a robust, balanced Budget for 2024-25 as set out within this report. The proposals for 2024-25 close the significant budget gap of £46.216m identified in the 2023 Medium Term Financial Strategy, make provision to address the material additional pressures which have arisen since the MTFS was prepared, and support the continued investment in key services. The Budget is based on a 4.99% increase in council tax for Cabinet to consider for recommendation to County Council. This level of increase, within the referendum threshold set by Central Government, will enable a balanced 2024-25 position to be established, and supports a robust position for 2025-26. A 4.99% increase for 2024-25 as well as an increase to the value of the referendum threshold for 2025-26 planning purposes is therefore the recommendation of the Section 151 Officer.

1.10. The latest estimate of the Council's overall budget position for 2024-25 as a result of the matters set out in this report, and other emerging issues, is detailed in the remainder of this paper. In line with the Financial Regulations and associated Budget Protocol, it is possible that the position will need to be updated between Cabinet and the County Council meeting in February to incorporate any final Settlement information and also to reflect any final changes to District Council business rates and council tax forecasts due at the end of January. It is proposed that any adjustments required are handled on the following basis:

a) that any additional resources which become available should be used to delay the use of one-off funding from reserves from 2024-25 to 2025-26, or to establish a budget contingency, or
b) that any income shortfall should be addressed from the Corporate Business Risk Reserve (to the extent possible). Where the Corporate Business Risk Reserve is insufficient, to note that the ultimate source of funding to balance the Budget will be the General Fund.

2. Strategic Context

National context

2.1. 2024-25 strategic and financial planning has been undertaken in the context of continued economic uncertainty, as well as ongoing inflationary pressures and the consequent impact on both the cost of services we deliver, and the demand for services as households and communities continue to struggle with the rising cost of living. These inflationary impacts have not been a short-term issue and have resulted in a permanent uplift in the Council's cost base in many key areas.

2.2. In its November Monetary Policy Report, the Bank of England updated its projections for activity and inflation, and described ongoing challenges for the economy, stating that UK economic growth is slowing. The Office for Budget Responsibility's (OBR's) latest economic forecast (November 2023) shows inflation is expected to be higher for longer, taking until the second quarter of 2025 to return to the 2% target. CPI inflation is expected to be 6.1% in 2023-24 falling to 3.0% in 2024-25.

2.3. Added to this are significant uncertainties around Government policy and the timing of any changes in terms of local government funding reforms. As a consequence, the economic situation remains hugely challenging, with the direct and indirect impacts of all these factors on the County Council, as well as our partners, both unknown and highly volatile at this stage.

2.4. It is in these difficult times that the County Council cannot afford any complacency and, working with its partners, will have to ensure it deploys its own limited resources in the best way possible to support the most vulnerable people and communities, while continuing to provide wider public services.

Devolution

2.5. On 12 December 2023, County councillors voted to accept a county deal devolution agreement with the Government, to transfer significant funding and powers to Norfolk. Government funding will start transferring to Norfolk next summer, if councillors vote in July 2024 to stage the first election for a leader in May 2025.

2.6. Devolution offers a generational opportunity to unlock significant long-term funding and gain greater freedom to decide how best to meet local needs and create new opportunities for the people who live and work in Norfolk. Some decisions and funding previously controlled in Westminster will now be decided by Norfolk, for Norfolk.

2.7. Under a Deal, Norfolk would receive a £20 million investment fund, every year for 30 years. There would also be specific funding for integrated transport, brownfield development (£7 million), adult education (£12 million), and infrastructure (£5.9 million for housing, regeneration and development, during this Spending Review period).

2.8. If agreed, a Deal for Norfolk will mean that we can:

- Have a Council Leader who is directly elected by the public, enabling Norfolk's voice to be heard by the Government
- Target funding and resources to Norfolk's own priorities
- Unlock housing and employment sites
- Invest in the skills we need and attracting and retaining key businesses
- Open the door to more – further powers and funding in future

Council Strategy and Transformation

2.9. The Council Strategy '*Better Together, for Norfolk 2021-2025*' is the key high-level document that, alongside the Medium Term Financial Strategy, sets the Council's strategic policy direction.

2.10. The four-year strategy, through five strategic priorities, sets out the Council's vision – to make the most of all that Norfolk has to offer, help improve the quality of life for every community, support businesses to be successful and make sure Norfolk is a place where people want to live, work and visit.

1. **A vibrant clean and sustainable economy** – as well as growing the economy this is also about skills and creating high value jobs; growth and investment; infrastructure and digital connectivity.

2. **Better opportunities for children and young people** – prioritising better opportunities for children and young people, raising educational attainment and creating better employment opportunities.

3. **Healthy, fulfilling and independent lives** – supported by themes of levelling up health; Living Well; and Better Local Services.

4. **Strong, engaged and inclusive communities** – a mix of urban, rural and coastal communities that we can support and empower.

5. **A greener, more resilient future** – recognising our priorities for our physical environment and access to quality spaces and building community resilience.

2.11. Our ongoing service transformation programmes collectively enable us to improve services and manage demand, making the Council more effective and efficient. In short, our change agenda will help us deliver better outcomes for residents for less money.

2.12. Key areas for transformation include service redesign, improving our approach to prevention and early help, driving improvements in customer experience, organisational culture, and use of digital and data.

3. Financial Context

Government funding announcements during 2023

3.1. 2023 saw ongoing delays to major reforms of local government finance including the Fair Funding Review, Business Rates Reform, and social care funding reform. The Institute of Fiscal Studies issued a report[7] on public spending stating that the current funding system for police and councils (as well as others) is "not fit for purpose". The Chancellor of the Exchequer, Jeremy Hunt, announced the Government's Spring Budget 2023 on 15 March 2023, but the Spring Budget provided no mention of funding reform.

3.2. The Chancellor then announced the Government's Autumn Statement 2023 on 22 November 2023. In the run-up to the Autumn Statement estimates of "fiscal headroom" of between £10bn and £25bn and tax cuts were trailed in the press. The Statement did go on to announce an employee National Insurance contribution cut from 12% to 10%, taking effect from 6 January 2024. The Autumn Statement however provided very little in terms of funding for local government. Although additional funding for the NHS and adult social care announced in the Autumn Statement 2022 was "reaffirmed", no funding was announced for local authorities beyond the increases that were already expected.

3.3. From the Autumn Statement, looking further ahead, prospects for funding settlements in the next spending review period appear extremely challenging. There was no change in the overall planned increase in Resource Departmental Expenditure (RDEL), increases of 1% in real terms. That means real-terms cuts for unprotected services, including most of local government. Furthermore, the Chancellor is looking to realise more savings from across the public sector, with a target of 0.5% annual productivity improvements.

[7] https://ifs.org.uk/sites/default/files/2023-08/How-much-public-spending-does-each-area-receive-IFS-Report-R269-2.pdf

3.4. The Autumn Statement was accompanied by an Office for Budget Responsibility (OBR) Economic and Fiscal Outlook (EFO). The EFO highlighted the potential for difficulties in future local authority budgets:

‘Since 2018, there have been eleven ‘section 114s’ notices issued by local authorities, compared to the two issued since 2000. These notices indicate that the authority’s forecast income is insufficient to meet its forecast expenditure for the next year. Some of these have been issued due to unique financial management issues and some local authorities have submitted multiple times. The direct impact on our forecast to date has been relatively small as the central government response to section 114s has been to allow affected local authorities to reallocate their capital budget towards day-to-day spending (a ‘capitalisation direction’) or to increase council tax rates.

However, there is still a risk to our forecast from wider pressures on local authority finances. Since 2010-11, local authority spending has fallen from 7.4 to 5.0 per cent of GDP, and it falls further in our forecast to 4.6 per cent of GDP in 2028-29. Given local authorities’ statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue.’

‘With the post-SR21 envelope for total RDEL spending provided by the Treasury, these assumptions would leave other ‘unprotected’ RDEL spending (accounting for a third of day-to-day departmental spending) needing to fall by 2.3 per cent a year in real terms from 2025-26. If defence and ODA spending increased in line with the Government’s ambitions outlined above, this would lead to unprotected spending needing to fall by an average of 4.1 per cent a year.

Delivering a 2.3 per cent a year real terms fall in day-to-day spending would present challenges. Performance indicators for public services continue to show signs of strain, for example the backlog in crown courts reached a record high of 65,000 in August 2023 and eleven ‘section 114s’ notices have been issued by local authorities since 2018, compared to two in the preceding 18 years. The Institute for Government’s recent report found that performance in eight out of nine major public services has declined since 2010, with schools the exception. Longer-term pressures on public spending, such as from climate change and an ageing population, are also building.’

3.5. Following the Autumn Statement, the Department for Levelling Up, Housing and Communities (DLUHC) published the Local Government Finance Policy Statement 2024-25 on 5 December 2023. The Statement set out details of the Government’s intentions for the Local Government Finance Settlement for 2024-25, in recognition of the fact that “*providing councils with greater certainty on key aspects of their funding is incredibly important for their budget setting process and their ability to plan for the future.*” While the Statement provided some useful clarity about the likely content of the provisional Settlement, there was not enough detail to determine specific settlement allocations with confidence. Nonetheless, the headlines from the

Policy Statement confirmed the direction of travel previously set out in the Autumn Statement. Key points from the Policy Statement for Norfolk County Council are reflected in the Provisional Settlement analysis which follows. In this context, it is worth noting that although the Chancellor's Autumn Statement 2022 confirmed that Government remained committed to spending plans over the remainder of the multi-year Spending Review period, and in spite of ministerial aspirations[8], there has been no true multi-year Settlement provided for local government since 2016-17.

3.6. The Provisional Local Government Finance Settlement 2024-25 was published via a Written Ministerial Statement on 18 December 2023. The Provisional Settlement provided further details about the funding allocations set out in the DLUHC Policy Statements. This includes previously announced increases in the level of funding for social care. The Government assumes that upper-tier authorities will increase council tax by 5% for 2024-25. If this were the case, Core Spending Power (CSP) increases by an average of 6.5% between 2023-24 and 2024-25. This consists of £1.825bn of additional grant and £2.078bn in additional council tax (assuming all LAs levy the maximum precept allowed in 2024-25).

3.7. Nationally, council tax will account for 59% of the increase in CSP in 2024-25 (45% in 2023-24). This is very different from the settlements before 2020-21 when local authorities were reliant on council tax increases to offset cuts in government grants. Recent settlements (including 2024-25) have redistributed funding to authorities with higher levels of deprivation. This has been possible because grant increases have been higher than council tax, and the ASC precept has been largely equalised within the social care grants. However, the 2024-25 is slightly different in that grant increases are lower than the council tax increase. As a result, the 2024-25 is less redistributive than its recent predecessors.

3.8. The Council faces significant inflationary and demand pressures, including additional costs from the level of the National Living Wage, which is set by Government. For local authorities, notional real-terms growth is not keeping pace with budget pressures. Demand-led pressures in social care, children's, homelessness, and high-needs schools budgets are easily outstripping the increases in funding. Core Spending Power growth is lower than in 2022-23 and 2023-24.

3.9. In overall terms, the Provisional Settlement figures are in line with the announcements made in the Local Government Finance Policy Statement, with the exception of the Services Grant which has reduced more than expected.

3.10. The Provisional Settlement is a one year settlement only providing detailed allocations for 2024-25. Neither the Policy Statement, nor the Provisional Settlement, provide any indications of funding levels for 2025-26.

[8] https://www.publicfinance.co.uk/news/2022/06/gove-confirms-multi-year-local-government-settlements

3.11. The Provisional Settlement figures remain to be confirmed in the Final Settlement expected in late January or early February 2024. The accompanying consultation on the provisional Settlement ran for four weeks and closed 15 January 2023. A Council response was submitted (see Appendix 7), following consideration by the Leader and the Cabinet Member for Finance and covering the following key points:

- Making representations to Government to reverse and scale back the very substantial reduction in Services Grant that was not communicated to authorities in advance;
- Expressing disappointment at the continued delays to key reforms including Fair Funding and the lack of a true multi-year settlement;
- Challenging the approach which has seen some elements of funding receive inflationary increases while others such as Rural Services Delivery Grant have not;
- Highlighting issues of council tax inequality; and
- Raising concerns about the continuing need for a long-term funding solution for Adult Social Care.
- The Government view continues to be that councils in the most severe financial failure, that are seeking multi-year support from Government, should continue to take all reasonable local steps to support recovery including additional council tax increases. Therefore, for the 2024-25 settlement, in consideration of the significant financial failure of Thurrock Council, Slough Borough Council and Woking Borough Council, the Government proposes that bespoke council tax referendum principles should apply. For Thurrock and Slough Borough Council, a core council tax referendum threshold of 8%; and for Woking Borough Council, a council tax referendum principle of 10%. Councils in significant financial failure can make use of any additional flexibilities provided to support their financial recovery and going forward the Government will consider all reasonable steps to protect both national and local taxpayers and ensure councils are acting responsibly.
- The Provisional Settlement confirms the continuation of the Norfolk Business Rates Pool for 2024-25.

Core Spending Power

3.12. The provisional Settlement sets out the following Core Spending Power figures:

Table 1: Provisional Settlement Core Spending Power for Norfolk County Council

Funding stream	2023-24 £m	2024-25 £m	Change £m
Settlement Funding Assessment	205.875	216.926	11.052
Compensation for under-indexing the business rates multiplier	27.394	33.102	5.708
Council Tax Requirement excluding parish precepts *(government assumption)*[9]	491.439	521.701	30.263
Improved Better Care Fund	39.619	39.619	0.000
New Homes Bonus	0.628	1.076	0.448
Rural Services Delivery Grant	4.670	4.670	0.000
Social Care Grant	66.525	78.800	12.276
ASC Market Sustainability and Improvement Fund	9.785	18.282	8.497
ASC Discharge Fund	5.554	9.257	3.703
Services Grant	6.270	0.987	-5.283
Grants rolled in	7.984	0.000	-7.984
Core Spending Power	**865.741**	**924.420**	**58.679**

3.13. In overall terms, the Provisional Settlement reflects an increase in Core Spending Power (CSP) for the County Council, as expected following the Autumn Statement and the Policy Statement. More than half the increase in CSP is being delivered via council tax increases, including the Adult Social Care precept. The % change in CSP is 6.8%. These CSP increases are accompanied by significant cost pressures including ongoing inflation rates and the increase in the National Living Wage.

3.14. Other elements of the Provisional Settlement announcement include:

- Confirmation that the small business rating multiplier will be frozen at 49.9p, and the standard business rating multiplier will increase to 54.6p in line with the September 2022 to September 2023 change in CPI. Freezing of the small multiplier to be fully compensated in line with CPI.
- Revenue Support Grant will also increase in line with CPI.
- No change to Rural Services Delivery Grant.
- The Government continues to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of budget pressures.
- The Government has extended the flexibility to use capital receipts to fund revenue costs on projects that reduce costs and improve efficiency to March 2030. The Government will also engage with the sector to explore additional capital flexibility options to enable invest-to-save and transformation initiatives.
- The Government believe that any attempt from a local authority to implement Part Time Work for Full Time Pay – for example, ‘four-day

[9] This figure represents the Government assumption for council tax in the provisional settlement, rather than the County Council’s actual proposed budget.

week' or equivalent arrangements – is contrary to the interests of local taxpayers and does not represent good value for taxpayers' money. Included in the consultation are proposals to use financial levers within the settlement to disincentivise councils from operating part time work for full time pay in future settlements.

- Adult Social Care Grant is still distributed using the Adult Social Care Relative Needs Formula.

Social Care funding

3.15. Social care funding for 2024-25 first announced at the Autumn Statement 2022 has been confirmed in the Provisional Settlement. The table below sets out the amounts that the Council can expect to receive in 2024-25. Announcements regarding social care funding for 2024-25 include:

- **Social Care Grant**: "[In addition to the 2022/23 quantum of £2.346 billion and the Independent Living Fund of £161 million which has been rolled into the Social Care Grant] £1.877 billion in 2024-25 will be distributed to local authorities through the Social Care Grant for adult and children's social care. We will continue to equalise against the adult social care precept." [In 2023/24, Government used £160 million to maintain the equalisation component of the Social Care Grant against the ASC precept of 2% per year.]
- **Discharge Fund**: "£1 billion will be distributed in 2024-25 through the Better Care Fund to get people out of hospital on time into care settings, freeing up NHS beds for those who need them. The funding will be split 50:50 between the Department for Levelling Up Housing and Communities' Local Government DEL and the Department for Health and Social Care DEL, meaning Local Government DEL will allocate and distribute £500 million in 2024-25."
- **Market Sustainability and Improvement Fund**: "£683 million in 2024-25 will be distributed through a grant ringfenced for adult social care which will also help to support capacity and discharge. Alongside this, the funding package for adult social care retains £162 million per year of Fair Cost of Care funding and its distribution to reflect the progress councils and providers have made this year on fees and cost of care exercises."
- **Market Sustainability and Improvement Fund – Workforce Fund**: "The Market Sustainability and Improvement Fund (MSIF) Workforce Fund is worth £205 million in 2024 to 2025, and closely mirrors the original MSIF grant worth £1.4 billion over these 2 years."
- **Improved Better Care Fund**: "The value of the iBCF in 2024 to 2025 is indicative only. Final decisions on the 2024 to 2025 iBCF (including allocations) will be made, and full details published, as part of the 2024 to 2025 Local Government Finance Settlement. For planning purposes, pending those decisions, areas should plan on the basis that allocations will be consistent with the approach taken in 2023 to 2024."

Table 2: Provisional Settlement allocations of social care funding for Norfolk County Council

Type of allocation	Norfolk County Council £m	Share of national total %
Rollover of Social Care Grant for 2023-24	66.524	1.73%
Element used to equalise for 2% ASC precept flexibility for 2024-25	3.013	1.88%
Additional funding through existing ASC RNF[10] for 2024-25	9.263	1.74%
Social Care Grant for 2024-25	**78.800**	**1.73%**
ASC Discharge Fund for 2024-25	9.257	1.85%
ASC Market Sustainability & Improvement Fund for 2024-25	18.282	1.74%
Total	**106.339**	**1.74%**

3.16. The purpose of the individual grants is as follows:

- **Social Care Grant** can be used on either adult or children's social care services.
- **Discharge Funding grant** is to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care.
- **Adult Social Care Market Sustainability and Improvement Funding Grant** is to enable improvements to be made to adult social care.

Remaining uncertainties

3.17. The Provisional Settlement announcement has confirmed a number of key elements of funding for the 2024-25 Budget, however there remain several areas of uncertainty and it is likely that further details will emerge over time and as the Budget is finalised. In particular, the Provisional Settlement does not include details of the allocations of Public Health grant for 2024-25.

3.18. There is uncertainty around the status of the Household Support Fund (HSF) after 2023-24, which makes it difficult for the Council to plan for the future of the fund in any meaningful way. The Council has lobbied government (including via Norfolk MPs) for more funding at the final settlement and for the continuation of the Household Support Fund.

3.19. The Government now expects the Extended Producer Responsibility for packaging (pEPR) scheme to provide additional income from implementation in October 2025. The introduction of the delayed Extended Producer Responsibility scheme for packaging is expected to mean that part or all of the County Council's costs (along with the District, City and Borough Council costs) for dealing with packaging in waste and recycling could be met by producers. However, the precise implications of this for the Council's 2024-25 Budget are unknown at this stage.

[10] Relative Needs Formula

Summary

3.20. In overall terms, initial analysis of the 2024-25 Provisional Settlement indicates that the County Council is approximately £4m worse off than had previously been expected. The Settlement provides no additional funding for social care, or to meet other budget pressures, over what was already assumed. Critically, Government has cut the Services Grant by much more than had previously been assumed in budget planning (and even in the Policy Statement at the start of December Government provided little indication that this would happen).

3.21. New pressures since the 2023-24 MTFS was agreed cannot be met from the funding allocations announced, with additional budget savings needed in order for a balanced Budget for 2024-25 to be proposed to Cabinet.

3.22. It remains to be seen if Government has held back any contingency funding which may be released to local authorities in the Final Settlement. District forecasts for council tax and business rates also remain to be confirmed (with final positions due 31/01/2024), although the latest available estimates have been incorporated in planning. Therefore there is the potential for some further change between the Provisional and Final Settlement.

3.23. The outlook for future years of the MTFS remains extremely challenging, with very little detail on funding available for 2025-26 onwards. The Provisional Settlement for 2024-25 is a one-year announcement and as such there is no certainty for planning for 2025-26 onwards.

4. Proposed Revenue Budget 2024-25

4.1. Budget planning for 2024-25 was undertaken in line with the following overarching timetable. Cabinet's proposed recommendations to Council and the draft timetable below for 2025-26 outline the approach to developing plans to meet the remaining budget shortfalls in the period 2025-26 to 2027-28.

Table 3 Budget planning timetable 2024-25 and proposed 2025-26

Activity / Milestone	Timeframe
Cabinet review of the financial planning position for 2024-28 – including formal allocation of targets	5 June 2023
Scrutiny Committee	21 June 2023
Select Committee input to development of 2024-25 Budget – strategy	w/c 10 July 2023
Review of budget pressures and development of budget strategy and detailed savings proposals 2024-28 incorporating:	April to December 2023

• Budget Challenge 1 (18 July 2023) – context / strategy / approach / outline proposals • Budget Challenge 2 (5 September 2023) – detail and final proposals • Budget Challenge 3 (12 December 2023)	
Cabinet approve final proposals for public consultation	2 October 2023
Scrutiny Committee	18 October 2023
Public consultation on 2024-25 Budget proposals, council tax and adult social care precept	Late October to mid December 2023
Select Committee input to development of 2024-25 Budget – comments on specific proposals	w/c 13 November 2023
Government Autumn Statement	22 November 2023
Provisional Local Government Finance Settlement announced including provisional council tax and precept arrangements	*TBC December 2023*
Cabinet considers outcomes of service and financial planning, EQIA and consultation feedback and agrees revenue budget and capital programme recommendations to County Council	29 January 2024
Confirmation of District Council tax base and Business Rate forecasts	31 January 2024
Final Local Government Finance Settlement	*TBC January / February 2024*
Scrutiny Committee 2024-25 Budget scrutiny	14 February 2024
County Council agrees Medium Term Financial Strategy 2024-25 to 2027-28, revenue budget, capital programme and level of council tax for 2024-25	20 February 2024
2025-26 Proposed	**Time frame**
Consultation on remaining 2024-25 saving proposals as set out within 2024-25 Budget	TBC from February 2024
Government Budget	*6 March 2024*
Cabinet review of the financial planning position for 2025-26 – including formal allocation of targets	TBC 8 May 2024
Scrutiny Committee	TBC May 2024
Select Committee input to development of 2025-26 Budget – strategy	TBC
Review of budget pressures and development of budget strategy and detailed savings proposals 2025-29 incorporating: • Budget Challenge 1 (early June) – context / strategy / approach / outline proposals • Budget Challenge 2 (early September) – detail and final proposals	April to December 2024
Cabinet approve final proposals for public consultation	TBC 7 October 2024
Scrutiny Committee	TBC October 2024

Public consultation on 2025-26 Budget proposals, council tax and adult social care precept	Late October to mid December 2024
Select Committee input to development of 2025-26 Budget – comments on specific proposals	TBC November 2024
Government Autumn Budget	*TBC October / November 2024*
Provisional Local Government Finance Settlement announced including provisional council tax and precept arrangements	*TBC December 2024*
Cabinet considers outcomes of service and financial planning, EQIA and consultation feedback and agrees revenue budget and capital programme recommendations to County Council	27 January 2025
Confirmation of District Council tax base and Business Rate forecasts	31 January 2025
Final Local Government Finance Settlement	*TBC January / February 2025*
Scrutiny Committee 2025-26 Budget scrutiny	TBC February 2025
County Council agrees Medium Term Financial Strategy 2025-26 to 2028-29, revenue budget, capital programme and level of council tax for 2025-26	TBC February 2025

**Assumed Government activity and timescales*

4.2. On 21 February 2023, the County Council approved the current year's (2023-24) Budget and Medium Term Financial Strategy (MTFS) to 2026-27. Based on information available at that time, and including £59.703m of planned 2023-24 savings, the MTFS set out a budget gap of £126.523m over the period, with a gap of £46.216m to be addressed in 2024-25. This was based on an assumption that the funding allocations set out in the 2023-24 final Local Government Finance Settlement would be broadly "rolled over" for 2024-25 and beyond. The 2023-24 MTFS provided the starting point for the Council's 2024-25 Budget planning activity. Full details of cost pressures assumed in the council's MTFS are set out in the Budget Book 2023-27.

4.3. The June 2023 Cabinet meeting considered the approach to Budget setting for 2024-25. At that time, Cabinet agreed the addition of a further financial year (for 2027-28) to the planning period. The inclusion of a further year in MTFS planning based on the same broad assumptions added £18.689m to the forecast gap, bringing it to £145.211m for the MTFS period. The forecast budget gap for 2024-25 remained £46.216m. Cabinet also agreed the overall allocation of saving targets to departments, being the new savings which needed to be found in addition to those currently planned for in the 2023-24 MTFS position and set out in the Council's 2023-24 Budget Book. These decisions represented the starting point to inform wider budget setting work across the organisation.

4.4. In October 2023, Cabinet then received an update on the progress towards identifying proposals to address the 2024-25 target and the proposed approaches to tackling the remaining MTFS gap. At that point, further work was required to identify additional proposals that would support the development of a balanced Budget for 2024-25. Cabinet considered the

2024-25 Budget proposals prior to public consultation being undertaken, and agreed the proposed approach to public consultation on, and equality impact assessments of, the 2024-25 Budget. The report also provided an update on the emerging service and other budget pressures along with key areas of risk and uncertainty.

4.5. The latest information about the Council's 2023-24 financial position is set out in the Financial Monitoring report elsewhere on the agenda (Period 8 as reported at January 2024). The Council's overarching budget planning for 2024-25 is based on the assumption that a balanced 2023-24 outturn position is delivered (i.e. that in aggregate savings are achieved as planned and there are no overall overspends). Where possible, ongoing pressures and non-delivery of savings identified within the forecast 2023-24 position have been provided for as detailed later in this paper. In particular the significant Adult Social Services and Children's Services overspends in 2023-24 have been considered as part of the 2024-25 budget process with pressures provided in the proposed Budget alongside the mitigating actions in place as set out elsewhere in this report and in financial monitoring.

4.6. As set out in Section 3 above, the Autumn Statement 2023 has provided indications of the medium term financial envelope within which local authorities will operate, but the Provisional Local Government Finance Settlement 2024-25 itself only set out funding allocations for one year. The failure to publish full medium term funding forecasts is disappointing and impacts on the Council's ability to plan over the longer term. The further significant delay to long awaited funding reforms, alongside the absence of any detail at this stage about the likely terms of reference for this funding review only serves to add further uncertainty to the Council's planning and associated forecasts.

4.7. Funding provided in the Provisional Settlement and actions required to address the 2023-24 monitoring position have resulted in an additional savings requirement to enable the Council to prepare a balanced 2024-25 Budget and to deliver a balanced position over the life of the MTFS. The Council therefore continues to expect to need to draw on its earmarked reserves over the period covered by the MTFS. This includes a draw on one-off resources in 2024-25, continuing the trend of the current year 2023-24. This is not however a sustainable position in the longer term. Current planning does not include any draw on the Council's general balances, which are planned to be maintained at the agreed minimum level of at least 5% of the net revenue budget. The use of reserves is also in part a reflection of the various severe cost pressures and challenges in achieving planned savings, which the Council faces across almost all service areas. It is important to recognise that as a result, the Council is not in a position to be able to remove or reverse any of the saving proposals agreed as part of the 2023-24 budget, including those savings which are due for implementation during 2024-25, beyond those set out later in this report.

4.8. The Revenue Budget proposals set out in this document form a suite of proposals which will enable the County Council to set a balanced Budget for

2024-25. As such, **recommendations to add growth items, amend or remove proposed savings, or otherwise change the budget proposals, will require Cabinet (or ultimately, County Council) to identify offsetting saving proposals or equivalent reductions in planned expenditure**.

4.9. The Director of Strategic Finance is required to comment on the robustness of budget proposals, and the estimates upon which the budget is based, as part of the annual budget-setting process. This assessment is set out in the Statement on the Robustness of Estimates 2024-25 (Appendix 4)). The budget position and associated assumptions are kept under continuous review. The latest financial planning position and details of all Service Department savings proposals are therefore set out for Cabinet to consider in this report prior to budget-setting by County Council in February 2024.

4.10. **Subject to decisions about the level of council tax increase for 2024-25, the overall net budget proposed for 2024-25 is £527.748m (based on an increase of 4.99%).** The provisional Local Government Finance Settlement for 2024-25 was published 18 December 2023 but remains to be confirmed in January / February 2024 and therefore amendments may be required to reflect any changes. At this stage, no adjustments in the Final Settlement are reflected in the budget presented to Cabinet (as they have not been announced at the time of writing).

4.11. Table ***4***The table below summarises the overall proposed final budget for 2024-25, including the cash limited budgets by service. Details of the proposed changes for each service are shown in Sections 8 to 12.

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

4.13. At the time of preparing this report in early January 2024, estimates of business rates collection, and the impact of Districts' council tax decisions are not fully known and therefore may change prior to reporting to County Council. In addition, the Local Government Finance Settlement is also not finalised and so the proposed 2024-25 Budget may need to be altered to reflect any changes to government funding amounts for 2024-25 following the final Settlement publication, expected to be announced at the end of January or early February 2024. Likewise, final changes to the District Councils' collection funds and the final Business Rates position will not be confirmed until the end of January and may alter the proposed 2024-25 Budget.

4.14. In relation to council tax, if the County Council agrees to increase council tax by 4.99% overall (2.99% in relation to general council tax and 2.00% for the Adult Social Care precept), this would generate £24.926m additional funding in 2024-25. Further details about council tax are included within Section 5 of this report.

4.15. Service and budget planning for 2024-25 has been based on a number of assumptions about changes in core government funding, which remain to be confirmed. The details of all such assumptions and the remaining key risks are set out later in this section of the report. The policy and position of the Council's reserves and balances is set out in Appendix 3 and recommends a minimum level of general balances, reflecting budget risks and uncertainty around future government funding.

4.16. **Cabinet is asked to recommend to County Council the 2024-25 Budget proposals, subject to any changes they may have.** The proposed overall budget is shown in the table below and detailed in the remainder of this report.

Table 4: Net Revenue Budget

Service Department	2023-24 Base Budget £m	Budget increases - cost pressures £m	Budget decreases - savings £m	2024-25 Recommended Budget before funding and cost neutral changes £m	Net funding changes £m	Net cost neutral changes £m	2024-25 Recommended Net Budget £m
Adult Social Services	249.526	56.949	-14.252	**292.224**	-12.776	0.519	279.967
Children's Services	232.593	31.738	-13.265	**251.066**	-12.275	2.007	240.797
Community and Environmental Services	189.743	14.587	-9.665	**194.665**	1.629	6.373	202.668
Strategy and Transformation	21.859	0.709	0.460	**23.028**	-0.200	7.356	30.184
Chief Executive's Directorate	3.092	0.221	-0.330	**2.983**	0.000	1.401	4.384
Finance	-203.107	11.820	-7.970	**-199.256**	-13.340	-17.656	-230.252
Total	**493.707**	**116.024**	**-45.022**	**564.709**	**-36.961**	**0.000**	**527.748**

Note: Tables throughout the budget reports are rounded to the nearest £0.001m and therefore may not sum exactly.

4.17. Any new budget pressures, changes to planned savings, or removal of proposals will require alternative savings to be identified by the relevant Service Department in order to maintain a balanced budget position.

4.18. Note:

- Budget increases of £116.024m include £34.670m inflationary pressures, £37.618m legislative pressures, £39.732m of demand and demographic pressures and £4.004m of pressures arising from policy decisions. See detailed Service Budgets in Sections 8 to 12 for further details.
- Details of £45.022m total savings are also shown within the relevant Service Department in Sections 8 to 12. £9.132m relate to one-off savings in 2024-25, which will result in a pressure in subsequent years. These are detailed in Table 6 below. The budget also includes one-off use of reserves (included in Table 6) and detailed in the Reserves and Balances report (Appendix 3).
- The net funding increase of £36.961m is broken down in Table 5.
- Further details of the cost neutral changes are provided in the detailed Service Budgets in Sections 8 to 12.
- The change in the net revenue budget between 2023-24 and 2024-25 is £34.041m. The breakdown of this is set out in Table 7 below.

Table 5: Breakdown of net funding changes

2024-25 net funding changes	**2024-25 £m**
Discharge Fund	-3.703
Market Sustainability and Improvement Fund	-8.496
Improved Better Care Fund	-0.002
Social Care Grant	-12.275
LEP integration funding	-0.200
New Homes Bonus Grant	-0.448
Change in Revenue Support Grant	-2.984
Rebase Business Rates budget	-8.427
CPI increase in Business Rates budget	-12.147
Public Health Grant	-0.575
Total funding increases	**-49.257**
Reversal of one-off application of Business Rates Risk reserve to support 2023-24 revenue budget	7.012
Services Grant	5.283
Total funding decreases	**12.295**
Net funding changes	**-36.961**

Table 6: One-off savings and use of reserves

Ref	Saving	2024-25 £m
S2425ASS013	Utilisation of one-off reserves and funding	-1.000
S2425CS020	One-off use of PFI sinking fund contribution not required for 24-25	-0.680
S2425CS021	Use of reserves and one-off funding	-1.582
S2425CES011	Capitalise £0.050m of the £1.5m revenue budget from the Flood Reserve Fund. Currently £0.5m is capitalised annually	-0.050
S2425CES038	Defer Environmental Policy revenue budget uplift to 2024-25. Working closely with Suffolk CC on this important programme to enable efficiencies	-0.150
S2425CES044	Holding of vacant posts and delayed recruitment to generate one-off saving within staff costs	-0.070
S2425CES047	One-off reversal of business as usual budget growth across the Communities, Information and Learning service	-0.039
S2425CES048	One-off streetlighting saving which represents the in-year maintenance cost saving for those lights being replaced	-0.040
S2425CES050	Increased use of Commuted Sums for 3 years which are applied to the highways revenue maintenance fund each year to support the maintenance of the highways asset	-0.300
S2425CES057	One-off use of Highways and Transport reserves	-0.250
S2425CES058	One-off use of Waste reserves	-0.250
S2425CES060	Increased income to the Council from road closure applications	-0.350
S2425CES073	One-off use of Community Information and Learning reserves	-0.473
S2425CES075	One-off use of Culture and Heritage reserves	-0.075
S2425CES076	One-off use of Corporate Property Team reserves (Wind turbines and Farms)	-0.160
S2425CES079	Recharge Long Stratton Bypass procurement effort in 2023/24 and use resulting revenue underspend towards 2024/25	-0.048
S2425CES080	Recharge West Winch Housing Access Road procurement effort in 2023/24 and 2024/25	-0.025
S2425S&T007	Utilisation of business rates pool for 2023-24 to fund 2024-25 growth for Local Transport Plan (£0.300m) and Transport for Norwich (£0.200m)	-0.500
S2425S&T008	Reduce Local Transport Plan growth bid	-0.120
S2425S&T009	Use of Reserves - Utilise reserves from Kickstart programme (now closed)	-0.030
S2425S&T012	Strategy, Design & Delivery	-0.060
S2425CEX004	NPLaw one-off use of reserves	-0.300
S2425FIN004	Business Rates Pool income	-2.580
	Total	**-9.132**

Table 7: Change in Net Revenue Budget 2023-24 to 2024-25

Change in Net Revenue Budget	2024-25 £m
Budgeted council tax 2023-24	493.707
Increase due to:	
Tax base change (increase 5,079 Band D equivalent)	8.088
General council tax increase (2.99%)	14.961
Adult Social Care precept (2.00%)	9.965
Forecast increase in Collection Fund	1.027
Budgeted council tax 2024-25	**527.748**

Revisions to saving proposals

4.19. The table below sets out a summary of the savings proposals for 2024-25 to 2027-28. After adjustment for changes to saving proposals brought forward from the 2023-24 Budget, the Council has identified new savings proposals of £52.219m in this budget round to help enable the Council to set a balanced budget for 2024-25. Since reporting proposed savings for public consultation to Cabinet in October 2023, a number of additional proposals have been identified, and some savings, including plans brought forward from previous years, have been removed, or the saving value has been reassessed. Further details of all the savings within 2024-25 planning can be found in the detailed Service Budgets in Sections 8 to 12. In particular, the following changes have been made to the proposals considered by Cabinet in October and included in public consultation:

Savings changes in 2024-25 planning

- Adult Social Services: One-off release of reserves to offset budget pressures -£3.000m saving removed.
- Adult Social Services: Utilisation of one-off reserves and funding. Saving reprofiled
- Children’s Services: Post 16 transport: remove option to pay a daily fare (currently only available on local buses which charge fares) saving of -£0.100m reversed.
- Children’s Services: One-off usage of reserves earmarked to contribute to invest-to-save funding -£1.000m saving removed.
- Community and Environmental Services: Additional efficiencies in staffing and operations to progress the Adult Learning service towards its goal of being cost neutral -£0.240m saving reversed.
- Community and Environmental Services: Recycling Centres: Mayton Wood relocation to Norwich North HWRC site -£0.030m saving part reversed.
- Community and Environmental Services: Further income from commercialisation of property assets including County Hall -£0.030m saving reversed.
- Strategy and Transformation: Expansion of professional leads: Centralise and control spend on communications -£0.100m saving reversed.

Table 8: Summary of new budget savings by Department

Service Department	2024-25 Saving £m	2025-26 Saving £m	2026-27 Saving £m	2027-28 Saving £m	Total Saving £m
Adult Social Services	-17.452	-3.400	-2.900	-2.600	**-26.352**
Children's Services	-13.453	-2.673	-7.449	-5.703	**-29.278**
Community and Environmental Services	-10.784	0.573	-0.195	0.400	**-10.006**
Strategy and Transformation	-1.690	0.630	0.040	-0.020	**-1.040**
Chief Executive's Directorate	-0.330	0.290	0.000	0.000	**-0.040**
Finance	-8.510	-1.820	3.800	0.000	**-6.530**
Grand Total	**-52.219**	**-6.400**	**-6.704**	**-7.923**	**-73.246**

Transformation

4.20. Following the Strategic Review, the council remains committed to the delivery of savings through its transformation programmes. New budget savings relating to transformation of £12m have been identified to help deliver the 2024-25 budget, which include:

- Additional Adult Social Services and Children’s Services transformation programme savings including Connecting Communities.
- Use digital technology to streamline services and make productivity and efficiency savings.
- Efficiency savings from restructure and removal of posts from the establishment.
- Property rationalisation.

4.21. The proposed 2024-25 Budget includes the savings set out by Department in the following table and linked to transformation. Further details of all individual savings within the 2024-25 Budget are provided in the detailed Service Budgets in Sections 8 to 12.

Table 9: Summary of gross transformation savings by Department

Service Department	B/f 2023-24 Budget round	New 2024-25 savings	Total 2024-25 gross Transformation £m
Adult Social Services	0.000	-6.800	-6.800
Children's Services	-1.017	-3.500	-4.517
Community and Environmental Services	-0.194	-0.936	-1.130
Strategy and Transformation	0.000	-0.880	-0.880
Finance	-0.280	0.000	-0.280
Total	**-1.491**	**-12.116**	**-13.607**

4.22. As in previous years, budget planning across the Council has also included work to review in detail the deliverability of planned savings and to understand service pressures. Following this activity, the 2024-25 Budget sees further investment in essential services through both the removal of previously planned savings and recognition of budget overspend pressures. The changes to previously agreed savings proposed in this report contribute to ensuring that the 2024-25 Budget will be both robust and deliverable. The budget reflects the removal or delay of £1.000m of saving proposals brought forward from previous budget rounds.

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

Income

4.24. The Council has four main funding streams:

- Business Rates Retention Scheme (including Revenue Support Grant)
- Council Tax
- Specific Grants
- Fees and Charges

4.25. The main issues in relation to each of these are as follows:

1. **Business Rates Retention Scheme**
The provisional Local Government Funding Settlement in December 2023 set out details of the Council's Settlement Funding Assessment (SFA) allocations for 2024-25, which include the authority's Revenue Support Grant (RSG) and business rates baseline funding level.

   The business rates baseline within SFA is normally uprated annually in line with CPI (previously RPI up to 2017-18). For 2024-25, the Government has announced a "freeze" in the business rates multiplier, which will remain at 49.9p for small businesses in 2024-25. The standard rating multiplier will be uprated in line with September 2023 CPI (6.7%) from 51.2p to 54.6p, but local authorities will be compensated for historical under-indexation. The real terms increase which would normally be expected will instead be provided via a Section 31 grant. Until recently, in order to ensure that local government spending was within the national departmental expenditure limits, after taking into account the business rates baseline funding, RSG has been used as a balancing figure and subsequently was reducing year on year in line with the Government's deficit reduction plan. Planned reductions in RSG have given rise to a "negative RSG adjustment" for some local authorities since 2019-20 (Norfolk was not affected), which the Government has decided to continue to eliminate. RSG is being uplifted in line with September 2023 CPI for 2024-25.

The tables below show the breakdown of the 2024-25 Settlement Funding Assessment compared to the 2024-25 allocations, and the component elements. In overall terms, the provisional Settlement shows an increase of 4.58% to core government funding compared to the 2023-24 actual amounts, although this does not reflect the Section 31 grant. It should be noted these figures remain subject to confirmation in the final Settlement in January 2024.

Table 10: Provisional Settlement Funding Assessment changes

Provisional Settlement Funding	2023-24 Actual £m	2024-25 Provisional £m	% Change (2023-24 actual to 2024-25 provisional) %
Baseline Funding Level	160.820	167.258	4.00%
Revenue Support Grant	45.055	48.039	6.62%
Settlement Funding Assessment	**205.875**	**215.297**[11]	**4.58%**

Table 11: Breakdown of Provisional Settlement Funding Assessment

Provisional Settlement Funding	2023-24 Actual £m	2024-25 Provisional £m	Change (2023-24 actual to 2024-25 provisional) £m
Settlement Funding Assessment	**205.875**	**216.926**	**11.052**
Notional breakdown:			
Revenue Support Grant	45.055	49.668	**4.613**
Business Rates Baseline	160.820	167.258	**6.438**
Via: Top-up	*132.936*	*138.476*	***5.540***
Retained Rates	*27.884*	*28.782*	***0.898***

[11] RSG figures stated in Table 10 exclude the Home Office's Fire and Pensions Grant rolled in at the Provisional Settlement and therefore do not equal to the total RSG and SFA figures shown in Table 11.

2. Council Tax

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

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

These budget papers have been prepared on the basis of a recommended 2.99% increase in general (basic) council tax and a 2.00% increase in the Adult Social Care precept. This **4.99%** increase is within the referendum threshold, generates £24.926m of additional income and results in total council tax of £527.748m for the year.

The Council has previously opted to raise council tax including the adult social care precept as shown below:

Table 12: Previous council tax increases

Council Tax increases	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
General increase	1.99%	1.80%	2.99%	2.99%	1.99%	1.99%	1.99%	2.99%
ASC precept increase	2.00%	3.00%	3.00%	0.00%[12]	2.00%	2.00%[13]	1.00%[14]	2.00%
Total increase	**3.99%**	**4.80%**	**5.99%**	**2.99%**	**3.99%**	**3.99%**	**2.99%**	**4.99%**

The Government's assumptions within the Settlement about local authorities' abilities to raise council tax continue to mean that any decision to raise council tax by less than the Government's inflation assumptions, result in underfunding of the Council compared to Government's expectations as expressed within the "core spending power" position.

3. Other Income

A table on total Government grant funding is shown below, with further details provided in the Medium Term Financial Strategy (Appendix 2).

[12] No increase available as maximum 8% taken in period 2016-17 to 2018-19.
[13] Maximum 3% available, 1% deferred to 2022-23.
[14] 1% deferred from 2021-22. Additional 1% not taken 2022-23.

Table 13: List of key grants and funding

Key grants and funding	2023-24 £m	2024-25 Estimated £m	2025-26 Estimated £m	2026-27 Estimated £m	2027-28 Estimated £m
Un-ring-fenced					
Business Rates	193.925	200.361	200.361	200.361	200.361
Revenue Support Grant	45.055	49.668	49.668	49.668	49.668
Rural Services Delivery Grant	4.670	4.670	4.670	4.670	4.670
Social Care Grant	66.525	78.800	78.800	78.800	78.800
ASC Market Sustainability and Improvement Fund	9.785	18.282	18.282	18.282	18.282
ASC Discharge Fund	5.554	9.257	9.257	9.257	9.257
Services Grant	6.022	0.987	0.987	0.987	0.987
New Homes Bonus	0.628	1.076	1.076	1.076	1.076
School Improvement Monitoring and Brokering Grant	0.725	0.725	0.725	0.725	0.725
Fire Pension Grant	1.629	0.000	0.000	0.000	0.000
Fire Revenue	1.184	1.184	1.184	1.184	1.184
Inshore Fisheries	0.152	0.152	0.152	0.152	0.152
Local reform and community voices	0.581	0.581	0.581	0.581	0.581
Social Care in Prisons	0.345	0.345	0.345	0.345	0.345
War Pensions Scheme Disregard	0.248	0.248	0.248	0.248	0.248
Extended rights to free travel (Local Services Support Grant)	1.542	1.542	1.542	1.542	1.542
PFI Revenue Grant (streetlights and schools)	7.905	7.905	7.905	7.905	7.905
Improved Better Care Fund	39.619	39.619	39.619	39.619	39.619
Ring-fenced					
Public Health	43.640	44.215	44.215	44.215	44.215
Dedicated Schools Grant	786.830	853.156	853.156	853.156	853.156
Pupil Premium Grant	39.162	39.162	39.162	39.162	39.162
Locally collected tax (forecasts)					
Council tax (assuming increase 4.99% 2024-25, 2.99% 2025-26, 1.99% 2026-27 & 2027-28)	493.707	527.748	545.535	561.955	578.870

Shaded items remain to be confirmed

4. Fees and Charges

4.26. Fees and charges are an important source of income, and the Council charges for some discretionary services. Inflationary increases to fees and charges have been included within the budget where appropriate.

Expenditure – underlying trends

4.27. The aim of the budget planning process is to prepare a robust budget that supports the Council's priority areas, protects and develops services, but is affordable within the available levels of funding. The major cost drivers affecting Norfolk County Council that have been incorporated into the 2023-24 budget plans are:

1. **Price inflation**
   A significant proportion of the Council's services continues to be delivered externally to the County Council – through partners, private sector contracts, and via the council's own companies (including Norse). This means that contractual arrangements are a key driver of the Council's cost pressures, and many contracts are linked to CPI, RPI or other indices. A significant proportion of the Council's spend is via third party contracts and the effective management of these contracts to ensure both value for money and proper standards of service, is critical. While difficult to identify separately, inflationary price rises are being driven by a range of factors including increases in the National Living Wage, the wider "cost of living crisis", the legacy of the Covid-19 pandemic and wider changes in the economy.

2. **Demographics**
   Demand for services continues to rise, both through the age profile of the county, wider population changes and through changes to need, such as increasing complexity partially as a result of medical advancements and economic changes. Preventative strategies are in place and, wherever possible, continue to be developed, but these alone will not be sufficient to stem the growth in levels of demand. Budget savings designed to reduce the impact of growth are shown separately. In children's social care, the national picture, driven in part by the pandemic, continues to show a significant rise in demand both in terms of numbers and complexity of need, and thus cost. There is uncertainty about the impacts of reforms to Adult Social Care arrangements which could also give rise to a significant increase in demand by self-funders for the Council to arrange care services.

3. **Pay award and the National Living Wage**
   The annual pay award and National Living Wage increases for both the Council's directly employed staff and contracted services are an important cost driver. At the time of preparing the 2024-25 Budget, the 2023-24 green book pay award has been confirmed as a £1,925 flat rate uplift for all employees up to scale L and 3.88% scale M and above. This equates to approximately a 6% increase across the Council's full staffing structure. No announcements about negotiations for 2024-25 pay awards have been made. The Budget makes provision to fully fund the 2023-24 pay award on an ongoing basis and further makes provision for a pay award of up to 4% for all staff in 2024-25.

4. **Increased costs of borrowing**
   The cost of borrowing remains high due to the significant increase in bank base rates put in place by the bank of England in an attempt to reduce inflation. The Council continues to seek to minimise borrowing costs, by continually reviewing Capital schemes funded by borrowing, by delaying borrowing where cashflow allows, assessing alternative sources of

borrowing, and accessing lower rates for infrastructure investment where possible.

4.28. The Capital Programme will be funded from external capital grants, prudential borrowing, revenue budgets and/or reserves. The majority of schemes have historically been funded from capital grants received from central government departments. The largest capital grants are from the Department for Transport and the Department for Education, and this is reflected in the balance of the programme. Capital receipts can only be used to fund capital expenditure (which in turn reduces the future revenue impact of borrowing), to repay debt, or (as a result of additional flexibilities from the 2015 Spending Review) to support the revenue costs of transformation projects as set out in the Capital Programme report elsewhere on the agenda. Government has confirmed the extension of the capital receipts flexibility until 2030. Proposed changes to the capital framework for local government may have an impact on the Council's planning assumptions in relation to Minimum Revenue Provision (MRP). Government confirmed in 2023 that "any regulation changes will not be implemented on a mandatory basis earlier than April 2024" and have since issued further consultation on the revised guidance proposed for MRP. The 2024-25 plan has reflected this revised guidance.

4.29. Subject to the timing of borrowing and the application of the Minimum Revenue Provision (MRP) policy, the future annual revenue cost of prudential borrowing can be significant (as much as 9% of the amount borrowed based on a typical asset life). The amount and timing of these costs is reflected in the revenue budgets where appropriate and in particular assumes additional borrowing for future years. Separate reports to Cabinet, elsewhere on this agenda, set out the detail of the Treasury Management Strategy and the Capital Strategy including the 2024-28+ programme and funding plans.

4.30. Financial planning assumptions for future years take account of the latest monitoring position for 2023-24, as reported to Cabinet elsewhere on this agenda. Further details of the financial planning context are set out in the Medium Term Financial Strategy 2024-28.

4.31. The Statement on the Robustness of Estimates 2024-28 (Appendix 4) sets out the Director of Strategic Finance's (Section 151 Officer) view on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget. The factors and budget assumptions used in developing the 2024-28 budget estimates are set out as part of that judgement. The level of reserves has been analysed in terms of risk and is reported to Cabinet as part of these budget papers. The recommended level of general balances is £26.660m for 2024-25. Provision has been made within the 2024-25 position to increase the General Fund to contribute to maintaining a target balance of at least 5% of the net revenue budget in future years. There may also be some opportunity to increase general reserves as part of the closure of 2023-24 accounts. The Medium Term Financial Strategy 2024-28 assumes that general balances will remain at or above the recommended level.

Expenditure and savings – proposals

4.32. Table 26 to Table 31 set out in detail the proposed cash limited budget for all Service Departments for 2024-25, and the medium term financial plans for 2025-26 to 2027-28. These are based on the identified pressures and proposed budget savings shown in the table below. Cost neutral adjustments are also reflected within the Service Department budgets.

4.33. As previously set out, significant uncertainty remains around the following areas:

- District council tax and business rate forecasts are not finalised, these remain subject to change until final forecasts are received at the end of January.
- The provisional Local Government Finance Settlement was published on 18 December 2023, but the final settlement is not expected to be confirmed until the end of January / early February 2024.

4.34. Any changes arising following Cabinet recommendations, or as a result of these uncertainties, will be reported to Full Council for decisions as appropriate and in line with the Budget Protocol.

4.35. The table below provides a summary of the changes in budget planning from the February 2023 MTFS to the current position across the four years of the 2024-25 MTFS.

Table 14: Budget planning position 2024-25 to 2027-28 – changes from the 2023-24 MTFS position

Medium Term Financial Strategy 2024-28	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**	**Total £m**
Cost pressures and funding decreases					
Economic and inflationary pressures	25.471	22.737	23.293	0.000	**71.501**
Legislative requirements	6.760	-0.200	0.000	0.000	**6.560**
Demand and demographic pressures	42.150	37.150	37.010	0.000	**116.310**
NCC policy decisions	0.776	-1.543	2.078	0.000	**1.311**
Funding decreases	0.628	0.000	0.000	0.000	**0.628**
Total cost pressures and funding decreases	**75.785**	**58.144**	**62.381**	**0.000**	**196.310**
Council tax					
Council tax changes	-27.414	-20.949	-16.316	0.000	**-64.679**
Savings and funding increases					
Savings	6.197	-0.669	-2.285	0.000	**3.243**
Funding increases	-8.352	0.000	0.000	0.000	**-8.352**
Total savings and funding increases	**-2.155**	**-0.669**	**-2.285**	**0.000**	**-5.109**

Appendix 1: Norfolk County Council Revenue Budget 2024-25

<u>**Medium Term Financial Strategy 2024-28**</u>	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**	**Total £m**
Original gap at MTFS 2023-24 to 2026-27 (Surplus)/Deficit	**46.216**	**36.526**	**43.780**	**0.000**	**126.522**
<u>**Extend MTFS assumptions for 2027-28**</u>					
Economic and inflationary pressures	0.000	0.000	0.000	24.495	**24.495**
Legislative requirements	0.000	0.000	0.000	0.000	**0.000**
Demand and demographic pressures	0.000	0.000	0.000	11.000	**11.000**
NCC policy decisions	0.000	0.000	0.000	0.000	**0.000**
Council tax changes	0.000	0.000	0.000	-16.807	**-16.807**
MTFS Gap 2024-25 to 2027-28 (Surplus)/Deficit [Reported to June 2023 Cabinet]	**46.216**	**36.526**	**43.780**	**18.688**	**145.210**
<u>**New pressures and changes to MTFS assumptions for 2024-28**</u>					
Economic and inflationary pressures					
Fire pay award 2022-23 and 2023-24	0.768	0.000	0.000	0.000	**0.768**
Teacher pay award	0.051	0.000	0.000	0.000	**0.051**
Teacher pension contributions	0.063	0.000	0.000	0.000	**0.063**
Soulbury pay award	0.069	0.000	0.000	0.000	**0.069**
Pay award	0.621	0.000	0.000	0.000	**0.621**
Senior Fire Roles – salary review	0.026	0.000	0.000	0.000	**0.026**
Energy inflation	1.142	0.000	0.000	0.000	**1.142**
Contract inflation Adults	0.125	0.000	0.000	0.000	**0.125**
Property pressures	0.227	0.000	0.000	0.000	**0.227**
Apprenticeship Levy	0.177	0.200	0.200	0.200	**0.777**
Highways Winter Maintenance	0.828	0.000	0.000	0.000	**0.828**
Other inflation changes	5.102	0.079	-0.014	-0.598	**4.570**
	9.199	**0.279**	**0.186**	**-0.398**	**9.267**
Legislative requirements					
Removal of Council DIY waste charges	0.750	0.250	0.000	0.000	**1.000**
Pay and Price Market Pressures	4.400	5.000	5.000	5.000	**19.400**
National Living Wage – Adults	2.200	0.000	0.000	0.000	**2.200**
Children's Services pressures including impact of National Living Wage	9.000	3.000	1.500	1.500	**15.000**
ASC Discharge Grant	3.703	0.000	0.000	0.000	**3.703**
Market Sustainability and Improvement Funding	8.496	0.000	0.000	0.000	**8.496**
CQC Assurance	0.300	0.000	0.000	0.000	**0.300**
Fire - Suicide Prevention plan	0.687	0.000	0.000	0.000	**0.687**
Fire - HMI spotlight	0.507	0.000	0.000	0.000	**0.507**
LEP integration costs	0.200	-0.200	0.000	0.000	**0.000**
Increased IFCA Precept	0.040	0.000	0.000	0.000	**0.040**
Public Health grant funded expenditure	0.575	0.000	0.000	0.000	**0.575**
	30.858	**8.050**	**6.500**	**6.500**	**51.908**

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Medium Term Financial Strategy 2024-28	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**	**Total £m**
Demand and demographic pressures					
Home to School Transport pressures	5.000	0.000	0.000	0.000	**5.000**
Emerging cost pressures Adult Social Care	17.200	0.000	0.000	0.000	**17.200**
Future maintenance costs of Great Yarmouth 3rd River Crossing	0.000	0.458	0.000	0.000	**0.458**
Building maintenance fund	0.382	0.000	0.000	0.000	**0.382**
Insurance pressure Norse	0.000	0.125	0.000	0.000	**0.125**
Provision for future Service Pressures	-25.000	0.000	0.000	26.530	**1.530**
Leap year pressure in Adult Social Care	0.000	0.000	0.000	0.600	**0.600**
Demographic Growth Adult Social Care	0.000	0.000	0.100	0.100	**0.200**
	-2.418	**0.583**	**0.100**	**27.230**	**25.495**
NCC policy decisions					
CLA Licence	0.033	0.000	0.000	0.000	**0.033**
NFRS Microsoft 365 licenses	0.041	0.000	0.000	0.000	**0.041**
Learning Management licences	0.040	0.000	0.000	0.000	**0.040**
Visitor Economy Budget - Local Visitor Economy Partnership	0.120	0.000	0.000	0.000	**0.120**
Increased NCC contribution to GNGB	0.015	0.005	0.005	0.005	**0.030**
County Deal implementation costs	0.250	0.000	-0.250	0.000	**0.000**
Increased cost for public communications	0.120	0.000	0.000	0.000	**0.120**
MyOracle licenses	0.434	0.000	0.000	0.000	**0.434**
FES pressures	0.580	0.000	0.000	0.000	**0.580**
Merchant account charges	0.084	-0.084	0.000	0.000	**0.000**
Schools' IMT income pressure	0.150	0.000	0.000	0.000	**0.150**
AVC Wise reduction in corporate income	0.225	0.000	0.000	0.000	**0.225**
Provision for site rental and other financial pressures linked to NCC company	0.300	-0.200	0.000	0.000	**0.100**
Provision for financial loan interest deferral linked to NCC company	0.250	-0.250	0.000	0.000	**0.000**
Council tax collection contribution	0.500	0.000	0.000	0.000	**0.500**
Funding for G&I capacity prior to County Deal	0.086	0.057	-0.143	0.000	**0.000**
Interest payable / receivable Treasury Management adjustment	0.000	2.500	2.000	0.000	**4.500**
Communities team	0.000	0.000	0.135	0.000	**0.135**
	3.228	**2.028**	**1.747**	**0.005**	**7.008**
Funding decreases					
Home Office Fire and Pensions Grant	1.629	0.000	0.000	0.000	**1.629**
Services Grant – reduction in Provisional Settlement	5.283	0.000	0.000	0.000	**5.283**
	6.912	**0.000**	**0.000**	**0.000**	**6.912**
Funding increases					
LEP integration funding	-0.200	0.200	0.000	0.000	**0.000**
Adult Social Care grants	-9.112	0.000	0.000	0.000	**-9.112**
Revenue Support Grant	-4.613	0.000	0.000	0.000	**-4.613**
Rebase business rates budget	-8.427	0.000	0.000	0.000	**-8.427**
CPI increase in Business Rates budget	-12.147	0.000	0.000	0.000	**-12.147**

Medium Term Financial Strategy 2024-28	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**	**Total £m**
New Homes Bonus Grant	-1.076	0.000	0.000	0.000	**-1.076**
Public Health grant	-0.575	0.000	0.000	0.000	**-0.575**
	-36.150	**0.200**	**0.000**	**0.000**	**-35.950**
Changes to savings proposals brought forward					
Post 16 transport: remove option to pay a daily fare (currently only available on local buses which charge fares)	0.100	0.000	0.000	0.000	**0.100**
Additional efficiencies in staffing and operations to progress the Adult Learning service towards its goal of being cost neutral.	0.240	0.000	0.000	0.000	**0.240**
Further income from commercialisation of property assets including County Hall	0.030	0.000	0.000	0.000	**0.030**
Recycling Centres: Mayton Wood relocation to Norwich North HWRC site (part reversal)	0.030	0.000	0.000	0.000	**0.030**
Expansion of professional leads: Centralise and control spend on communications. This would include paid staff and non-pay procurement across the organisation	0.100	0.000	0.000	0.000	**0.100**
Reprofiled saving for transformation of care provision by Norse Care.	0.500	-1.500	0.000	0.000	**-1.000**
	1.000	**-1.500**	**0.000**	**0.000**	**-0.500**
New savings proposals developed for 2024-25 budget setting					
Adult Social Services	-17.452	-3.400	-2.900	-2.600	**-26.352**
Children's Services	-13.453	-2.673	-7.449	-5.703	**-29.278**
Community and Environmental Services	-10.784	0.573	-0.195	0.400	**-10.006**
Strategy and Transformation	-1.690	0.630	0.040	-0.020	**-1.040**
Chief Executives Directorate	-0.330	0.290	0.000	0.000	**-0.040**
Finance	-8.510	-1.820	3.800	0.000	**-6.530**
	-52.219	**-6.400**	**-6.704**	**-7.923**	**-73.246**
Changes in council tax assumptions					
Collection Fund	-3.295	3.295	0.000	0.000	**0.000**
Council tax increase %	-0.158	-0.101	-0.070	-0.072	**-0.400**
Tax base increase	-3.174	-0.033	-0.035	-0.036	**-3.278**
Gap for 2024-25 to 2027-28 MTFS	**0.000**	**42.927**	**45.505**	**43.995**	**132.428**

4.36. Reflecting these proposed adjustments, the resulting budgets for the period of the MTFS are shown below.

Table 15: Summary Net Budget Changes 2024-25

Budget Changes 2024-25	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Chief Executives Directorate £m	Finance £m	Norfolk County Council £m
Base Budget 2023-24	**249.526**	**232.593**	**189.743**	**21.859**	**3.092**	**-203.107**	**493.707**
Growth for Economic and inflationary	9.565	8.778	10.091	1.090	0.252	4.894	**34.670**
Growth for Legislative requirements	26.684	9.000	1.694	0.200	0.000	0.040	**37.618**
Growth for Demand and demographic	22.700	14.500	2.532	0.000	0.000	0.000	**39.732**
Growth for Policy decisions	-2.000	-0.540	0.270	-0.581	-0.031	6.886	**4.004**
Total Growth	**56.949**	**31.738**	**14.587**	**0.709**	**0.221**	**11.820**	**116.024**
Savings	-14.252	-13.265	-9.665	0.460	-0.330	-7.970	**-45.022**
Funding changes	-12.776	-12.275	1.629	-0.200	0.000	-13.340	**-36.961**
Cost neutrals	0.519	2.007	6.373	7.356	1.401	-17.656	**0.000**
Base Budget 2024-25	**279.967**	**240.797**	**202.668**	**30.184**	**4.384**	**-230.252**	**527.748**

Funded by: Council tax	-524.453
Collection Fund surplus	-3.295
	-527.748
2024-25 Budget Gap	0.000

Table 16: Summary Net Budget Changes 2025-26

Budget Changes 2025-26	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Chief Executives Directorate £m	Finance £m	Norfolk County Council £m
Base Budget 2024-25	**279.967**	**240.797**	**202.668**	**30.184**	**4.384**	**-230.252**	**527.748**
Growth for Economic and inflationary	9.447	6.833	4.602	1.117	0.124	0.892	**23.015**
Growth for Legislative requirements	5.000	3.000	0.050	-0.200	0.000	0.000	**7.850**
Growth for Demand and demographic	6.100	3.500	2.508	0.000	0.000	25.500	**37.608**
Growth for Policy decisions	0.000	-0.100	0.000	-1.219	0.118	1.811	**0.610**
Total growth	**20.547**	**13.233**	**7.160**	**-0.302**	**0.242**	**28.203**	**69.083**
Savings	-7.400	-2.623	0.543	2.201	0.290	-1.580	**-8.569**
Funding changes	0.000	0.000	0.000	0.200	0.000	0.000	**0.200**
Base Budget 2025-26	**293.114**	**251.408**	**210.371**	**32.283**	**4.917**	**-203.630**	**588.462**

Funded by: Council tax		-545.535
Collection Fund surplus		0.000
		-545.535
2024-25 Budget Gap		0.000
2025-26 Budget Gap		42.927

Table 17: Summary Net Budget Changes 2026-27

Budget Changes 2026-27	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Chief Executives Directorate £m	Finance £m	Norfolk County Council £m
Base Budget 2025-26	**293.114**	**251.408**	**210.371**	**32.283**	**4.917**	**-203.630**	**588.462**
Growth for Economic and inflationary	9.525	7.068	4.754	1.097	0.132	0.903	**23.480**
Growth for Legislative requirements	5.000	1.500	0.000	0.000	0.000	0.000	**6.500**
Growth for Demand and demographic	6.100	3.000	2.000	0.000	0.000	26.010	**37.110**
Growth for Policy decisions	0.000	0.000	0.135	-0.388	0.124	3.954	**3.825**
Total growth	**20.625**	**11.568**	**6.889**	**0.709**	**0.256**	**30.867**	**70.915**
Savings	-4.900	-7.449	-0.240	0.040	0.000	3.560	**-8.989**
Base Budget 2026-27	**308.839**	**255.527**	**217.020**	**33.032**	**5.172**	**-169.202**	**650.388**

Funded by: Council tax		-561.955
Collection Fund surplus		0.000
		-561.955
2024-25 Budget Gap		0.000
2025-26 Budget Gap		42.927
2026-27 Budget Gap		45.505

Table 18: Summary Net Budget Changes 2027-28

Budget Changes 2027-28	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Chief Executives Directorate £m	Finance £m	Norfolk County Council £m
Base Budget 2026-27	**308.839**	**255.527**	**217.020**	**33.032**	**5.172**	**-169.202**	**650.388**
Growth for Economic and inflationary	9.697	7.301	4.911	1.129	0.140	0.920	**24.098**
Growth for Legislative requirements	5.000	1.500	0.000	0.000	0.000	0.000	**6.500**
Growth for Demand and demographic	6.700	3.000	2.000	0.000	0.000	26.530	**38.230**
Growth for Policy decisions	0.000	0.000	0.000	0.005	0.000	0.000	**0.005**
Total growth	**21.397**	**11.801**	**6.911**	**1.134**	**0.140**	**27.450**	**68.833**
Savings	-2.600	-5.703	0.400	-0.020	0.000	0.000	**-7.923**
Base Budget 2027-28	**327.636**	**261.625**	**224.331**	**34.145**	**5.313**	**-141.752**	**711.298**

Funded by: Council tax	-578.870
Collection Fund surplus	0.000
	-578.870
2024-25 Budget Gap	0.000
2025-26 Budget Gap	42.927
2026-27 Budget Gap	45.505
2027-28 Budget Gap	43.995

4.37. In setting the annual budget, Section 25 of the Local Government Finance Act 2003 requires the Director of Strategic Finance (Section 151 Officer, S151) to report to members on the robustness of budget estimates and the adequacy of proposed financial reserves. This informs the development of a robust and deliverable budget for 2024-25. The Director of Strategic Finance's judgement on the robustness of the 2024-25 Budget is set out in Appendix 4, and will be substantially based upon the following considerations:

Changes in budget planning

- Significant service pressures, totalling over £116m, which have been identified for 2024-25 and been incorporated into the Budget in February after being reviewed and validated.
- Net saving proposals totalling £45.022m (after changes to savings brought forward from the 2023-24 Budget)
- Review and validation of the deliverability of previously planned saving programmes has been undertaken so that changes can be reflected in final budget setting for 2024-25. Any saving proposals which are now judged to be at risk of either non-delivery or delay have been removed or delayed as appropriate from 2024-25 and future years.
- The level of reliance on capital receipts and one-off measures including the use of reserves across the life of the MTFS has been considered. This is judged to be appropriate for 2024-25 but it is recognised that reserves do not represent a sustainable long term funding source. Options to reduce the reliance on such measures will be required in future and are reflected in the budget gaps for future years of the MTFS.
- Budget planning reflects final changes to inflation forecasts for 2024-25, however it should be noted that inflation figures are estimates only for future years and these will continue to change.

Assumptions and Risks

- The Budget assumes that, except where they have been specifically amended, all the savings proposed and included from the 2023-24 planning round can be successfully achieved.
- The Council may need to undertake consultation on a small number of proposals which have been identified in this stage in the process to support in the setting of a balanced budget. Further detail of these is set out in paragraph 10.5 and 10.6, which confirms that once any necessary consultation has been undertaken, the proposals will need to be brought back to Cabinet alongside any EQIA considerations, for final decision making during 2024-25. In the event that any of these proposals could not be implemented in 2024-25, either following consultation and equality impact assessment, or as a result of

subsequent member decision making, the following approach would be adopted:
  - One-off options would be sought to deliver a balanced Budget.
  - In order to achieve a robust and sustainable financial position, service departments would be asked to identify alternative recurrent proposals to replace the one-off measures in-year; and
  - In the event that recurrent 2024-25 proposals cannot be found, service departments will be asked to bring forward ongoing replacement savings at the same level for 2025-26 and proposals that enable the one-off resources used in 2024-25 to be replenished.
- The latest information about the 2023-24 budget monitoring position is set out in the Financial Monitoring report elsewhere on the agenda. A number of the issues identified in the 2023-24 position are provided for in the pressures included in the 2024-25 Budget, however, save where they have been specifically mitigated within the budget process, the underlying assumption for budget setting is that the 2024-25 Budget is delivered (i.e. that all savings are achieved as planned and there are no significant unfunded overspends). This effectively assumes that any "unmitigated" non delivery of savings from 2023-24 can be made up during 2024-25.
- The provisional Settlement provided additional resources in 2024-25. These represent both funding for core services and specific funding for social care. Further details are provided in Section 3 of this report. The additional funding will enable a number of the pressures identified in the Budget process to be mitigated to ensure a robust position can be established for 2024-25. The short-term nature of the Settlement announcement (for 2024-25 only) means that risks remain around the levels of funding in future years and therefore a material impact and potential cliff-edge may emerge in 2025-26 or subsequent years, particularly if social care reforms are now implemented in October 2025 as planned. It is likely that Government would put in place transitional arrangements to "smooth" some of the impact of any future burdens or funding changes but details of any proposed approach remain to be announced by Government. Whatever the case, significant additional funding will be required to enable social care reforms to be implemented effectively. Finally, the trajectory for local authority funding implied by both the Spending Review 2021, and Autumn Statement 2023, is for only very limited increases in core ongoing funding in 2025-26 and beyond. Government continues to make assumptions about council tax increases which effectively increase the burden of funding services for Norfolk taxpayers. As set out elsewhere in these papers, details of the final Local Government Finance Settlement for 2024-25 remain to be confirmed, although significant changes are considered unlikely.
- Council tax increases are recommended as set out elsewhere in these papers. The assumed council tax increases are subject to Full Council's decisions on the levels of council tax, which will be made before the start of each financial year. In future years there will be an opportunity to consider the required level of council tax and Adult Social Care precept in light of any future Government funding and reform announcements relating to initiatives such as a Fair Funding Review, Business Rates Reform, Social Care Reform and the next Comprehensive Spending Review. However, having regard to Government

assumptions about council tax increases, the impact these have on Core Spending Power, and Government expectations about council tax addressing inflationary pressures, it remains the view of the Director of Strategic Finance that the pressures within the current budget planning position are such that the Council will have very limited opportunity to vary these assumptions. **Therefore, in the event that the Government offered the discretion for larger increases in council tax, or further increases in the Adult Social Care precept, this would be the recommendation of the Section 151 Officer in order to ensure that the Council's financial position remains robust and sustainable**.

- In addition to an annual increase in the level of council tax, the **budget assumes annual tax base increases of 1.65% in 2024-25 and 1.00% for 2025-26 and subsequent years**. If these do not occur, the budget gap would be increased, but equally, additional growth would reduce the gap. This position reflects the broad Norfolk trends experienced in recent years (with the exception of the impact of COVID-19 in 2021-22) in relation to the overall tax base level. It should be noted that council tax forecasts from District Councils for tax base and collection fund have not yet been finalised and updated information will be provided at the end of January 2024.
- The 2024-25 Budget provides for the following in relation to pay awards:
    - fully funding the impact of the 2023-24 pay award agreed during the year;
    - a pay award of 3% for 2024-25 within departmental budgets
    - an additional pay contingency provision of 1%, providing in total for a pay award of circa 4% in respect of 2024-25. This is in line with inflation forecasts and lower than the actual pay award agreed for 2022-23 and 2023-24.
    - At the time of preparing this report, national negotiation about the pay award for the 2024-25 financial year has not commenced and therefore the final pay settlement is not known. In broad terms, every 1% pay increase represents an additional c£3m pressure to the Council.
- Pay inflation from 2025-26 onwards are assumed and included in budget planning at 3% per year, however increases may also have further implications for some of the lower points on the Council's current salary scales, which may increase the pressures, and this will need to be refined as pay negotiations progress.
- The assumed use of one-off funding including reserves within savings proposals. Significantly the 2024-25 Budget assumes that £12.645m can be deployed from reserves in year, including as part of saving proposals and to meet identified service pressures. **The use of one-off resources contributes materially to the scale of the budget gap to be addressed in 2025-26**.
- **Government confirmed Social Care funding in the provisional Settlement 2024-25. This includes the re-purposing of funding originally provided to support the implementation of social care reforms.** The level of future funding for social care remains unclear and it is a key concern whether this will be sufficient to meet costs associated with market pressures and fee uplifts. The specific requirements also now attached to this funding and the

associated pressures including the level of the National Living Wage are significant. In relation to future years it is unclear what additional resources will be provided to meet the cost pressures associated with planned reforms to Adult Social Care deferred until October 2025, whether these will be sufficient, and how they will be funded at national level.

- The additional Social Care funding in 2024-25 is provided for the purposes described in further detail in paragraph 3.16 Within the 2024-25 Budget it is proposed that these grants be recognised in full within the Adult Social Services base budget. The result of this treatment is reducing the value of the department's Net Budget for 2024-25. This reflects a shift, driven by Government funding policy decisions, towards Adult Social Care being increasingly supported via specific funding (social care grants and the Adult Social Care precept) rather than via general council tax. In spite of the limited increase in Net Budget, the Adult Social Service department's gross budget and spending power for next year will increase, reflecting the significant growth pressures provided for in the 2024-25 Budget, which have been supported by these new grant funds and the increase in the ASC Precept.
- Transformational change and growth pressures forecast in Children's Services relating to vulnerable children and families, and home to school transport, can be delivered within the funding allocated.
- The High Needs Block overspend and brought forward DSG deficit position can continue be treated in line with the accounting treatment set out by Government (as discussed in more detail below).
- Norfolk is currently carrying an outstanding Dedicated Schools Grant (DSG) deficit from previous financial years, with a forecast £96.727m cumulative deficit forecast for the end of 2024-25. On the basis of the accounting treatment introduced in 2020 by the Government[15]:

    - the DSG is a ring-fenced specific grant separate from the general funding of Local Authorities (LAs);
    - any deficit an authority may have on its DSG account is expected to be carried forward and is not required to be covered by the authority's general reserves;
    - the deficit should be repaid through future years' DSG income.

  Norfolk worked intensively during Summer 2022 with the DfE and their appointed financial and Special Educational Needs and Disabilities Advisors as part of the Safety Valve programme, the DfE mechanism to work with local authorities who have the highest levels of High Needs Block (DSG) pressure/overspend, to develop a DSG recovery plan and to negotiate potential DfE investment. The core aim for DfE and NCC alike is to achieve an in-year balanced budget to enable the cumulative deficit to be addressed. Through these discussions with the DfE, a plan has been prepared to bring the in-year deficit into surplus and to reduce the cumulative deficit over 6 years. Norfolk's plan is 'Local First Inclusion' and is the next stage of our SEND improvement journey, covering the period 2023-29; it marks the end of

[15] https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2019-to-2020/dedicated-schools-grant-conditions-of-grant-2019-to-2020#accounting

the first phase of our improvement planning, our SEND and AP transformation programme. In addition to revenue elements the DfE are also considering capital bids from NCC for two more special schools alongside the Council's ongoing £120m capital investment. The Secretary of State for Education agreed Norfolk's Safety Valve plan[16] in March 2023 and implementation has begun in earnest.

Local First Inclusion is a six-year programme (2023-2029) designed to continue to expand the amount of specialist provision available across the county (both special school and specialist resource base developments) whilst ensuring a renewed focus on mainstream inclusion at the same time. We believe that we will be able to meet needs earlier and improve outcomes through these twin-track developments and ensure that the in-year and cumulative budget pressures are addressed, by reducing our historic reliance on higher cost independent sector specialist placements.

The programme is all about improving outcomes for children and young people with SEND, ensuring wherever possible and appropriate they can attend school close to their home/in their community with the support they need to make progress in their learning alongside other children of the same age.

To do this, the programme aims to create a sustainable and effective system which supports children and young people with SEND to flourish in their education, through:

- Creating a system of improved support for children and young people's education by increasing support and funding for mainstream schools/school leaders
- Ensuring fewer children need Education, Health and Care Plans by improving support within the mainstream system
- Meeting demand earlier to prevent needs escalating by creating more support to mainstream schools and, through them, families
- Improving the confidence of parents and carers in local support and provision in mainstream education
- Strengthening/expanding state-funded specialist education capacity and reducing reliance on costly independent specialist education provision

Given the scale of the challenge, the Local First Inclusion programme is complex, with 80 individual projects being developed across five over-arching workstreams. The programme started formally in April 2023 and significant progress has been achieved across the programme. However, as would be expected with a six-year programme of activity the benefits, to children and young people and to the budget, are planned to accrue throughout the period 2023 to 2029 and in the short-term the pressures continue. Indeed, the referrals for Education Health & Care Plans are continuing to rise at record levels. Additionally, inflation levels have been significantly higher than

[16] The Safety Valve agreement for Norfolk is published by the DfE alongside equivalent agreements with other authorities: DSG Safety Valve Agreements

expected bringing additional cost pressures through out the education system, as seen elsewhere.

Norfolk has entered into a period of enhanced monitoring and support with the DfE (from October 2023 to March 2024) to ensure that our plan remains on track. We are currently undertaking a 'stock-take' of all activity across the programme to review the future years' modelling alongside a comprehensive programme refresh that will identify new initiatives and mitigations that will revise the trajectories and introduce new initiatives with the aim of bringing the plan back on track to ensure that the joint DfE and NCC investment continues to address the needs of children and young people and addressing the underlying budgetary pressures.

The Dedicated Schools Grant Funding 2024-25 paper elsewhere on this agenda provides significant further detail regarding the DSG funding allocations and, in particular, the proposed High Needs Block budget. It should be noted that due to the timing of these reports prior to the ongoing work with the DfE, the High Needs Block budget, and thus the DSG budget as a whole, is based upon current projections without the benefit of this further work. Members will be updated upon the progress of this work in due course.

- It should be noted in this context that the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020[17], provide the statutory override in relation to the accounting for DSG. This sets out that the Council should hold the accumulated DSG deficit in an account "*used solely for the purpose of recognising deficits in respect of its schools budget*," effectively a negative unusable reserve. This is then disregarded in terms of assessing the Council's financial sustainability. Within the Local Government Finance Policy Statement published in December 2022, the Government announced the extension of this DSG statutory override for a one-off period of three years up to the end of the 2025-26 financial year (31/03/2026). When this statutory override expires, there is a high risk that the accumulated DSG deficit will be at or near the level of the Council's total available reserves. In such an event, and if the statutory override were not extended, then the Director of Strategic Finance would need to consider the requirement to issue a section 114 notice as it would potentially not be possible to set a balanced budget either immediately in 2025-26, or in a subsequent year. However, if the Government chooses to extend the statutory override beyond 31 March 2026, the current treatment continues, and this would not become an issue. Nationally, a significant number of other local authorities are in a similar position with a material DSG deficit.

- There are financial risks linked to the Council's ambitious net zero carbon emissions target which is set out within the Environment Policy adopted by the County Council in 2019-20. This aims to achieve carbon neutrality by 2030. The Budget provides for cost pressures and capital schemes intended to support the achievement of 2030 carbon neutrality linked to the Environmental Policy, however further financial pressures may emerge linked to other carbon

[17] https://www.legislation.gov.uk/uksi/2020/1212/regulation/2/made

reduction initiatives. Further details about the Council's financial assumptions linked to carbon reduction are set out in the Medium Term Financial Strategy.

- It is assumed pressures forecast within waste budgets can be accommodated within the funding allocations for 2024-25. There is an ongoing risk in relation to pressures within the County Council's budget for waste services which primarily relates to changes in the overall volumes of waste and recycling collected by all councils in Norfolk. Key factors that influence these volumes include the status of the general economy, consumer confidence, changes in national waste policy and the effect of weather patterns on the amount of garden waste that is generated. The two years 2020-21 and 2021-22 saw a combined 8.8% surge in annual residual waste volumes of around 18,000 tonnes, which was driven by the effects of Covid-19 on consumer behaviours and an increase in work from home practices. Although residual waste levels reduced sharply in 2022-23, they did not return to levels seen before Covid-19, even when an allowance is made for an increase in household numbers. There has been no sign of any further reduction in 2023-24 with data actually suggesting a small increase. The current tonnage projection for residual waste in 2023-24 is for around 212,000 tonnes in total, when street sweepings are excluded, which compares to levels before Covid-19 of around 200,000 tonnes. During 2024-25 the current levels of waste and recycling are expected to be sustained but with an allowance given for an increase in household numbers and for the effects of indexation on costs. It is assumed that levels of garden waste collected by all councils in Norfolk will remain at levels normally seen in previous years. However, there remains a risk that any policy changes introduced during the year by either the Government, or by the Environment Agency as regulator, could lead to an increase in service volumes and or costs. For example, the requirement for a free allowance for DIY waste is expected to generate additional cost for the County Council for which we have estimated a budget pressure. In the longer term the effects of changes to national policy are expected to reduce residual waste volumes, for example if District, City and Brough Councils are required to collect food waste or a national deposit return scheme is introduced. Policy changes are also expected to increase costs through changes in requirements for how some materials are dealt with and through the introduction of emissions related levies for waste treatment. Also, the introduction of a national producer responsibility scheme for packaging is expected to lead to changes in how some of the costs of the County Council's waste services are funded, with the expectation that producers will be obliged to pay those that deal with their packaging in waste and recycling.
- In October 2021, Government launched the Household Support Fund "to support those most in need to help with global inflationary challenges and the significantly rising cost of living." This represented welcome funding, however there is now major uncertainty around the status of the Household Support Fund after 2023-24. This has made it difficult for the Council to plan for the future of the fund in any meaningful way. The Council have lobbied government (including via Norfolk MPs) for more funding at the final settlement, and for the continuation of the Household Support Fund, which is currently expected to cease at the end of March 2024.

- On 21 November 2023, the Government announced[18] that the National Living Wage would rise to £11.44 from April 2024. The rate will also apply to 21 and 22 year-olds for the first time. This represents an increase of 9.8% for over-23 year-olds from £10.42 in 2023-24, and an increase of 12.4% for workers aged 21 and 22. Previous projections by the Low Pay Commission included a central estimate of £11.16. The increase in the National Living Wage (NLW) above this level resulted in significant pressures on NCC commissioned services and represents a sustained level of material increase in the NLW which is becoming increasingly challenging. Although the NLW can be accommodated in the Council's own pay scales, it will be difficult in the medium term if this level of increase is sustained. It also has significant implications for some third party providers, particularly in respect of Adult Social Care, but also increasingly for Children's Services, both in terms of the direct financial cost and also on wider recruitment and retention. The impacts for Adults are discussed in further detail in the Fee Levels for Adult Social Care Providers 2024-25 report to Cabinet elsewhere on this agenda. The Council's proposed fee uplift is set at a level intended to enable providers to offer pay at National Living Wage rates but this represents a major financial pressure for the Council. In summary, increases to meet the National Living Wage pay rates have been provided for within 2024-25 budget plans, but future increases will continue to put significant pressure on the medium term position.

4.38. The S151 Officer has considered the **adequacy of the overall general fund balance**, as well as the need for providing a general contingency amount within the revenue budget. This assessment is informed by the increasing level of the Council's net budget, uncertainty about business rates income, Government funding, the impact and economic uncertainty, the cost of living crisis, the legacy of the COVID-19 pandemic, and the Council's overall value for money position. In broad terms, the general fund balance provides for around 18 days of the Council's net budget activity. While recognising the changing picture, and increasing levels of risk, the proposed revenue budget for 2024-25 is based on increasing general balances to £26.660m. This position acknowledges the significant pressures within the revenue budget and also takes into account the fact that specific earmarked reserves are held which will help to address pressures and risks in 2024-25. Having regard to the reserves and balances risk assessment, the S151 Officer further continues to recommend a principle of seeking to increase general fund balances and that any additional resources which become available during 2024-25 from (but not limited to) the following sources, should be added to the general fund balance wherever possible:

- in year revenue underspends as reported through the monthly revenue monitor to Cabinet or at year end;
- one off revenue funds which become available such as one-off unbudgeted income;
- any other resources which become available on an unforeseen or unbudgeted basis.

[18] https://www.gov.uk/government/publications/minimum-wage-rates-for-2024

4.39. Taking these issues into account, it is the recommendation of the Section 151 Officer that early planning is undertaken in respect of 2025-26 and the scope to address pressures within the constraints of the overall budget should be reviewed in the round during 2024-25. This should be informed by any local government funding announcements during 2024-25. It may be that further specific details of the longer term funding allocations for the Council are not known until late in 2024-25. **In this context it will be essential that the Council is able to produce a realistic plan for reducing the budget requirement in future years through the early identification of saving proposals for 2025-26, or the mitigation of currently identified pressures**, and that all proposals are considered in the context of the significant budget gap identified for that year. The proposed timetable for 2025-26 Budget setting in Table 3 reflects these considerations.

5. Council tax

5.1. The level of council tax and Adult Social Care (ASC) precept is set annually by Members in the context of thresholds determined by Government. Legislation requires that any council tax increase in excess of a limit / threshold determined by the Secretary of State for Levelling Up, Housing and Communities and approved by the House of Commons, must be decided by local voters, who, through a local referendum, will be able to approve or veto the proposed increase. In 2024-25, the threshold for upper tier authorities with responsibility for social care has been provisionally announced as 5%. For Norfolk County Council in 2024-25 this equates to 3% for general council tax and 2% for the Adult Social Care precept. The threshold for the year is normally finalised annually alongside the Final Local Government Finance Settlement. A number of local authorities, have applied for (or already been granted) Exceptional Financial Support, enabling them to increase council tax by a higher percentage in 2024-25. There is currently no option for any “unused” element of increase to be carried forward to future years, i.e. if not taken in the relevant year, that discretion will be lost.

5.2. The MTFS approved by Members in February 2023 assumed a 2.99% increase in council tax for 2024-25, plus a 2.00% increase in the Adult Social Care precept. In October 2023, Cabinet agreed to undertake consultation on a proposed increase in council tax of 2.99%, plus a 2.00% increase in the Adult Social Care precept (in line with the February MTFS). **Having reviewed the latest financial position and the underlying Budget proposals for 2024-25, the Section 151 Officer recommends that Members adopt the maximum council tax increase available within the referendum threshold, an overall increase of 4.99% for 2024-25**. The table below sets out the additional income available from an increase of 4.99%.

Table 19: Forecast additional income from 4.99% council tax increase 2024-25

Forecast additional income	**2024-25 £m**
General council tax	14.961
Adult Social Care precept	9.965
Total	**24.926**

5.3. The increase in council tax contributes to closing the 2024-25 budget gap and mitigating the gap in future years. **An overall council tax increase of 4.99% supports a substantially more robust Budget for 2024-25 and in particular will help contribute to achieving a sustainable position over the Medium Term Financial Strategy period**. An increase in line with the referendum threshold level for 2025-26 is recommended for planning purposes, reflecting Government expectations about council tax exemplified within Core Spending Power, and the robustness of the Council's wider financial position in the context of the forecast 2025-26 gap.

5.4. The referendum threshold of 5% (including the Adult Social Care precept) is intended by Government to allow local authorities to raise additional resources to meet increased costs within social care and also across wider services. The chart below illustrates how historic and planned council tax increases compare with the level it would have been if CPI increases had been applied since 2010-11. The forecast actual level of council tax is slightly below the theoretical CPI level. This is reflective of the Government's policy of encouraging councils to limit council tax increases in the period to 2015-16, prior to the more recent policy of assuming that local authorities will raise the maximum council tax available. Comparison of changes in the County Council's band D council tax indicates that most upper tier shire counties have made similar decisions in recent years in relation to the level of council tax increase to apply.

Chart 1: Actual council tax levels compared to theoretical CPI increases

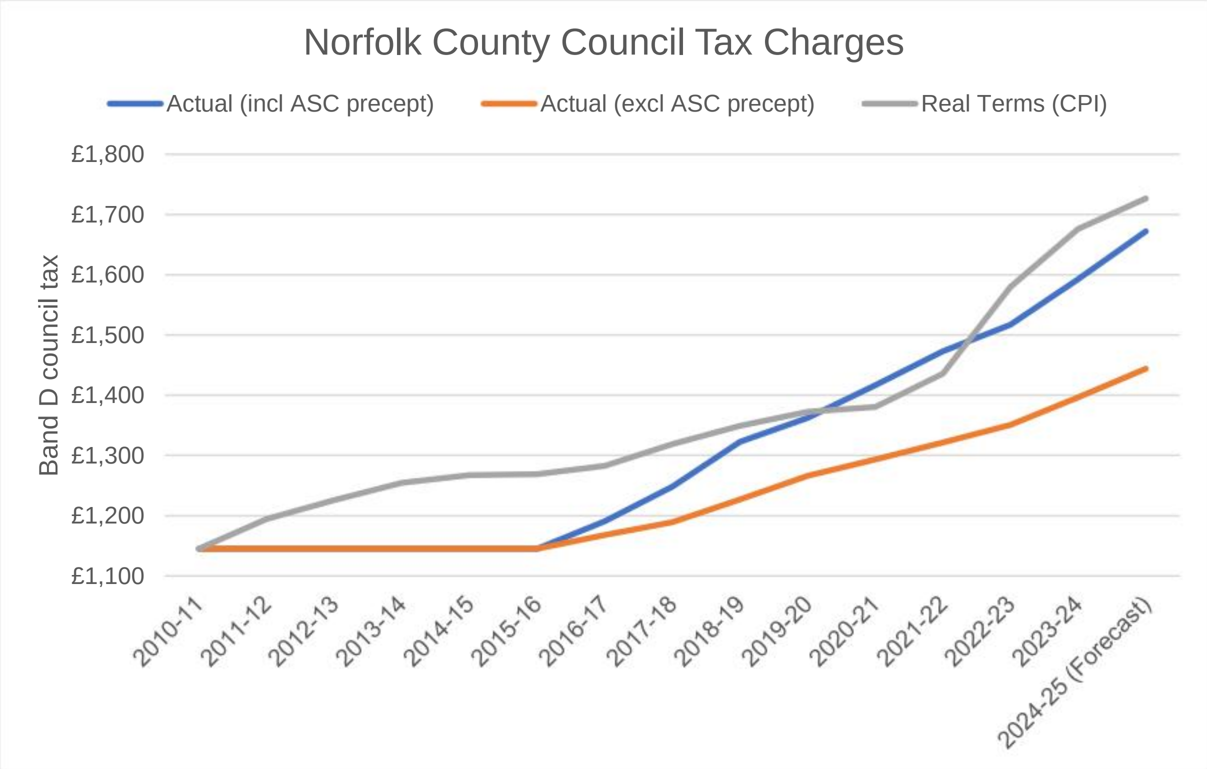
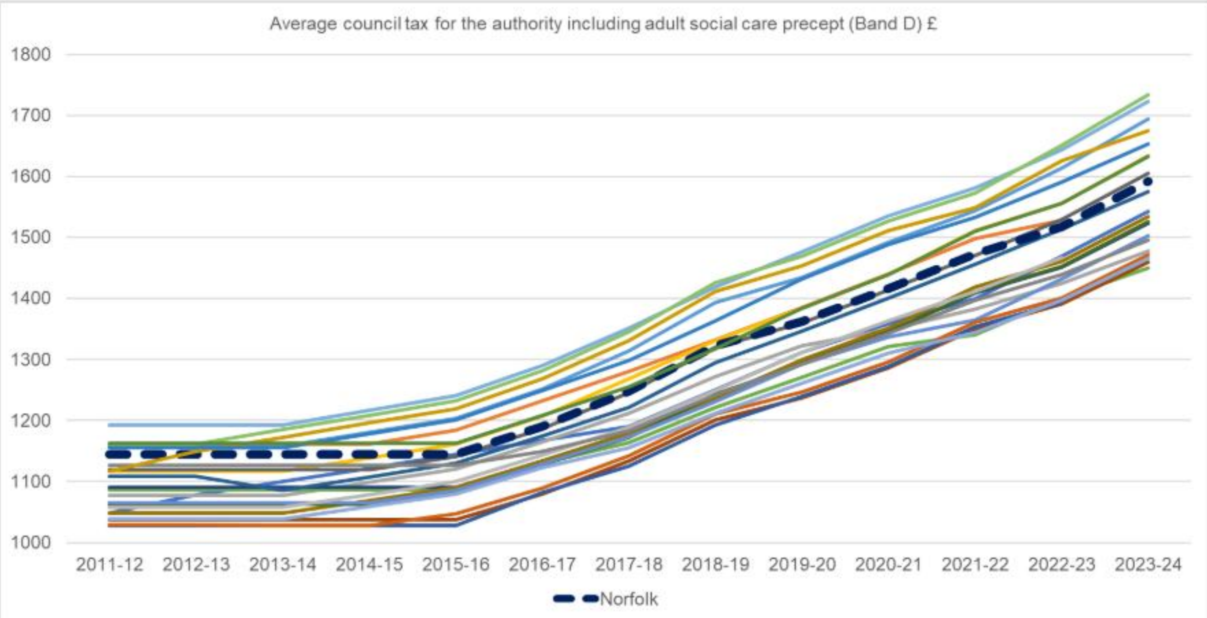


Chart 2: Norfolk County Council's council tax levels compared to other shire counties



5.5. The Government will examine council tax increases and budget increases when final decisions have been made throughout the country. County

Councils are required by regulations to declare their level of council tax precept by the end of February.

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

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

5.8. As set out in Table 12, the Council has utilised the flexibility provided by Government in 2016-17 for authorities with Adult Social Care responsibilities to increase their council tax by 8% more than the core referendum principle over the period 2016-17 to 2019-20, on the basis that the additional precept raised is allocated to Adult Social Care. The Government then offered a further flexibility to increase the Adult Social Care precept by 2% in 2020-21, which the Council also opted to raise. In respect of 2021-22, the Government confirmed the option to raise the Adult Social Care precept by up to 3%, but with the possibility for some or all of this increase to be deferred (to 2022-23). The Council subsequently agreed that the Adult Social Care precept should be increased by 2% in 2021-22 with a further 1% increase deferred to 2022-23. This decision was taken in recognition of the cumulative impact of council tax increases. For 2022-23 Government confirmed an ASC precept of 1% plus any deferred element from 2021-22. In February 2022, Council agreed an increase for 2022-23 of 2.99%, foregoing 1% of the Adult Social Care precept available. In February 2023, Council agreed an increase of 4.99%, including the 2% available for the Adult Social Care Precept. This report recommends that Cabinet propose to Council an increase in council tax for 2024-25 of 4.99%. This reflects the views of the Section 151 officer that:

- a robust budget can be proposed for 2024-25 based on a 4.99% increase (including the 2.00% Adult Social Care precept increase available), which will support a more sustainable medium term position;
- it remains critical to secure available increases in council tax and the Adult Social Care precept within the base budget to provide additional resources to meet pressures across the organisation. Doing so will enable demographic and other pressures within the Adult Social Care budget and elsewhere across the Council, to be met in 2024-25 and beyond;
- the Government continues with its general assumption that councils will increase council tax at the referendum limit, make use of the flexibility to raise a social care precept where available, and will benefit from ongoing levels of council tax base growth. Failure to raise council tax in line with the Government's assumptions would lead to the Council experiencing a different change in spending power than the Government forecasts. In addition, a decision not to maximise locally available resources makes the Council's position more difficult when calling for additional funding from Government.

- in "*Build Back Better: Our Plan for Health and Social Care*"[19], the Government has clearly set out its expectation that "*demographic and unit cost pressures will be met through Council Tax, social care precept, and long-term efficiencies*." The nature and level of pressures within the system, and the achievability of further long term efficiencies in the context of more than ten years of budget savings, mean that meeting this expectation will be extremely challenging (and not achievable in the medium term) if the Council fails to raise the maximum available local resources.
- the pressures within the current budget planning position are such that, unless mitigated by additional savings or government funding, the Director of Strategic Finance considers that the Council will have very limited opportunity to vary these assumptions, and in the event that the Government offered the discretion for larger increases in council tax, or further increases in the Adult Social Care precept, this would be the recommendation of the Section 151 Officer in order to ensure that the Council's financial position remains robust and sustainable. This judgement reflects:

    - the levels of emerging service pressures balanced against saving proposals identified;
    - consideration of the robustness of the Council's overall 2024-25 budget;
    - the risks for the longer term financial position, and in particular the need to ensure that a resilient budget can be set in future years,
    - reliance on one-off measures to support the 2024-25 Budget which will need to be addressed in 2025-26.
    - the considerable remaining uncertainty around risks, funding and cost pressures in 2025-26 and beyond.

5.9. The precise final level of any change in council tax will be confirmed in February 2024 and is subject to Member decision making annually.

5.10. Under the Local Government Finance Act 1992, the Section 151 Officer is required to provide confirmation to Government that the adult social care precept is used to fund Adult Social Care. This must be done within seven days of the Council setting its budget and council tax for 2024-25.

5.11. Details of the findings of public consultation on the level of council tax are set out in Appendix 5 to inform decisions about budget recommendations to County Council.

Implications of council tax proposals

5.12. The table below sets out the current proposals within the MTFS and reflected within this report.

[19] https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care/build-back-better-our-plan-for-health-and-social-care#our-plan-for-adult-social-care-in-England

Table 20: Proposed Council Tax assumptions in MTFS

Council Tax	2024-25	2025-26	2026-27	2027-28
General council tax	2.99%	1.99%	1.99%	1.99%
Adult Social Care precept	2.00%	1.00%	0.00%	0.00%
Total increase	**4.99%**	**2.99%**	**1.99%**	**1.99%**

5.13. Taking into account the findings of consultation set out elsewhere in this report, **Cabinet is asked to consider and confirm, or otherwise, the assumption that the Council's 2024-25 budget will include a 2.99% increase in general (basic) council tax and a 2.00% increase in the Adult Social Care precept (a total increase of 4.99%)** as recommended by the Director of Strategic Finance (Section 151 Officer).

5.14. This will need to be considered at the County Council meeting on 20 February 2024.

5.15. For planning purposes, for 2025-26 the Medium Term Financial Strategy (MTFS) assumes an increase of general council tax of 1.99%, and 1.00% in the Adult Social Care precept. This remains an area of risk as Government has not provided any indication of the likely referendum thresholds, or of the continuation of the ASC precept in 2025-26. For 2026-27, the MTFS assumes increases overall increases of 1.99%, reflecting the thresholds implied at the Spending Review 2021, and for 2027-28 onwards. 1.99%. If the referendum threshold were increased in 2025-26 and subsequent years to a higher percentage, or any further discretion were offered to increase the Adult Social Care precept (or similar), then it is likely that the Section 151 Officer would recommend the Council take advantage of this flexibility in view of the overall financial position and the budgetary gaps across the MTFS period.

5.16. The calculation of total payments of £527.748m due to be collected from District Councils in 2024-25 based on a council tax increase of 4.99% as set out, together with the instalment dates and the council tax level for each valuation band A to H is set out below.

5.17. The Council is also required to authorise the Director of Strategic Finance to transfer from the County Fund to the Salaries and General Accounts, all sums necessary in respect of revenue and capital expenditure provided in the 2024-25 budget in order that he can make payments, raise and repay loans, and invest funds.

Council tax precept 2024-25

5.18. The number of properties, in each council tax band and in each district is converted into 'Band D' equivalent properties to provide the council tax base. The number of properties in each district is shown below.

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

Table 21: Council tax precept 2024-25

2023-24 £m	**Council tax precept**	**2024-25 £m**
491.439	Precept Charge on District Councils	524.453
2.268	Estimated Surplus / (Deficit) on District Council Collection Funds etc.	3.295
493.707	**Total payments due from District Councils (2024-25 Council Tax Requirement)**	**527.748**
2023-24 £	**Council Tax**	**2024-25 £**
£1,592.64	Council Tax for an average Band "D" Property in 2024-25	£1,672.11
£1,238.72	Council Tax for an average Band “B” Property in 2024-25	£1,300.53

Table 22: Total payments to be collected from District Councils in 2024-25

District Council	**Tax Base (a) £**	**Collection Fund Surplus / (Deficit) (b) £**	**Precept (c) £**	**Total Payments Due (d) £**
Breckland	46,832.80	568,019	78,309,593	78,877,612
Broadland	48,996.00	396,803	81,926,702	82,323,505
Great Yarmouth	30,581.00	-57,223	51,134,796	51,077,573
King’s Lynn and West Norfolk	53,747.80	376,700	89,872,234	90,248,934
North Norfolk	41,501.70	738,584	69,395,408	70,133,992
Norwich	38,773.00	359,120	64,832,721	65,191,841
South Norfolk	53,215.00	912,958	88,981,334	89,894,292
Total	**313,647.30**	**3,294,962**	**524,452,787**	**527,747,748**

Council tax collection

5.20. The precept (column (c) above) for 2024-25 will be collected in 12 instalments from the District Council Collection Funds, as follows:

Table 23: 2024-25 precept instalments

Payment	Date	%
1	30 April 2024	8
2	20 May 2024	9
3	19 June 2024	9
4	19 July 2024	9
5	19 August 2024	9
6	19 September 2024	9
7	21 October 2024	9
8	19 November 2024	9
9	19 December 2024	9
10	20 January 2025	9
11	19 February 2025	3
12	19 March 2025	8
		100%

5.21. Where a surplus on collection of 2023-24 council tax (column (b) above) has been estimated, the District Council concerned will pay to the County Council its proportion of the sum by ten equal instalments, as an addition to the May 2024 to February 2025 precept payments.

5.22. Where a deficit on collection of 2023-24 council tax (column (b) above) has been estimated, the District Council concerned will receive from the County Council its proportion of the sum by ten equal instalments, as a reduction to the May 2024 to February 2025 precept payments.

2024-25 council tax bands

5.23. In accordance with Section 40 of the Local Government Finance Act 1992, the County Council amount of the council tax for each valuation band be as follows:

Table 24: Norfolk County Council 2024-25 council tax bands

Band	£
A	£1,114.74
B	£1,300.53
C	£1,486.32
D	£1,672.11
E	£2,043.69
F	£2,415.27
G	£2,786.85
H	£3,344.22

6. Business rate pool 2024-25

6.1. Between 2013-14 and 2020-21 Norfolk County Council participated in a Business Rate Pool (Pilot in 2019-20) with other Norfolk Local Authorities. Taking into account the level of risk attached to pooling in 2021-22 as a result of the significant impact of COVID-19 on business rates, Norfolk Leaders agreed to withdraw from pooling in 2021-22.

6.2. The opportunity for pooling was reviewed for 2022-23 and full details were presented to Cabinet in November 2021 in the report *Business Rates Pool – Annual Report 2020-21 and Pooling Decision 2022-23*[20]. At that point, Cabinet endorsed the proposed application and governance arrangements for a 2022-23 Norfolk Business Rates Pool, which is in place for the current financial year. In the 2024-25 Budget, 2023-24 Pool funds are being used to support the underlying revenue Budget position.

6.3. In September 2023, Government invited local authorities to consider their intentions for pooling in 2024-25. Following discussions, all pool members indicated that they wished to continue pooling in 2024-25 on the same basis as in 2023-24 and this was confirmed to Government. Accordingly, as part of the provisional Settlement announced 18 December 2023, Government has confirmed its intention to designate Norfolk County Council and all Norfolk Districts as a Pool on the terms requested. Any prospective member of the Pool had until 15 January 2024 to indicate to Government that they wished to withdraw. No prospective member of the Pool has done so, and it is therefore anticipated that Government will confirm the Norfolk Pool for 2024-25 at the Final Settlement announcement.

6.4. Cabinet is asked to note the expected continuation of the Norfolk Pool into 2024-25, and the allocation of Pool funds to support the Council budget in future years.

7. Service strategy and new saving proposals for 2024-25

7.1. Total saving proposals for inclusion in this year’s Budget total £70.503m, of which £45.022m relate to 2024-25 as shown in the table below.

[20] Business Rates Pool – Annual Report 2020-21 and Pooling Decision 2022-23, Cabinet, 08/11/2021, agenda item 15

Table 25: Summary of total MTFS savings proposals for 2024-25 to 2027-28

Service Department	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Adult Social Services	-14.252	-7.400	-4.900	-2.600	**-29.152**
Children's Services	-13.265	-2.623	-7.449	-5.703	**-29.040**
Community and Environmental Services	-9.665	0.543	-0.240	0.400	**-8.962**
Strategy and Transformation	0.460	2.201	0.040	-0.020	**2.681**
Chief Executives Directorate	-0.330	0.290	0.000	0.000	**-0.040**
Finance General	-7.970	-1.580	3.560	0.000	**-5.990**
Total savings	**-45.022**	**-8.569**	**-8.989**	**-7.923**	**-70.503**

7.2. The following sections of the Budget report set out details of the financial and savings strategy for each Department, along with details of the new savings proposals for 2024-25. Where required (and subject to the caveat set out below and in paragraph 10.5 onwards of the Risk Implications/Assessment section of the covering report), these have been subject to consultation and further validation work to ensure that they are robust and deliverable prior to being included in the Budget presented to Cabinet for recommendation to Full Council for consideration in February 2024. No final decisions on the implementation of savings will be made until February 2024 when the County Council considers the Cabinet’s proposed Budget for 2024-25, including the findings of public consultation and equality impact assessments.

7.3. The savings target to be found for the 2024-25 Budget comes after significant budget reductions over recent years meaning the identification of savings has inevitably been challenging. When proposals were reported to Cabinet prior to public consultation, there remained a gap to be closed against the required target. As part of the 2024-25 Budget setting process, the County Council therefore undertook further rounds of savings development into January 2024 to identify additional savings to support the 2024-25 Budget. This process has successfully resulted in further savings being identified, which have been included within the budget proposals set out in this report. In overall terms, £52.219m of additional new 2024-25 savings (offset by savings values of £6.197m brought forward from the 2023-24 budget round and £1.000m of changes to proposals) have been incorporated into the Budget.

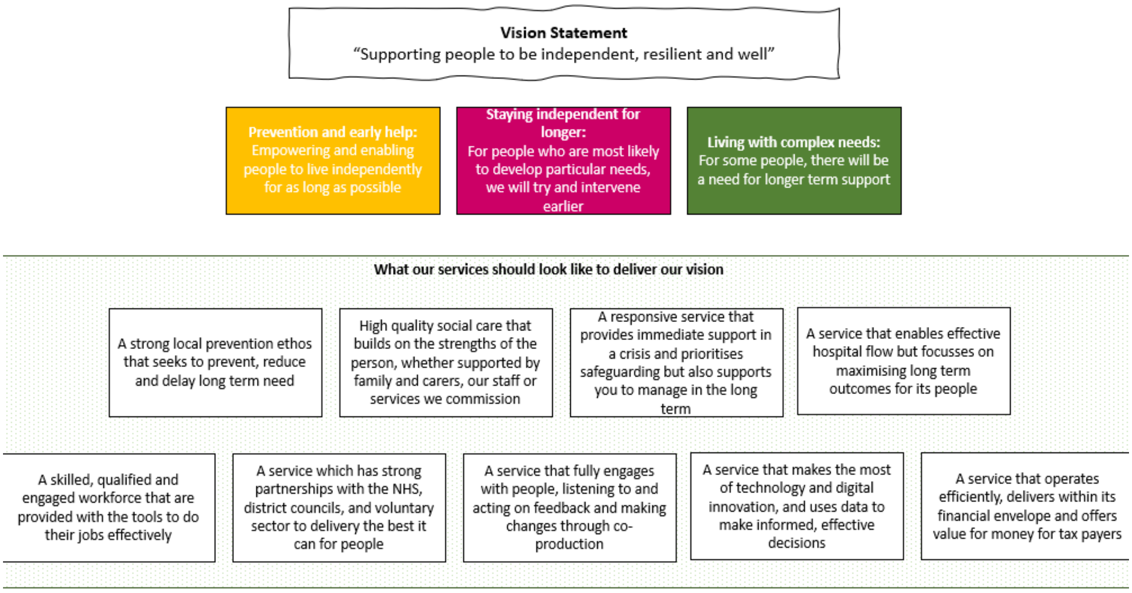
7.4. If, following agreement of the 2024-25 Budget it subsequently becomes apparent (once the Council starts to implement the proposals) that any Budget proposals impact on the delivery of services, then the Council would carry out detailed consultation on those during 2024-25 prior to the proposals being implemented. Further equality impact assessments would also be undertaken as required. If necessary, this process will enable Cabinet to make a decision on whether or not to implement proposals, taking into account the findings of consultation and EQIA. In the event that any savings cannot be delivered in the year, or shortfall on savings delivery were to arise due to the timing of implementation, it is proposed that these would need to be mitigated to the extent possible via alternative saving proposals developed by the service in question in the first instance. Further specific considerations in respect of 2024-25 additional savings are set out in paragraph 10.5 onwards of the Risk Implications/Assessment section of the covering report.

7.5. Details of Service Budgets and savings currently included within them are set out in Sections 8 to 12.

8. 2024-25 Budget proposals - Adult Social Services

Departmental Strategy and Vision

8.1. The Better Together, for Norfolk Council strategy creates 5 clear priorities. The Adult Social Care strategy underpinning the departments delivery of these priorities is called Promoting Independence: Living Well and Changing Lives. For Norfolk, our vision for Adult Social Care is to "support people to be independent, resilient and well".



8.2. Promoting Independence: Living Well and Changing Lives represents the second phase of our strategy and has 8 core ambitions:

- **Prevention and early help** – a clear strategy, targeted interventions and a re-purposed 'front door' which put people and their family carers at the heart.
- **Integrated Health and Social Care Offer** – integrated health and social care offer in each locality to help people retain independence
- **Living Well social work** – being led by people who direct their own choices, addressing holding lists, reviews and practice quality
- **A stable, modern care market** where 85% of providers are good or outstanding
- A step change in **housing choices** for older people and disabled people and through our building programme
- **Transformation of the Norse Care estate** to match market needs and ensure it remains a leader in the sector
- Driving the **'Eight technologies that will change the face of health and social care'**
- **Workforce Development** – Developing skills and capacity in social care and the care market

8.3. Each of these ambitions is crucial in delivering Adult Social Care not just in a sustainable way, or a way that offers value for money, but one that is progressive and puts prevention at the heart of the offer.

8.4. As we came out of the pandemic, we developed a 3 pronged approach to driving the department forward. This focused on:

8.4.1. **Transformation of Adult Social Care**

- Our new Connecting Communities programme
- Short term offer, in particular driving home first principles to support people home from hospital
- Commissioning the Care Market (market shaping and accommodation development)

8.4.2. **The national reform of Adult Social Care**

- Delivering the Government's "Putting People at the Heart of Care" white paper
- Delivering the Integration white paper

8.4.3. **The recovery of Adult Social Care**

- Clearing the backlogs of care that have built during the pandemic
- Recruitment and Retention of our Social Care workforce
- The wellbeing of our staff
- Stabilising the external care market
- Decreasing our interim care lists

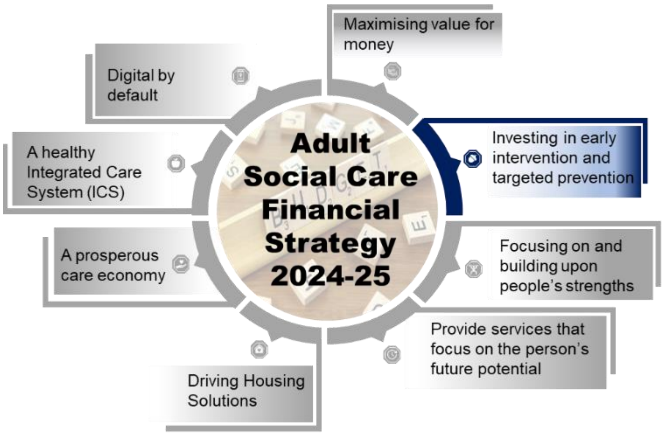
8.5. After a summer of engagement with people who draw on our services, we are now refreshing our service strategy and during 2024-25 will launch our refreshed Promoting Independence Strategy.

Service financial strategy and savings proposals 2024-25

Financial Strategy

8.6. The Adult Social Care financial strategy is firmly intertwined with both the service's vision "to support people to be independent, resilient and well", as well as the department's Promoting Independence strategy.

8.7. We know our Promoting Independence approach has helped, and will continue to help, the service to deliver the significant financial savings needed to continue to meet the increasing demands for social care across Norfolk. Our financial strategy for 2024-25 for achieving savings and financial sustainability is focussed on:



8.8. "Prevention is better than cure" is certainly at the centre of the Adult Social Care Promoting Independence Strategy. By utilising specific services, and being responsive and proactive in the provision of advice and support, we believe that we should be able to prevent need or prevent the escalation of need to keep people independent for longer. Section 2 of the Care Act makes it explicit that Local Authorities must take steps which is considers will contribute towards preventing, reducing or delaying the need for care and support of both adults and carers in its area. There is not one single definition of what constitutes prevention and thus it is somewhat embedded into our way of working. However it is useful to consider it in terms of primary, secondary and tertiary prevention.

Examples of our approach:

Primary prevention: We are updating our internet page to ensure that we continue to have good quality information. We continue to invest in services that prevent social isolation and loneliness. We continue to develop community assets like Men's Sheds that provide opportunities to have local connections. Through our Connecting Communities programme, we changed our ways of working to ensure our Care & Assessment line remains open taking live calls and have reduced our SCCE holding list by nearly 90% enabling us to be responsive and engage with people and carers sooner. By connecting people quicker to advice, information & preventative community resources, including our Norfolk First Response reablement service and Development Workers, we are able to prevent, reduce and delay the need of long term formal services for more people. Our Public Health Strategy is at the forefront of delivering prevention to improve and sustain health and wellbeing and drive forward positive health outcomes across the population.

Secondary prevention: We are investing in analytics technology that will enable us to identify people more easily at risk of developing need. For example, we are using universal data to focus on people who might be at risk of having a fall and proactively contacting them to offer advice and support. In addition, our Carers contract delivered through a social impact bond is allowing us to identify carers more easily and offer support for them to continue to their caring role, whilst also looking after their own health and wellbeing.

Tertiary prevention: In order to attempt to minimise the effect of disability or deterioration of a complex health condition we continue to provide services such as home support that keep people independent in their own homes. We will provide community equipment, adaptations and technology that provide a level of independence or seek to minimise risk.

8.9. Investing in excellent social work and therapy which focuses on people's strengths and helps people regain and retain independence, and reduces, prevents and delays the need for formal social care. Within the Care Act, both the assessment and Care and Support planning phases require Local Authorities to consider the person's own strengths and capabilities alongside any support that might be available for their wider support network or local community. By focusing on what is strong rather than what is wrong allows for person centred, holistic approaches that positively impact health and wellbeing.

Examples of our approach:

Both our Living Well and Connecting Communities change programmes have refocused our approach to social care to reconfirm our commitment to strengths based social care. Whether its our customer service centre, social care community engagement team (SCCE) or wider Care and Assessment teams, each will utilise a strengths based approach in having a conversation with the person requiring our help.

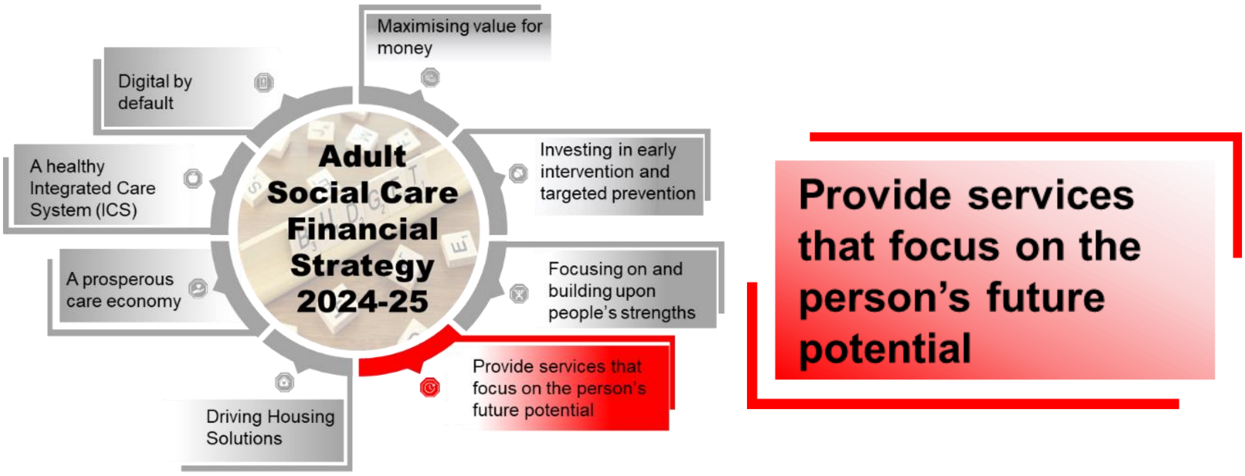
To ensure we are getting this right, we continue to have our ongoing quality assurance process, whereby approximately 1 in every 10 cases goes through a quality panel process. For other pieces of work, we dip sample through quality audits and have a departmental quality improvement group.

Our therapy teams are exceptional at identifying a person's strengths, and the expansion of these into our reablement service, and our expanded Moving with

Dignity team, will further enhance our ability to provide strengths based practice.

Since 2007 when personalisation became a mainstream policy with have worked hard to offer choice and control through personal budgets and direct payments. We are refocusing on this with more emphasis on direct payments over traditional commissioned services and working closely with providers to provide flexible commissioning arrangements through Individual Service Funds.

We are committed to engagement and co-production with those who draw on services or those who deliver them. In this way we can ensure we seek to provide services that work effectively to meet the needs of the people that rely upon them and work efficiently for those who supply them.



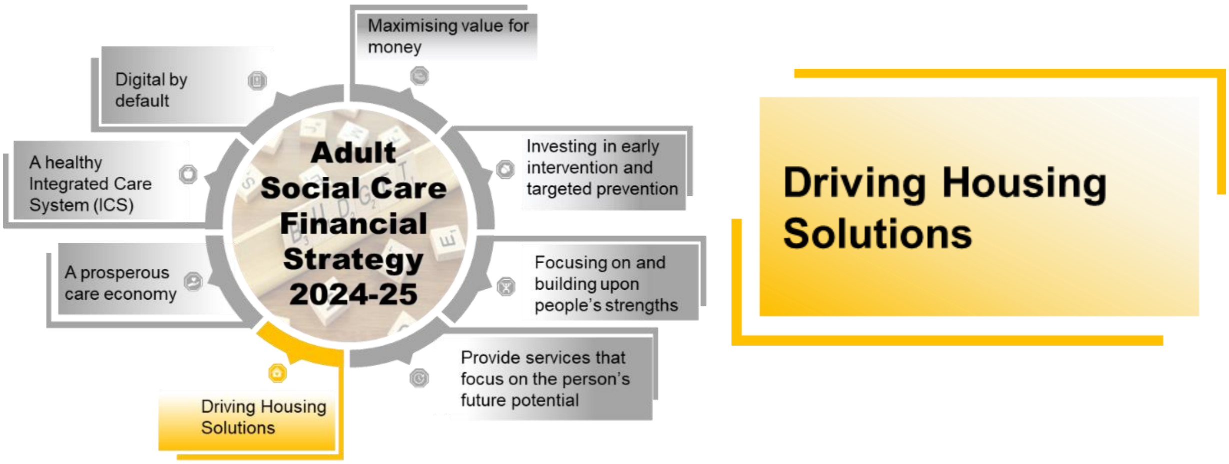
8.10. Many aspects of Social Care relate to support a person to reach their full potential or indeed regain back to their full potential. It is therefore important that we look to commission services which strive to enable, or perhaps re-able, people. It might be easier, or quicker, to “do” for someone but supporting them to develop skills or regain skills is far more beneficial for the person and their ability to remain, or regain, a level of independence. We therefore continue to demand and invest in “enablement” and “reablement” services.

Examples of our approach:

We have a well established internal reablement service under Norfolk First Response Service (NFRS) which provided reablement services for 5000-6000 people each year. Under our Connecting Communities programme we have restructured this valuable service and reengineered the way the service operates. As a result, we will likely support 1500-2000 additional people each year and at the same increase the effectiveness of the service in reducing, preventing and delaying need.

Our new Commissioning for better outcomes (CfBO) service will provide a targeted offer for people who are currently being discharged from hospital directly into a package of care without access to reablement. The service will not generate additional demand but will provide a more structured and effective offer for local people. CfBO will focus on outcomes rather than time and task commissioning. CfBO providers will work with people who draw on our services to identify person-centred goals, progress will be reviewed, and measures will be established (aligned to Reablement tools) to demonstrate key outcomes.

Our commissioners have worked hard, and continue to work hard, in creating new housing options for people with Learning Disabilities. One such Supported Living model, provides for a short stay accommodation (typically 6-12 months) whereby an individual lives independently, perhaps for the first time in their lives, but is supported to develop skills in a community setting so that they have the ability and confidence to live independently on a more permanent basis. This will mean that people who perhaps would have had to be supported for a large proportion of their lives in a residential setting are able to live more independently.



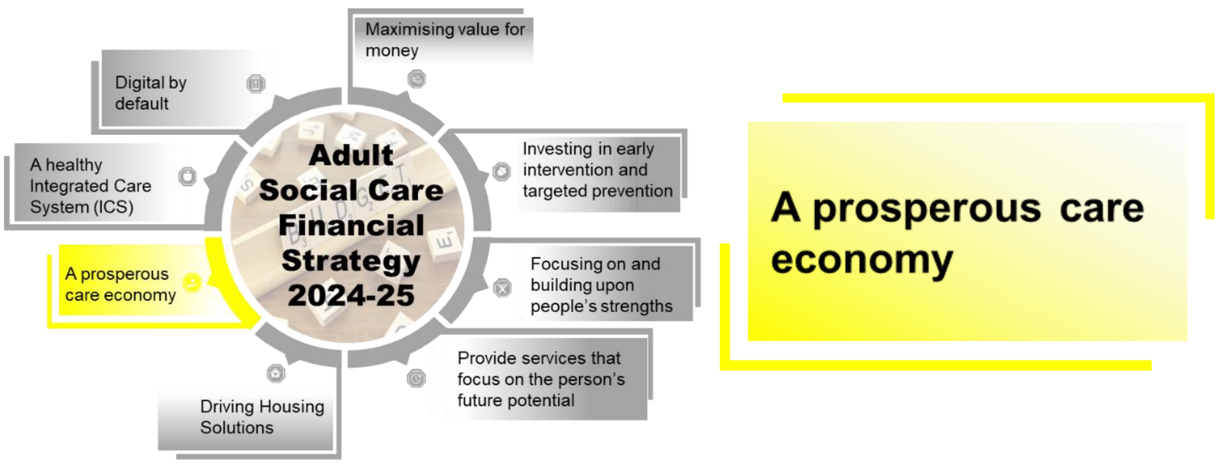
8.11. Social Care and housing are interlinked and its often described that a choice about social care is equally a decision about housing. The right care and support but in the wrong location can be ineffective and at worse unsafe. Section 5 of the Care Act describes the Local Authority requirements to generate, or stimulate, markets for the provision of care that offer high quality, sustainable, efficient services so that people who seek to draw on their services have sufficient choice. Within this is the expectation that these services will provide different living options, including those to where it is no longer possible for an individual to remain in their current home. It is therefore important that we fulfil our role in creating markets whereby social care and housing needs are fulfilled.

Examples of our approach:

We recognise there is a right time to think about Residential Care and it is a fantastic option for those who need it. However, for those who want, and are able to, have slightly more independence but perhaps it is no longer possible to remain at your current home then we want people to have an alternative choice. Both Housing with Care and Independent Living schemes give you your own home, with your own front door. When you move in, you get peace of mind with on-site support and care available when you need it. In this way you get the independence you desire but have the comfort of support should you need it. We don't have enough of these types of services in Norfolk and are therefore investing £29m in developing 50 more of these schemes over the next 10 years.

Similar to our Independent Living programme, we recognise that younger adults also need an alternative to Residential Care. Our sister housing programme focused on Supported Living will seek to provide 300 Supported Living homes over the next 5 years. There are many types of Supported Living including, those in shared housing, in community housing, those focused on enablement or recovery and those more bespoke for people with the most complex support needs.

In addition to building new types of accommodation, we continue to work closely with our district partners to enable equipment and adaptations to be delivered to people's homes to enable them to remain within them for as long as possible. The Disabled Facilities Grant (DFG) is delivered through our integrated Better Care Fund arrangements.



8.12. Leading and developing the care market for social care so that it can offer people choice from a collective of good quality providers, within an efficient, stable and sustainable care economy, whose ambitions aligns with those of Promoting Independence. This is key to delivering our requirements for Section 5 of the Care Act. The sustainability of care delivery is of great importance to those who receive it but also instability is inefficient and drives unnecessary cost. It is therefore vital that our shaping of markets manages exits and entrants to the care market in a planned way.

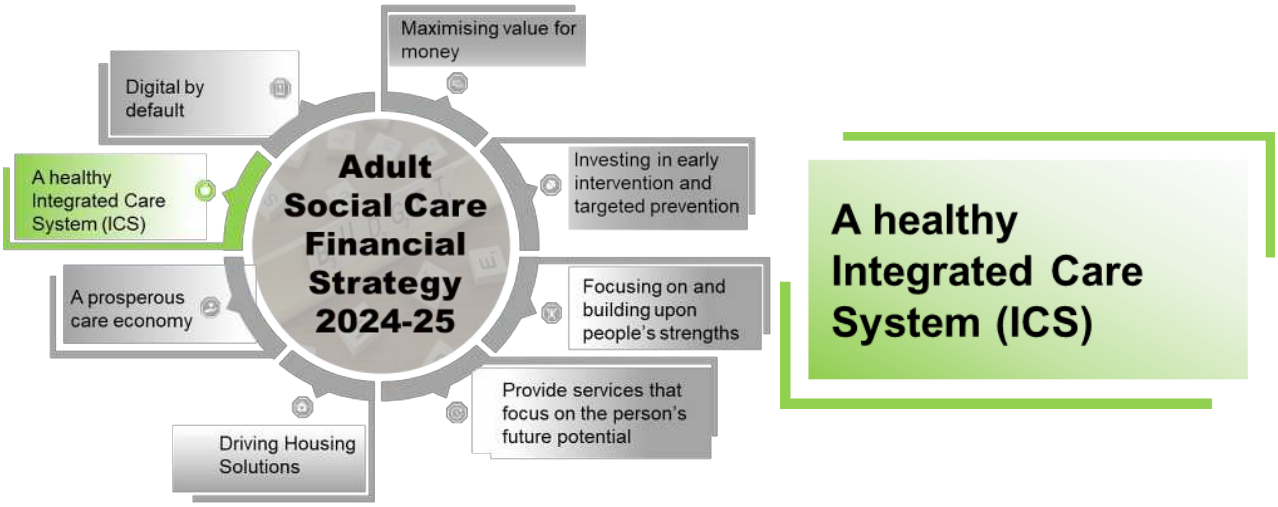
Examples of our approach:

Since the introduction of the Care Act in 2014, we have invested in specific resources to take on market shaping responsibilities. These individuals work alongside core market commissioners to ensure that we are meeting our obligations in this regard. One key aspect of market shaping is collaborating with those who supply services and those who utilise them. We work hard to ensure appropriate forums to gather direct feedback from our providers and those who are drawing on services or their advocates. Furthermore, we maintain a strong relationship with our local care association - Norfolk Care Association (NorCA).

Whilst recognising we have a diverse market made up of independent providers, we work at both a provider and market level to check financial and quality risk. We understand our quality needs improvement in some areas and have an integrated quality improvement programme with our health partners.
Risk and Quality management

Each year we undertake fee setting processes to gather direct feedback from providers on the financial risks and opportunities we face. In addition, where an individual provider is struggling financially, we will support them through an open book process to understand what the risks and issues are.

We have a variety of sourcing approaches to the commissioning of care. Where strategically required we will do whole market tendering in order to shape and stimulate provision. In addition, whether we know supply is challenging, we have wholly owned companies who can provide market resilience.

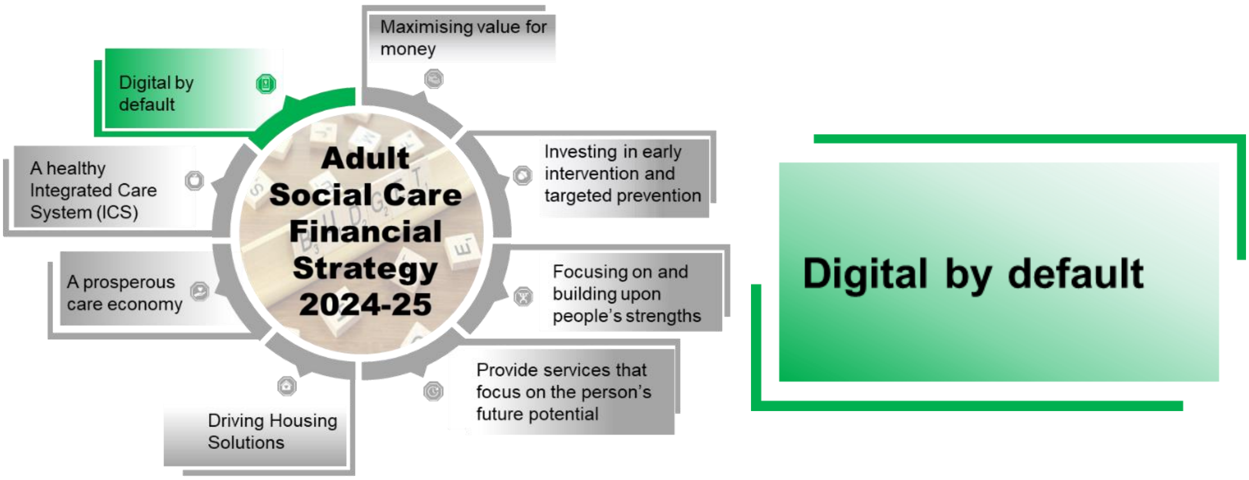


8.13. We are partners with many organisations in Norfolk and Waveney under our Integrated Care System. Working with these partners we jointly seek to reduce system demand, whilst also focusing on improving long term health and care outcomes for the people of Norfolk. We work at both a local level and system level as a key partner whose footprint covers the whole population. This includes both the alignment to localised Primary Care but also an efficient and sustainable system of supporting people upon leaving hospital and into the community.

Examples of our approach:

Through our collaboration with the Integrated Care Board we seek to utilise investment and funding pots such as the Better Care Fund in the most impactful way. We work together to drive innovation at a macro level and towards a common whole system goal.

Whilst recognising that helping people leave hospital is a important part of our systems aims. We do so by being strong partners and advocates in ensuring people are supported towards meeting their long term goals. The majority of people are able to return home post a stay in hospital and we support a number of these to regain their independence in doing so.



8.14. The use of technology in our modern world in inevitable. We seek out innovation and look to create a culture that strives to embrace the efficiencies afforded by technology, when suitable, without losing the focus on the customer. Whether its our staff, the people we support, or the people who we commission to provide the support, we look to enable them to take advantage of technology when it is appropriate to do so.

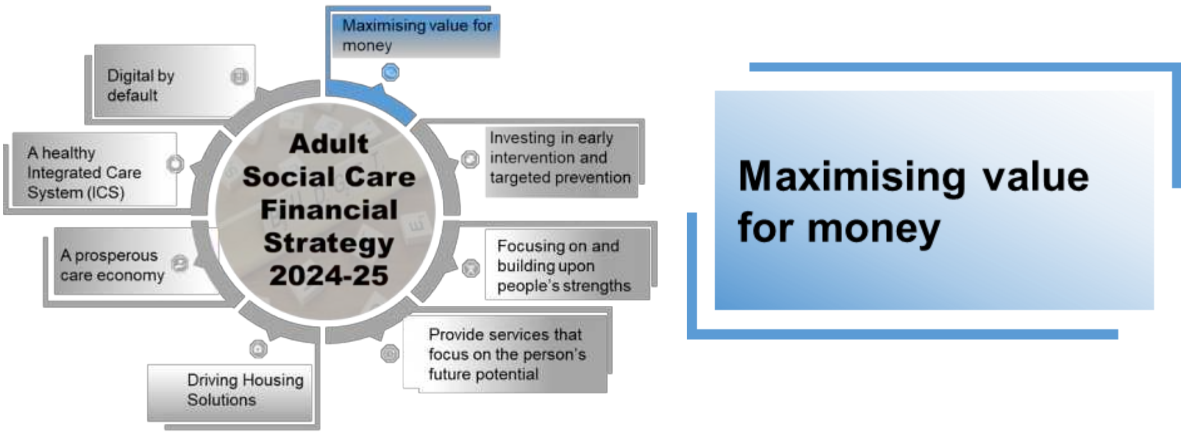
Examples of our approach:

We have expanded the use of technology in the provision of care delivery and managing risk. Through the expanded development of Assistive Technology people are able to live more independently but, in the comfort, they have help available should a crisis occur. Equally, those providing care to loved ones are able to be supported in balancing their own needs with the use of technology. In some areas we are now able to deliver care via technology, such as with our award winning project using Alcove Care Phones.

We are improving the efficiency and effectiveness to the way we communicate with care providers, people who draw on our services and our partners in the ICS. Through the use of digital portals we are able to have more responsive communication channels, and through our shared care records, we can obtain and share appropriate and relevant information with the people involved in the delivery of care. This is an important step in the journey to only telling your story once.

We are constantly trying to work smarter, whether its through the use of automation using robotic process automation or through technology that enables us to broker services from our care market in a more efficient way.

More recently we have become obsessed with data. Our proactive interventions pilot uses advanced analytics to use data to identify those people who might need and benefit from our services. Our existing pilot focusses on those people at risk of having a fall and proactively seeking to offer support to reduce the risk of that fall occurring.



8.15. As a taxpayer funded public service it is an imperative that we continue to get the basics right by using our resources to their full extent, questioning and challenging ourselves in areas of improvement and inefficiency reduction. Whether our internal ways of working, or through commissioned services, we have a strong management ethos to ensure we both get, and utilise, what we are paying for.

Examples of our approach:

Whilst we recognise the crucial role in person assessments and care delivery is, we know that travel in a rural county such as Norfolk is inefficient. Therefore, we challenge ourselves to ensure we don't have excess mileage and that travel routes are the most efficient. Equally, when commissioning services such as Home Care, we look to minimise travel time by commissioning in geographical blocks so providers can develop efficient "rounds" of delivery.

When we source care, we look at the delicate balance of having flexible supply from spot purchasing to the economies of scale in bulk or "block" purchasing.

When block purchasing, we are careful to utilise the committed care to ensure we get full value from our outlay.

After care is sourced, we recognise the importance of ensuring you are getting what you paid for. Our approach across commissioning and procurement ensure we contract manage service providers and have robust, yet supportive, discussions where services need improvement. Equally, where we as commissioner are working in a sub-optimal way, we look to quickly remedy and develop solutions to improve.

Social Care is about delivering for people who need it most. We have a constant improvement cycle where we challenge our staff to deliver in an effective way. Whether this is about the quality of the work being undertaken, or the productive methods in which it is being delivered. We are a supportive employer who recognises a workforce who has high morale and is healthy and happy will always deliver more for you.

Key issues and risks

8.16. Whilst considered a robust budget, the Adult Social Care service does have some underlying risks and issues that need to be considered within the context of the budget. The following are not considered to be an exhaustive list of these risks.

Recovery implications

8.17. The Adult Social Care department has made some positive impacts on its recovery from the pandemic. However, it is still managing significant backlogs in key areas of its service typified by holding lists, Deprivation of Liberty assessments and overdue reviews.

8.18. As a result of these backlogs, we continue to manage the demands and risks associated with both new demand for support and the existing demand within these backlogs. Whilst the risk to individuals is thoroughly managed, it does put excess strain on our staff. These backlogs are replicated nationally, and our position represents a similar situation that a number of Councils face. In managing this on an extended, ongoing basis, it will likely undermine the capacity and impact our wider transformation seeks to achieve.

Market Stability

8.19. Each year the Council spends over £415m in buying thousands of care packages from our local care market. Section 5 of the Care Act (2014): “Promoting diversity and quality in provision of service” outlines a Local Authorities duties in regards to local care markets. In particular, “*A local authority must promote the efficient and effective operation of a market in services for meeting care and support needs with a view to ensuring that any person in its area wishing to access services in the market*”. In achieving this a Local Authority must effectively shape local care markets and commission care that:

- Focuses on outcomes and wellbeing
- Promotes a quality services
- Is sustainable and offers value for money services
- Offers choice through a wider array of diverse providers
- Has been co-produced with the people who wish to access these services

8.20. Whilst many who operate within these markets are independent businesses, it is therefore vital that we shape these markets so they are sustainable and prosperous. There is no Social Care without these services. Our Market Sustainability Plan and Market Position Statement describe a market picture of relatively poor quality (as assessed by the Care Quality Commission and compared to other Local Authority regions) and a level of increasing instability. Whilst our MTFS provided for a significant investment in these markets for 23/24, there is a risk that it is not sufficient to enable providers to either attract high quality labour in sufficient quantities or provide sufficient returns to incentivise businesses to stay or enter the market.

Hospital Discharge

8.21. As part of the Health and Care response to the pandemic, hospital discharge, and in particular discharge to assess, has become a central feature of the national recruitment to ensure acute capacity is sufficient to manage both those requiring emergency care but also those awaiting delayed elective procedures.

8.22. Each Integrated Care System (ICS) will face its own unique challenges, but many experience pressures in acute hospitals, whose demands often exceed the level of available beds. Much work is undertaken within the Norfolk and Waveney ICS to ensure those who no longer meet the “criteria to reside” are supported to be discharged from our three acute hospitals.

8.23. For our ICS, it is vital that those who require social care upon hospital discharge have access to it. This approach is underpinned by our home first principle. Equally, it is vital for those being supported to be discharged that they have access to the right health and care services in the community to enable them to stand the best chance of recovery. One risk many ICS will face is to support the discharge from acute hospitals in such a way that ongoing demand for health and care services is not created.

Workforce

8.24. Workforce shortages in the delivery of care are now becoming more widely understood nationally. The ability to deliver Adult Social Care will be contingent on solving these shortages and is in part are large part of the risk referred to under market stability. The lesser talked about risk is the emerging shortage of qualified social care practitioner (qualified Social Workers).

8.25. In Norfolk we have seen both high levels of vacancies related to Social Workers and indeed a high level of turnover. Whilst we are doing a lot of work to both attract workers to Norfolk, retain our existing staff and "grow our own" new practitioners, it is still a very challenging staff position.

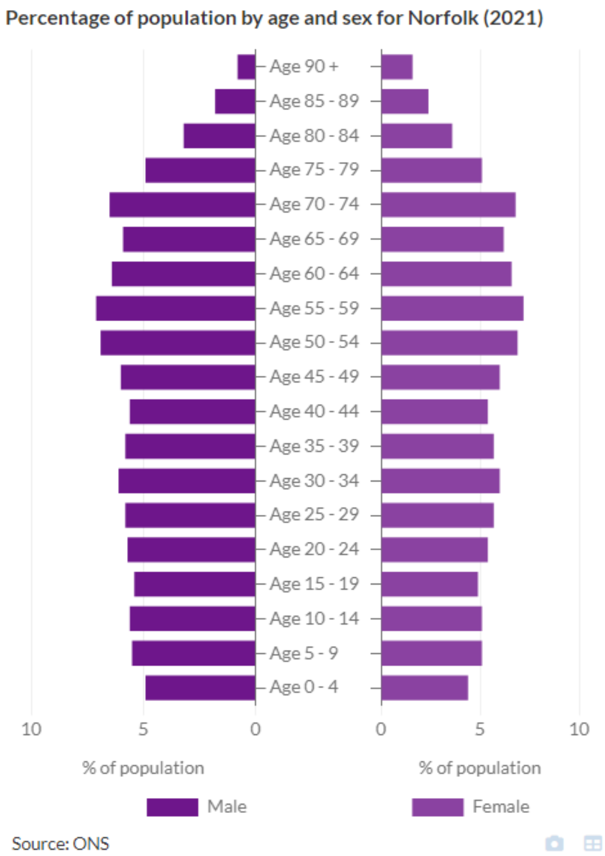
8.26. Simply put, without sufficient high quality, experienced, professionally qualified staff, our MTFS will not work over the longer term.

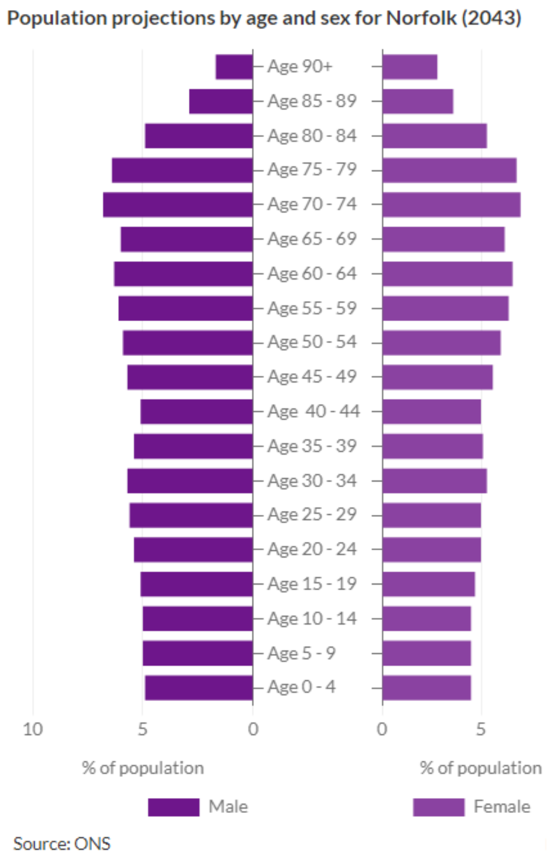
Demand

8.27. Each year the MTFS includes funding towards an underlying growth in our demand, either characterised by increased volume or an increasing complexity of the support required.

8.28. It is widely recognised, and indicated by both the following [Norfolk Insight]() graphics and [Institute of Public Care]() population projections, that the demography of Norfolk represents a higher proportion of Adults over the age of 65 than both the East of England and National averages.

Population estimates by age, 2021 and 2043





Population aged 65 and over, projected to 2024

Population aged 65 and over, projected to 2024	2020	2021	2022	2023	2024
Norfolk: People aged 65-69	56,300	56,600	57,400	58,300	59,500
Norfolk: People aged 70-74	62,000	61,800	58,100	56,300	55,700
Norfolk: People aged 75-79	44,600	47,300	52,600	55,100	55,900
Norfolk: People aged 80-84	31,700	31,700	32,300	33,500	35,400
Norfolk: People aged 85-89	19,800	20,200	20,700	21,400	21,900
Norfolk: People aged 90 and over	11,700	11,900	12,200	12,300	12,500
Norfolk: Total population 65 and over	**226,100**	**229,500**	**233,300**	**236,900**	**240,900**

www.poppi.org.uk version 14.0 (Institute of Public Care)

8.29. At the same time, we know that improvements in our Health and Care services means that people are now more likely to live longer with the most complex of disabilities. This is of course a most welcome improvement but does mean that the underlying demand for our services continues to grow year on year. Equally, the social care support people with the most complex needs require continues to rise with underlying complexity of care increasing year on year.

8.30. There is a risk that the impact of the pandemic will have created latent demand that will materialise over the life of the MTFS and render the funding insufficient to meeting this need.

Reform and Assurance

8.31. Whilst much of the national reform of Adult Social Care has been delayed until “at least October 2025” there are some aspects have not been. In particular, the new CQC led assurance regime is due to start in 2023-24 and will likely provide independent assessment of the quality of Local Authority run Adult Social Care services. With such levels of backlogs, and our known quality issues within our care market, there will be a significant requirement for the service department to focus on and invest in its wider performance to ensure we are in the best possible place for when this new regime begins.

8.32. Whilst key elements of the reform were delayed, they were delayed in order for Local Authorities to be ready to deliver them. Government’s delay recognised the challenges in delivering this ambitious agenda in the original timescales. This therefore means that we need to continue to plan to deliver the original scope of change within the slightly longer period of time.

Adult Social Services proposed budget 2024-25

Table 26: Detailed budget change forecast Adult Social Services 2024-28

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	OPENING BUDGET	**249.526**	**279.967**	**293.114**	**308.839**

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	ADDITIONAL COSTS				
	Economic / Inflationary				
	Basic Inflation - Pay (3%)	2.194	2.306	2.324	2.393
	Basic Inflation - Prices	9.128	8.981	9.077	9.217
	Basic Inflation - Income	-1.893	-1.839	-1.876	-1.913
G2425ASS007	Energy - gas and electricity	0.011			
G2425ASS010	Contract inflation 5%	0.125			
	Legislative Requirements				
G2223ASS008/ G2425ASS003	Pay and Price Market Pressures	13.610	5.000	5.000	5.000
G2425ASS003	ASC Discharge Grant	3.703			
G2425ASS004	Market Sustainability and Improvement Funding	8.496			
G2425ASS005	CQC Assurance	0.300			
G2425ASS011	Public Health grant funded expenditure	0.575			
	Demand / Demographic				
G2223ASS002/ G2324ASS003/ G2425ASS006	Demographic growth	6.100	6.100	6.100	6.100
G2223ASS005/ G2425ASS009	Leap year pressure in Adult Social Care	-0.600			0.600
G2425ASS008	Emerging cost pressures Adult Social Care	17.200			
	NCC Policy				
G2324ASS007	Adult Social Care one-off funding for inspection and assurance preparation activities	-2.000			
		56.949	**20.547**	**20.625**	**21.397**
	SAVINGS				
S2223ASS027	Recognising additional benefits from our existing savings programme. Linked to our existing saving ASC044: Extra care housing programme - delivering savings by building 2,800 units of extra care housing for older adults.	-1.100			
S2223ASS030	Recognising additional benefits from our existing savings programme. Linked to our existing saving ASC018: Working with our partners to reshape our approach to supporting people on their initial contact with Adult Social Care (the "Front Door"). We will review our process and how we support people early on in the social care pathway and help their care needs before they escalate.	-4.000			
S2223ASS031	Improving market utilisation and delivering efficiencies. Strengthening our contract and performance management by getting better value for money in services we purchase by targeting the funding we have available to us.	-0.500			
S2223ASS034	Expansion of Self Directed Support. Delivering a saving by utilising more Direct Payments rather than commissioned services, particularly when Direct Payments offer individuals more choice and are cost effective.	-0.100			

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2324ASS040	Connecting Communities: Recognising additional benefits from our existing savings programme. Linked to our existing saving ASC018 and 2223ASS030	-0.600	-2.500	-2.000	
S2324ASS041	One-off usage of ASC Reserves *[Planned reversal of one-off 2023-24 saving]*	3.000			
S2324ASS045	One-off usage of Adult Social Care (ASC) Reserves: Additional one-off usage of ASC Reserves (reprioritisation) *[Planned reversal of one-off 2023-24 saving]*	2.000			
S2324ASS052	Additional capitalisation to release further one-off reserves *[Planned reversal of one-off 2023-24 saving]*	4.000			
S2425ASS001	Review contracts providing respite for adults with learning disabilities and identify a more cost effective and efficient way of delivering this service.	-0.250	-0.250		
S2425ASS002	Shifting our payments for 1:1 care in Residential Care to being based on actual delivery rather than commitment basis	-0.100			
S2425ASS003	Reduction in budget for a historic pension scheme based on people exiting the scheme over time.	-0.050			
S2425ASS005	Plans to build 2,800 units of extra care housing for older adults. This proposal is aimed at increasing independence and making savings by reducing demand for residential care.	1.100	-1.000	-1.700	-2.000
S2425ASS006	Plans to provide 183 units of supported housing for young adults. This proposal is aimed at increasing independence and making savings by reducing demand for residential care.	-0.500	-1.100	-1.200	-1.100
S2425ASS007 [T]	Supporting more people through an enhanced reablement service that prevents, reduces and delays the need for ongoing care	-1.500			
S2425ASS008	Reduce purchasing of short-term residential care, by focusing on more independent outcomes following hospital discharge.	-1.000			
S2425ASS009 [T]	A programme of work based on data designed to support people earlier and connect them to services and support in their communities. The saving would be from prevention and early intervention (Connecting Communities additionality)	-4.000			
S2425ASS010 [T]	Expand the Falls Pilot to promote prevention and early intervention with a larger cohort of people at risk of falls.	-0.050	-0.150		
S2425ASS011 [T]	Investment in additional staffing to promote earlier intervention and maximise independence amongst young people with additional needs.	-0.250			
S2425ASS012	Reprioritisation of funding commitments against grant income	-5.552			
S2425ASS013	Utilisation of one-off reserves and funding	-1.000	0.500		0.500
S2425ASS014 [T]	Use digital technology to streamline services and make productivity and efficiency savings across priority areas for Adult Social Care.	-1.000			
S2425ASS016	Delivering improved choice and independent outcomes for those with Mental Health needs.	-0.500	-1.000		
S2425ASS018	Rebaseline Adult Social Care income budget to expected 24/25 income levels	-2.800	-0.400		

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2425ASS025	Reprofiled saving for transformation of care provision by Norse Care.	0.500	-1.500		
		-14.252	**-7.400**	**-4.900**	**-2.600**
	BASE ADJUSTMENTS				
B2425ASS001	Discharge Fund	-3.703			
B2425ASS003	Market Sustainability and Improvement Fund	-4.927			
B2425ASS004	Market Sustainability and Improvement Fund – Workforce Fund	-3.569			
B2425ASS005	Improved Better Care Fund	-0.002			
B2425ASS006	Public Health Grant	-0.575			
		-12.776	**0.000**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
2023.24	Adults to CES - Business Support Strategic Review restructure	-0.470			
2023.24	Adults to S&T - Social Care Systems	-1.628			
2023.24	S&T to Adults - Learning & Development HR budget	0.333			
2023.24	Adults to CES - Procedures post	-0.017			
C2425ASS001	Depreciation & Debt Management	0.371			
C2425ASS002	I&A staff transfer to S&T	-0.142			
2023.24	Pay award 2023-24	2.073			
		0.519	**0.000**	**0.000**	**0.000**
	NET BUDGET	**279.967**	**293.114**	**308.839**	**327.636**

9. 2024-25 Budget proposals – Children's Services

National Context

9.1. Children's Services nationally continue to operate in an extremely challenging context; with unprecedented levels of need and demand being seen across numerous areas of service and steeply rising costs of service provision challenging the sustainability of Children's Services finances across the Country.

9.2. While all council frontline services are experiencing higher than expected costs, increasing demand and an acute rise in the costs of placing children in care mean in-year spending on children's services is rising particularly sharply, with almost half (£319m) of the projected £639m overspend in County Councils attributable to Children's Services. (CCN)

9.3. This picture primarily relates to 3 key areas[21];

1. **Children's Social Care** – where the greater level of complexity of need combined with the dysfunctional private care market is driving huge increases in the unit cost of placements. This has been exacerbated by the impact of the global pandemic and national shortfall of mental health support which has clearly resulted in a cohort of young people who have experienced substantial trauma and require very high levels of support. Local authorities across England spent approximately £4.7 billion on children's social care placements in 2022/23, resulting in a cumulative overspend of almost £670 million (16 per cent). On average private residential care providers have made profits of 22.6% per year (Competition and Markets Authority) with average price of a residential care placement now well over £250k per child per year and more than 1,510 children nationally whose cost of care exceeds £10k every week / £500k per year). (LGA). Nationally numbers of children in care are also rising, this is not the case in Norfolk where our programme is keeping more families together.

2. **Special Educational Needs** – where nationally the number of referrals for an educational health and care plan increased by 23% in a single year in 2022/23 to 114,457. With some of these young people requiring thousands of pounds in support after a schools' contribution is spent, councils have accrued significant deficits in their SEND budgets. Last year the national deficit stood at £2.4bn, with councils in county areas accounting for half of

[21] Source information:

i) Spiralling SEND transport budgets threaten financial sustainability of England's largest councils, report reveals - County Councils Network;
ii) High-cost children's social care placements survey | Local Government Association;
iii) Over 180 children a day approach councils for special needs support as local authorities warn that government reforms will not stem the tide - County Councils Network;
iv) Children's social care market study final report - GOV.UK (www.gov.uk);
v) Funding gap growing as councils "firmly in eye of inflationary storm" | Local Government Association

this. Left unchecked, the national deficit for all 152 councils in England is expected to rise to £3.6bn. This national increase in numbers of children with SEN is mirrored clearly in Norfolk

3. **Home to School Transport** – where the cost of transporting children has dramatically increased as a result of increasing levels of special education needs, inflationary pressures on providers and a lack of sufficient provision/competition for specialist transport contracts. The County Council Network (CCN), says its 37 members are spending more than £700m a year on school transport for 85,000 children with special education needs and disabilities (Send), compared with less than £400m five years ago an increase of more that 75% in that period. This national increase in spending on transport is seen clearly in Norfolk with the inflationary increase in the unit cost per mile being the primary driver of overspending in 2023/24.

Local Context

9.4. Children's Services in Norfolk have established a clear vision and delivered a considerable and successful programme of transformational change over the last five years. The FLOURISH framework articulates our collective ambitions for children and young people and since the establishment of our programme in 2018 we have travelled a considerable distance as a department in making a reality of this for children in Norfolk.

9.5. In Children's Social Care the Department successfully designed and implemented a new operating and practice model which underpinned a transformation in the quality of practice for children at risk of harm. Our vision for relationship-based practice has become a reality, most casework is judged 'good' or better and performance now benchmarks strongly amongst other leading authorities.

9.6. This improvement and transformation work culminated in the inspection at the end of 2022 which rated Norfolk as ‘good’ in all areas and which highlighted many areas of “exemplary” and “exceptional” of practice.

9.7. Our programme has also delivered huge benefits across early help, inclusion, and services for children with special educational needs. For Children with SEND we are implementing a £120m investment in new specialist provision, have created 15 new ‘school and community teams’ to offer early and inclusive support, have made more money available to schools to support children with special needs, and are expanding and bringing together early help services from all sectors through the family hubs and start for life programmes. Our progress in these areas was also recognised by Ofsted at the end of 2022 when the re-visit in relation to our SEN inspection found the authority to have made significant progress in all of the areas previously identified for action.

9.8. Our innovation is now gaining external recognition in a range of areas, with Norfolk taking up a leadership space regionally and nationally with our work in complex children in residential homes, for unaccompanied asylum seekers, in practice development, at the front door and in early help all gaining recognition beyond the County. Norfolk was recently selected as a DFE Sector Led Improvement partner and will support other local authorities in future looking to learn from the success of our approaches.

9.9. The impact of the investment and transformation is clearly evident in numerous areas:

- We are keeping more families together with around 200 fewer children in care than at the peak in 2019.
- Our workforce is now significantly more experienced and confident, and we have achieved a 70% reduction in the number of agency workers in our social care teams.
- We have shifted our model of support ‘upstream’ – with 27% fewer referrals into social care than in 2018 but a significantly increased number of children supported through early help assessments and plans.
- Our investments at the edge of care have been hugely impactful – the New Roads initiative, in particular, has supported around 150 children on the edge of care to remain at home.
- We are creating new placement models – including an Enhanced Fostering Scheme, 29 additional high-quality semi-independent provisions and 8 new solo/dual placements provisions for children with the most complex needs.
- Our investment in new education provision for children with SEND is delivering 152 new specialist resource base places & 260 new special School places.
- We have achieved a reduction in high-cost, needs-led individual transport usage, through work with individual schools and child-by-child inclusion focused discussions - 47 less than 18/19 (c. 50% reduction despite overall significant growth in demand)

- We are supporting more and more young people with SEN to travel independently – 234 in 21/22 & 22/23
- And previous areas of low performance have been hugely improved – in particular the proportion of children with SEN assessed in timescale has improved faster than anywhere else from only 8% in 2018 to more at the national average of around 55-60% recently.

9.10. These impacts and others have cumulatively delivered over £50m of net revenue savings for the County Council as a direct result of the actions we have taken.

9.11. However, despite all of these successes we need to recognise the level of need which still exists in communities, the level of pressure on services and the ongoing cost implications for the County Council.

9.12. That the number of children in care reduced and has subsequently been stable in Norfolk is a better position than being seen in most local authority areas, but the increases in unit-cost of placements are acute in Norfolk and have led to substantial budget pressures in recent years. The impact of increasing complexity and the effect of an 18% increase in inflation over the past 2 years, has led to the number of high-cost packages of care significantly increasing from 102 to 135. This has led to the average cost of care increasing 20% from £50k to £62k per year with a full year effect of £16m. Norfolk has also been affected by a shortage of foster carers which again is a national trend and has in some instances led to additional residential placements being required at high cost.

9.13. Pressure is equally high in relation to children with special educational needs. Norfolk has received an unprecedented number of referrals for Education Health and Care Plans in 2023 and this is likely to translate into a higher than previously modelled number of requests for specialist provision and specialist home to school transport. As a consequence all of the key demand-led budgets in children's services are subject to substantial financial pressures and this looks set to continue.

9.14. Looking across the system we also see a number of further critical challenges for children. As seen nationally attendance rates at school are down and exclusions have increased, there are still substantial waiting times for support from mental health services and we know that children are being impacted by the pressure on family finances as well as the long-term impacts of the pandemic. As a result, it is critical that Children's Services continues to transform and to drive forward further improvements within the department and the whole partnership to ensure that ultimately all children in Norfolk can flourish.

Service Financial Strategy

9.15. Children's Services now has a clear evidence base that its core strategy and transformation approach is working, and that our programme can evidence delivery of significant financial savings alongside an improvement in service quality and outcomes for children.

9.16. Given the success of the programme to date, our transformative approach remains unchanged with the 5 key strategic themes continuing to shape the Children's Service agenda over the coming period.

9.17. Having developed services to the point that they are consistently good or better but also being cognisant of the growing and changing needs in communities, the time is right for Norfolk's Children's Services to implement a further and hugely ambitious phase of transformation. Delivery will be through a five-year strategy (2024/25 to 2029/30) which is sector-leading in its ambitions and innovations, and which will see the Local Authority bringing the whole partnership system together in the interests of children. The key elements of this 5-year strategy are described below;

Delivering Local First Inclusion

Local First Inclusion is the County Council's special educational needs and/or disabilities (SEND) improvement programme.

It aims to enable all children and young people with SEND to get a consistently high-quality education with the right support for their needs in their local area first.

We want them to be able to flourish, whether that's in a special school or in well-supported provision in the mainstream and provide help and support to meet needs earlier. The programme builds on our successful £120m five-year SEND transformation programme which ran from 2018 to 2022, which has already created more than 650 new specialist education places by:

- Creating new specialist resource bases (SRBs) at mainstream schools and expanding existing ones
- Building three new specialist schools
- Expanding existing special schools
- Giving more support to mainstream schools to help them identify and meet the needs of children with special educational needs and/or disability (SEND)

Local First Inclusion will bring more than £100m of new investment by the Department for Education (DfE) and Norfolk County Council. It aligns with the Government's recently announced **SEND/AP improvement plans**.

Local First Inclusion will:

- Provide more advice, support and funding for mainstream schools
- Introduce 15 new school and community support teams, the first of which aims to be in place by September 2023. This is to give early help and support to both parents and schools
- Substantially transform the landscape of alternative education provision so that it supports children who face challenges to be successfully re-integrated into mainstream school
- More specialist resource bases (SRBs) and alternative provision at mainstream secondary schools
- Two more new-build special schools

This programme underpins the financial sustainability of the High Needs Block of the Dedicated School Grant (DSG) which is currently in deficit. Through this programme we will meet the needs of children differently, supporting inclusion in mainstream schools, providing additional help to schools and children to help them succeed and over time reducing the reliance on specialist education settings which are extremely costly and often located a considerable distance from children's homes and communities.

A Model of Social Care Fit for the Future

To further improve outcomes and respond to the pressures in the system, Children Services plans to build on transformation to date, learning from service reviews, respond to workforce shortages across key professional groups and take account of substantial government reform to influence a future social care operating model. This aligns with and is informed by the national reform programme 'Stable Families Built on Love' for which Norfolk has applied to be a pathfinder authority. The proposed thinking seeks to create a system which is based on earlier, relationship-based practice with families and features multi-disciplinary teams which combine skills from a range of professional backgrounds address the challenges families face most effectively. This proposed model has been piloted in the latter half of 2023 and a countywide roll out will be considered subject to review during 2024.

Some of the key benefits envisaged by a new model may include;

- Family-led approaches
- Reducing Handoffs
- Keeping Families together through most effective interventions and relationship-based practice
- More timely interventions for families leading to a faster resolutions
- Happier and healthier teams who have a work life balance
- Development of broader more diverse workforce (and the training we put in place to safeguard this) and removing hierarchy of skills and qualifications

Implementing a transformed approach to care sufficiency
The current approach to care sufficiency and the external market of care provision is driving unsustainable increases in costs for local authorities and not always supporting the best outcomes for children in care and at the edge of care. Alongside this we recognise that the needs of children and young people have changed substantially – most clearly for adolescent young people who make up a greater proportion of children coming into care and include far more children who have experienced significant trauma and require complex high-cost forms of care.

As such our strategy needs to evolve and we need to challenge the status quo with bold action. Specifically, our intention through the next phase of transformation is to

- Invest in further innovative interventions at the edge of care to reduce the number of children and adolescents in particular needing to be looked after
- Achieve a step-change in in-house fostering capacity through a whole-Council and whole County focus on carer recruitment and retention
- Significantly expand and re-shape in-house provision to achieve greater value from this capacity and secure leverage in the external market through a strong in-house offer.
- Work differently with and challenge the external market – shifting to a focus on the outcomes for children rather than unit cost

As a consequence, financial benefits would be expected to be delivered through:

- Keeping more families together so there are fewer children in care
- A greater proportion of looked after children being in foster care, reducing need for residential care
- More effective utilisation of the in-house residential and semi-independent estate, reducing demand for external residential care
- Reducing the average time in residential care – with children moving into family-based care as soon as possible
- Reducing the demand for the limited supply of external residential care, allowing improved negotiation and market management allowing average costs to be stabilised and reduced.

Achieving this will require a sustained programme of transformation and investment across the lifetime of the MTFS, but if successful will deliver 13m financial benefits (net) and so make a substantial contribution to the long-term sustainability of the Council.

Bringing the system together as a Collaborative for Children

Working with our health partners the local authority has led the creation of a new 'System Collaborative' for children in Norfolk – which brings together all of the key services across early help, social care, education, and physical and mental health to design new service model which can best meet the needs of children.

The creation of the collaborative presents an extremely powerful opportunity to realise our ambition that all children FLOURISH and to create a nationally leading model. Our intention is to look creatively and holistically at all of the resources across the key partners and to re-design the support model to achieve the best outcomes. The ambition includes making structural, operational, and cultural changes required to deliver community based multi-disciplinary team working across organisations, to ensure collective support to meet the physical, emotional and mental health needs of the Child or Young Person and their family. This is a clear step beyond 'partnership collaboration' to a fully integrated approach.

Some of the key features and opportunities we want to embed within the new approach are;

- A focus on early intervention and prevention – moving the resource and support further upstream over time and reducing the reliance on specialist and acute support

- A focus on 'place' and looking to offer support within local communities and provide help where children, young people and families are day to day – with less reliance on specialist settings, clinics or institutions

- To look holistically rather than separately at needs – resulting in strategic integration but also joined up casework for each child, young person and family and aiming for a single assessment and single plan in each case. It is clear that physical health, mental health, education and social needs all interact and that we have greater chance of success in any area if we look at the whole – so we want to design ways of working for teams that enable that

- A move away from a clinical model which focuses on diagnosis or labelling of needs to one which is rooted in community-led early help and which exploits the capacity within children and families and communities to help themselves

- An opportunity to look at our portfolio of resources across the partnership and make things more efficient and effective, sharing 'back-office resource' leading our staff teams together and putting our collective scale to work in the interests of children

Through this way of working and by harnessing the resources across the system we have a far greater chance of successfully responding to the substantial pressures currently being experienced and of ensuring the sustainability of both service capacity and finances.

A comprehensive approach to efficiency in home to school transport
A major programme of work is in place focused on ensuring we have sufficient transport provision for children whilst managing the rapidly increasing costs in this

sector. The programme focuses on supporting inclusion and independence in order to reduce demand for home to school transport and also work with the market to stimulate supply and commission effectively and achieve best value for money. This links closely to the Local First Inclusion Programme which aims to support children to stay in their local mainstream school where possible and creates specialist provision closer to home where this is the right way to meet needs.

Start for Life & Family Hubs Programme
As part of our ongoing focus on and commitment to prevention and early help Children's Services is delivering the roll-out of the expanded Family Hubs and Start for Life Programmes in Norfolk.

These programmes support a shared ambition that Norfolk is a place where all children and young people can **flourish**. By joining up and enhancing existing services, we want to ensure all children, young people and their parents and carers can access the early support they need when they need it.

Our family hubs approach supports parents and carers of children and young people from conception up to the age of 19–years-old (25 for young people with special educational needs and/or disabilities).

Through the programme families will be able to access support:

- Within their community in places they already visit that are part of our Start for Life and family hub network
- Virtually through online and digital platforms
- By visiting **a family hub site**, and talking to a relevant professional or practitioner in person
- From another parent or carer, as we develop more volunteer peer support opportunities

Within the model there is a critical focus on the Start for Life offer for parents and carers who are expecting a baby or have a baby under the age of two. This includes new investments and enhancements in a range of key areas for families including:

- Parenting support
- Perinatal Mental Health and Parent-Infant Relationship support
- Infant Feeding support
- Establishing a Parent and Carer Panel
- Publishing our Start for Life offer
- Additionally, parents and carers of children aged 3-4 will be able to access support for their children's learning and development within the home.

These investments in the expansion of services and the further join up of local early help will respond to the high level of need in communities and are intended to ensure more families get the help they need early and fewer have needs unmet and so escalate to the point where they need specialist or crisis interventions.

Specific Funding

Social Care

9.18. The national programme of reform for children's social care is being supported by £200m of investment to pump prime pathfinders in key areas of reform activity. The review of Children's social care authored by Josh MacAlister in 2022 called for a substantial investment in Family Help provision across all local authority areas with a proposed total investment of £2.6bn for England as a whole. At this point there is not a concrete commitment from government that the initial pathfinder funding will be followed by this more substantial and much needed investment. At the current time Norfolk is therefore seeking pathfinder funding in a number of areas, including as part of regional arrangements.

- In relation to fostering Norfolk has acted as the lead authority for a successful regional bid to DFE to support the roll-out of a regional fostering recruitment approach and the introduction of the mockingbird model of fostering practice. This has secured additional funding

- Norfolk has also submitted a bid as the lead authority on behalf of the region for the creation of a Regional Commissioning Collaborative – with the intention of establishing a regional approach to the commissioning of care for children looked after and leveraging our scale as 13 authorities in the east to achieve greater efficiency. At the time of writing we are awaiting the outcome of this bid.

- In support of our roll-out the Family Help Model we have submitted a bid to the DFE for pathfinder funding of £5m which would significantly support the creation of the new model and in particular the aspiration to include staff from partner organisations within the design from the outset. At the time of writing we are awaiting the outcome of this bid.

Early Years

9.19. Early years funding has seen substantial reform and investment from government which is clearly welcome and in place to deliver the Government's commitment to wider access to childcare and early years provision across the UK. Alongside changes to funding for providers to support the provision of places Norfolk has also successfully applied to be a pathfinder for the programme aimed at expanding access to wraparound childcare for families at the beginning and end of the school day. This includes capital funding, project costs and pump-priming monies to support the creation of new wraparound provisions in the early months whilst they build up their customer base. This additional funding is clearly very welcome but the expectations on delivery of wider provision across the county are substantial and the timeline for delivery is stretching. We also need to be mindful that some funding is only time-limited and so we will have to be careful to ensure that new places will be financially sustainable once the initial project phase and investment is withdrawn.

Other Grants

9.20. Supporting Families funding – the funding is made up of various elements including a payment by results amount that is driven by the number of families supported in the programme. Delivery of these results is through social care staff embedded in the social care operating model as part of their core offer. Funding is expected to continue in 2024-25 and Norfolk has applied for 'Earned Autonomy' status within the programme which would reflect the maturity of our Supporting Families programme and provider further security in relation to the income from Government.

Saving proposals 2023-24

9.21. In line with its financial strategy as detailed above, Children's Services savings are either transformation-related, delivering increasing effective and efficient services, reflecting expected demand or use of available funds on a one-off basis.

9.22. The transformation-related projects comprise of individual but related projects that, together will continue to deliver significant transformation that is needed to provide financial sustainability as well as delivering better outcomes for children and young people.

9.23. Within the key themes of the transformation programme, the individual savings projects include:

- Investment in provision to enable children and young people to stay with their families where it is appropriate for them to do so, thus reducing care costs and improving their outcomes and life chances.
- Supporting children and young people to live with extended family and networks, when they are unable to remain in their birth family, which is shown to improve their outcomes and life chances when successful.
- Increasing the availability of foster care in Norfolk to ensure that those in care can experience family-based care where it is most appropriate for them.
- Re-shaping our in-house residential and supported accommodation provision to ensure it is fit for the future to meet the changing needs and complexities of children and families that they are looking after and supporting.
- Continuing to enable earlier help and prevention for families to reduce the demand for social care intervention and increased risks of crises that may result in children or young people becoming looked after.
- Working with the courts to reduce delays in decision making as a result of current challenges in the judiciary system.
- Supporting children and young people to gain age-appropriate travel independence increasing their future opportunities whilst also reducing the reliance on specialist transport at high cost
- Providing additional support to mainstream schools to enable them to work successfully with children with SEN, reducing the need for children to travel to specialist education settings.
- developing specialist provision to meet high special educational needs as locally as possible; reducing the time a child or young person spends travelling which improves their quality of life, whilst also reducing our costs

- Reshaping our operating models in line with our major transformation programmes and reflecting new approaches to delivery in accordance with national reforms. In addition to integrating our learning and inclusion capacity supporting work with schools and settings.
- Implementing a revised and integrated approach to mental health and wellbeing support for children and young people

9.24. Children's Services is continually seeking ways to deliver increased effectiveness and efficiency and these proposals reflect the latest opportunities identified and include:

- Developing opportunities to exploit technological advancements to increase the time that practitioners can spend with children, young people, and families and to reduce the administrative burden, alongside redesigning business processes to increase efficiency and effectiveness.
- Ongoing review of staffing structures to identify opportunities for efficiency or to remove posts no longer required.
- Seeking opportunities to commission externally provided services more efficiently, particularly through the use of block contracts where there is an ongoing demand to be met.

9.25. Following a thorough review of one-off funds and reserves, the final proposals relate to utilising, on a one-off basis, those that can be released from the purpose for which they were originally held, and that contributions are only be made to future reserves where they are necessary. Additionally, the service continuously reviews demand upon budgets to identify those where demand has reduced, and this allows for a proposal to 'right-size' those budgets for the coming year.

Key Issues and Risks

9.26. The immediate impacts to children and families of the cost-of-living crisis, strain on wider public services and the ongoing effects of the global pandemic are now very apparent and impacting substantially on capacity, provision and costs as described above.

9.27. The service has put in place a comprehensive programme which seeks to mitigate these impacts to the greatest possible extent and additional budget provisions are made to account for the ongoing levels of service pressure. However, although the level of pressures funding included in the Children's Services budget for future years attempts to reflect the high-level expectations regarding the medium-to-longer-term demand, it is difficult to predict these with certainty and, therefore, risks within Children's Services remain that include the potential for additional cost pressures linked to surges in demand, particularly in relation to social care and children with special educational needs.

9.28. Some specific risks that should be noted are:

- **Exacerbation of demand pressures due to cost of living crisis and legacy impact of pandemic leading to additional service pressures.**

Demand could continue to increase in volume and / or complexity beyond the increase seen and modelled to date. In particular, the high levels of demand in family support, Social Care and higher numbers of children exhibiting challenging behaviour in school could in time lead to more children needing to be in local authority care. This is not the current trend, and our next phase of transformation aims to improve support further but given the level of need in communities and the rise in children in care numbers being seen nationally we should recognise the risk that more children could need to be accommodated, which would in turn lead to greater cost pressure.

- **Provider market instability leading to key provider failure.**
  The economic conditions have left many businesses with financial pressures. Whilst Children's services will always bear the risk of the failure of a significant provider, this risk has increased in the current climate. The implications could be increased, unforeseen costs and / or diversion of key resources to ensure continuity of provision. Additionally, the inflation pressures currently being seen are having a significant impact upon key providers, particularly in relation to staffing costs as well as energy and transport, which may result in providers being unable to fulfil contracted provision or choosing to hand back contracts that are no longer financially viable for them. This risk exists in particular in relation to care placements and home to school transport provision.

- **Economic and societal impact of the legacy of the pandemic and the cost of living crisis leading to staffing instability.**
  We have continued to see how the global pandemic and subsequent economic changes have impacted on the labour market in key sectors, with many people choosing to change careers as a result of new ways of working and the relative economic viability of different career options. There have always been challenges filling some roles and, in some cases, these challenges have been exacerbated with roles such as foster caring, residential workers, transport drivers and many roles in schools now becoming hard to fill in addition to existing gaps such as social workers and educational psychologists. Additionally, public sector pay increases are, on average, below those in the private sector and individuals may choose that they need to make alternative role or career choices to ensure that they can meet their own financial needs, particularly for lower graded roles. Where the workforce is in short supply costs increase and often quality decreases.

- **Impact of current economic and societal conditions on the VCSE sector.**
  A significant portion of Children's Services commissioned provision is through the VCSE sector, with the sector also providing a significant proportion of universal services. Many VCSE organisations, whose financial positions may well have been fragile prior to the pandemic, have been negatively affected by their reduced ability to fundraise as a result of the pandemic combined with increased demand for services. Additionally, they are facing the same inflationary cost pressures as seen by the County Council and key providers. Financial failure of these organisations could lead to increased costs to Children's Services either through additional funding required to maintain provision or through having to fund alternatives.

- **Demand for, and cost of, SEND home to school transport.**
  Increases in demand for SEND home to school transport provision have mirrored increasing demand for special school and specialist resource base provision. The increase in demand has been exacerbated by price pressures from providers both due to the cost of fuel, vehicles and their ability to recruit and retain staff. Additional resources are allocated in this budget to reflect this situation, but there remains a risk that demand will exceed the financial resources available.

- **National Living Wage and impact upon workforce pay rates.**
  When the National Minimum Wage, and subsequently National Living Wage (NLW), were introduced there remained a differential to lower graded roles within children's social care sector and education. As the NLW has increased, the pay and terms and conditions for these roles is no longer as attractive and key services and providers are experiencing challenges in recruiting and retaining staff to some roles. There is a risk that any differential is completely eroded, resulting in key roles remaining unfilled as the workforce makes alternative choices to meet their financial needs.

- **Impact of strain on wider public services – including health and schools.**
  Alongside the pressure on Council finances, it is clear that all public services are facing a similarly challenging context and are having to make difficult decisions and scale back the level of provision. Very often the local authority is the 'provider of last resort' in these scenarios and incurs service and costs pressures as a result of a lack of capacity in the wider system. In particular health services are struggling to cope with the level of mental health need in communities, family court capacity is insufficient, police capacity is spread thinly and schools' budgets are constrained limiting their ability to support inclusion and early help. If these trends continue or worsen, they would like driver further demand for children's social care, SEN support and other Children's Services with the consequential financial pressure. In addition, there is a risk that the financial context for schools may put pressure on assumptions about trading with schools.

Children's Services proposed budget 2024-25

Table 27: Detailed budget change forecast Children's Services 2027-28

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	OPENING BUDGET	**232.593**	**240.797**	**251.408**	**255.527**
	ADDITIONAL COSTS				
	Economic / Inflationary				
	Basic Inflation - Pay (3%)	3.172	3.234	3.328	3.428
	Basic Inflation - Prices	5.639	3.720	3.864	3.999
	Basic Inflation - Income	-0.167	-0.121	-0.124	-0.126

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
G2425CS004	ESPO Energy - Gas and Electricity Prices and Projection	-0.049			
G2425CS008	Teachers Pay Award	0.051			
G2425CS009	Teachers pension contributions	0.063			
G2425CS010	Soulbury pay award	0.069			
	Legislative Requirements				
G2425CS002	Children's Services pressures including impact of National Living Wage	9.000	3.000	1.500	1.500
	Demand / Demographic				
G2223CS001/ G2324CS005/ G2425CS011	Social care: demographic and demand growth	3.000	3.000	3.000	3.000
G2223CS010	Social care: additional growth due to medium term impact COVID-19	4.000			
G2223CS002/ G2223CS003/ G2324CS006/ G2425CS003	Home to School Transport	7.500	0.500		
	NCC Policy				
G2223CS007/ G2223CS008/ G2324CS007	Recruitment and retention investment offset by Agency reduction	-0.540	-0.100		
		31.738	**13.233**	**11.568**	**11.801**
	SAVINGS				
S2223CS012	Extending our existing savings programme to deliver additional benefits. Proposal is to expand our 2019-20 saving CHS001: Prevention, early intervention and effective social care – Investing in an enhanced operating model which supports families to stay together and ensures fewer children need to come into care.	-0.900			
S2223CS013	Extending our existing savings programme to deliver additional benefits. Proposal is to expand our 2019-20 saving CHS002: Alternatives to care – Investing in a range of new services which offer alternatives to care using enhanced therapeutic interventions, combined with a focus on support networks from extended families keeping families safely together where possible and averting family crises.	-0.250			
S2223CS014	Extending our existing savings programme to deliver additional benefits. Proposal is to expand our 2019-20 saving CHS003: Transforming the care market and creating the capacity that we need – Creating and commissioning new care models for children in care – achieving better outcomes and lower costs.	-0.250			
S2324CS024 [SR]	Contract efficiencies: Efficiency savings through reducing management roles and one-off inflationary savings *[Planned reversal of one-off 2023-24 saving]*	0.050	0.050		
S2324CS033 [SR]	One-off funding of transformation spend from capital receipts *[Planned reversal of one-off 2023-24 saving]*	2.500			
S2324CS035	Post 16 transport: remove option to pay a daily fare (currently only available on local buses which charge fares) *[Reversal of saving]*	0.055			

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2324CS037 [SR]	Strategic Review - Opportunities A and B	-1.017			
S2425CS001	Prevention, early intervention and effective social care - helping families stay together and ensuring fewer children in care: Reducing demand for social care intervention through earlier help and prevention.	-0.642	-1.285	-1.285	-1.285
S2425CS002	Prevention, early intervention and effective social care - helping families stay together and ensuring fewer children in care: New Roads approach to help children and young people with neurodevelopmental disabilities and enable them to remain living within their families.		-0.125	-0.250	-0.500
S2425CS003	Transforming the Care Market and creating the capacity that we need: Expansion of in-house fostering capacity through a whole-Council and whole-County focus on carer recruitment and retention, ensuring we have sufficient foster carers to avoid the use of other, more costly, care arrangements where they do not provide better outcomes	-0.448	-1.541	-1.546	-0.783
S2425CS004	Transforming the Care Market and creating the capacity that we need: Reshaping our in-house residential care provision to successfully support the highest needs young people and to support positive ‘move on’ to family-based care as early as possible	-1.217	-0.973	-1.043	-0.210
S2425CS005	Inclusion: More primary aged children with SEND can travel independently by adapting the Travel Independence Travel Across Nation (TITAN) programme	-0.125	-0.125	-0.125	-0.125
S2425CS006	Inclusion: Ongoing focus on efficient delivery of Home to School Transport through maximising travel independence wherever appropriate and possible	-0.400	-0.100	-0.100	
S2425CS007	Local First Inclusion: Creation of additional specialist provision closer to home resulting in children needing to travel less far	-0.750	-0.500	-0.500	-0.500
S2425CS008	Local First Inclusion: More children supported in mainstream schools preventing the need to travel to specialist schools		-1.550	-2.300	-2.300
S2425CS009	Ongoing focus on efficient commissioning of complex care placements	-0.250			
S2425CS010	Efficient commissioning of clinical training required for some families. Training delivered in partnership with Norfolk Community Health & Care (NCH&C)	-0.030			
S2425CS011	Reshaping our system support for learning and education aligned to the evolving role of the local authority and creation of a self-improving education system	-0.521	-0.229	-0.175	
S2425CS013	Prevention, early intervention and effective social care - helping families stay together and ensuring fewer children in care: Reduced social care placement and support costs through improved the timeliness of court decisions	-0.125	-0.125	-0.125	
S2425CS016 [T]	Prevention, early intervention and effective social care - helping families stay together and ensuring fewer children in care: Creating additional capacity to support family finding to contact natural family	-0.500			

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	members to increase family placements and reduce the number of children becoming looked after				
S2425CS017 [T]	Smarter Working – increased use of technology Adopt an intensive approach to re-design business processes to achieve maximum efficiency and exploit technology solutions to automate processes where possible	-0.500			
S2425CS019	Smarter Working – ongoing review of staffing structures to identify efficiencies reflecting different ways of working and ensuring no duplication of activity	-0.250			
S2425CS020	One-off use of PFI sinking fund contribution not required for 24-25	-0.680	0.680		
S2425CS021	Use of reserves and one-off funding	-1.582	1.582		
S2425CS025	Prevention, early intervention and effective social care - helping families stay together and ensuring fewer children in care: further iteration of the Family Help and High Needs structure including removing remaining reliance on external agency staffing through different ways working	-1.234	-0.882		
S2425CS026	Right-sizing of learning and education related budgets to reflect level of spend anticipated based on forecast demand	-0.928			
S2425CS027	Revised and integrated approach to mental health and wellbeing support for children and young people	-0.771			
S2425CS031 [T]	Actions to reduce demand-related underlying social care overspend through bringing forward delivery to 24/25 of sufficiency related savings initially projected for 25/26	-2.500	2.500		
		-13.265	**-2.623**	**-7.449**	**-5.703**
	BASE ADJUSTMENTS				
B2425CS001	Social Care Grant	-12.275			
		-12.275	**0.000**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
2023.24	CS to S&T - Data Officer Post	-0.030			
2023.24	CS to CEX - Childrens to new Executive Support Hub	-0.352			
2023.24	CS to CES - Transfer from Children's Services to CES new BS&P Hub	-0.079			
C2425CS001	Depreciation & Debt Management	0.620			
C2425CS002	I&A staff transfer to S&T	-0.792			
C2425CS003	CS to CES - YJS Accommodation	-0.096			
2023.24	Pay award 2023-24	2.736			
		2.007	**0.000**	**0.000**	**0.000**
	NET BUDGET	**240.797**	**251.408**	**255.527**	**261.625**

10. 2024-25 Budget proposals – Community and Environmental Services

Financial Strategy

10.1. Community and Environmental Services (CES) deliver a wide a variety of front-line locally focused services. The common factor with these services being that they all impact on making Norfolk a great place to live, work, visit and thrive in, for our communities, businesses, visitors and our heritage and landscape. Services are focussed around:-

- **Keeping people safe** – for example Fire and Rescue, Trading Standards, planning, winter gritting, flood and water management

- **Helping people stay connected to services, businesses and to each other** – for example roads, transport, walking, cycling and wheeling, community hubs

- **Providing opportunities for people to reach their full potential in their career and life** – for example adult education, community learning, libraries, arts

- **Supporting healthy and resilient communities** – Active Norfolk, emergency planning, public rights of way, waste and water management, VSCE support

- **Protecting and celebrating our landscape, heritage and history** – for example museums, Norfolk Record Office, environment, climate strategy, tourism

10.2. CES services are delivered locally across the county, including through our 42 fire stations, 47 libraries and 3 highways area offices. The majority of these services are universal and are available to be accessed by everyone as part of their day to day lives. For example, everyone relies on the highway network for moving around sustainably including walking, cycling, wheeling, travelling by bus or making sure others are able to visit and receive goods and services.

10.3. A key part of our strategy for some time has been to reduce our reliance on revenue funding whilst continuing to make significant investment in key improvements and activities for Norfolk. We have achieved this through successfully securing funding from alternative sources, including grants, competitively bidding for funding and generating income; less than half of the workforce in CES is revenue funded.

10.4. This approach means that we can continue to invest in crucial infrastructure, both physical and social, to enable activities to support local communities and businesses can continue to be delivered and developed further. This includes:-

- Investing in significant highway infrastructure, including Great Yarmouth 3rd River Crossing, Norwich Western Link, Long Stratton Bypass & West Winch Housing Access Road
- Investing in our heritage, including a nationally significant project to restore Norwich Castle Keep into its medieval former glory
- Investing in two new learning and library hubs in Great Yarmouth and King's Lynn, providing better facilities for local communities whilst also helping to bring the high street back to life
- Investing infrastructure and equipment that support our work to reduce our impact on the environment and deliver the Climate Strategy, including investing in new electric vehicles, working with transport providers to secure electric buses, and developing transport infrastructure that supports green ways to travel
- Investing in support for people struggling with the cost of living, through the household support fund, as well as directly supporting those most in need
- Working with partners and stakeholders to further develop the visitor economy, and drawing in external funding

Savings proposals 2024-25

10.5. The approach to meeting the budget shortfall for CES services is to focus on **protecting vital front-line services which local communities, businesses and visitors rely on**. This approach has three key strands:-

- Working both internally and with key partners and stakeholders to collectively maximise opportunities to **securing alternative funding**

- **Generating income** from our services – making sure our charges reflect a fair market rate and identifying new ways to generate income without impacting on core service delivery

- **Maximising value for money** – challenging ourselves and our contractors to ensure that we have efficient and effective ways of working in place that make best use of our assets, including putting new ways of working in place for our directly employed workforce, working with our contractors to enable efficiencies from our commissioned services and reviewing/rationalising our property portfolio

10.6. This approach recognises the importance of continuing to provide community infrastructure across the county, enabling communities to benefit from the significant investments being made. In addition, the proposals look to, wherever possible, contribute towards the Norfolk Climate Strategy and progress towards net zero.

Community and Environmental Services proposed budget 2024-25

Table 28: Detailed budget change forecast Community and Environmental Services 2024-28

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	OPENING BUDGET	**189.743**	**202.668**	**210.371**	**217.020**
	ADDITIONAL COSTS				
	Economic / Inflationary				
	Basic Inflation - Pay (3%)	2.462	2.385	2.451	2.523
	Basic Inflation - Prices	8.488	3.846	3.966	4.083
	Basic Pay - Income	-3.888	-1.628	-1.662	-1.695
G2425CES002	Fire pay award 2022-23 and 2023-24	0.768			
G2425CES013	Energy - gas and electricity	1.180			
G2425CES015	Highways Winter Maintenance	0.828			
G2425CES016	Property pressures	0.227			
G2425CES014	Senior Fire Roles – salary review	0.026			
	Legislative Requirements				
G2223CES005	Fire Pension pressures	-0.250			
G2324CES003	Fire Service - Ill health payment to Home Office fire pension account		-0.200		
G2425CES004	Removal of Council DIY waste charges	0.750	0.250		
G2425CES005	Fire - Suicide Prevention plan	0.687			
G2425CES006	Fire - HMI spotlight	0.507			
	Demand / Demographic				
G2223CES036	Future maintenance costs of Great Yarmouth 3rd river crossing	0.100	0.458		
G2021CES002/ G2324CES004/ G2425CES008	Waste pressure - demand and demographic (tonnage)	2.000	2.000	2.000	2.000
G2223CES023/ G2324CES005	Future maintenance costs of other new infrastructure assets	0.050	0.050		
G2425CES009	Building maintenance fund	0.382			
	NCC Policy				
G2223CES035	Emerging cost pressures across all services in 2023-24	0.150			
G2425CES010	Visitor Economy Budget - Local Visitor Economy Partnership	0.120			
G2425CES019	Communities team			0.135	
		14.587	**7.160**	**6.889**	**6.911**
	SAVINGS				

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S1819CES043	Income generation – Norfolk Museums Service	-0.400			
S2021CES001	Additional efficiencies in staffing and operations to progress the Adult Learning service towards its goal of being cost neutral *[Reversal of saving]*	0.240			
S2021CES017	Reviewing the operation of Museum catering facilities to make them more commercial.	-0.035			
S2324CES110	Strategic salt storage facility at Ketteringham Depot			-0.045	
S2324CES114	Roll out of on street parking charges	-0.800			
S2324CES123	One-off usage of CES Reserves *[Planned reversal of one-off 2023-24 saving]*	1.000			
S2324CES124 [SR]	Restructure of the Museums Service	-0.094	-0.030		
S2324CES127	Review of Highways and Waste budgets: Reviewing service levels, budget requirements and demand, contract efficiencies, capitalisation and deletion of vacant posts *[Planned reversal of one-off 2023-24 saving]*	0.010			
S2324CES129 [SR]	One-off saving from Trading Standards staffing budget *[Planned reversal of one-off 2023-24 saving]*	0.042			
S2324CES130	Armed forces covenant - reduce funding contribution for one year *[Planned reversal of one-off 2023-24 saving]*	0.010			
S2324CES133	Vehicle replacement fund *[Planned reversal of one-off 2023-24 saving]*	0.300			
S2324CES135	Joined-up approach to Prevention and Protection / Trading Standards activities	-0.050			
S2324CES136	Fire and Rescue Service efficiencies *[Planned reversal of one-off 2023-24 saving]*	0.050			
S2324CES141	Recycling Centres: Mayton Wood relocation to Norwich North HWRC site	-0.010			
S2324CES144	Streetlighting - further dim all lights with a CMS (central management system) which are usually the main road streetlights - lights would come on @ 75%, dim to 50% from 8pm	-0.074			
S2324CES145 [SR]	Strategic Review – Opportunity A and B	-0.100			
S2324CES147	One-off application of CES reserves to support core budget *[Planned reversal of one-off 2023-24 saving]*	1.000			
S2324FCS021	Further income from commercialisation of property assets including County Hall *[Reversal of saving]*	0.030			
S2425CES001 [T]	Small scale efficiency improvements within Norfolk Fire and Rescue service (NFRS) that will not affect the front-line service.	-0.040			
S2425CES002	Review the management of the NFRS vehicle maintenance contract currently delivered by Norse to ensure best value.		-0.200		

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2425CES004	Reintroduce overdue charges for adults in libraries (charges were suspended during the Covid 19 pandemic).	-0.045			
S2425CES005 [T]	Remove vacant Open Library Manager post (0.5fte).	-0.015			
S2425CES006	To capitalise a portion of the Executive Director post salary - 20% (to be funded from existing capital allocation).	-0.040			
S2425CES007 [T]	Remove vacant post from within the Business Support Operations team.	-0.025			
S2425CES008	Enable digital fund raising online for our libraries.	-0.020			
S2425CES009	Review highway fees and compare to those charged by neighbouring authorities, then introduce new or reviewed fees, where possible, for external customers.	-0.050	-0.025	-0.025	
S2425CES010	Review design recharge fees (BCIS 10% increase in rates from 1/4/23) and benchmark against neighbouring authorities. Introduce new or reviewed fees where possible for internal and external customers.	-0.300	-0.150	-0.150	
S2425CES011	Capitalise £0.050m of the £1.5m revenue budget from the Flood Reserve Fund. Currently £0.5m is capitalised annually.	-0.050		0.050	
S2425CES012	Increase capital funding of the Norse Local Management Overhead (LMO) in the same proportions as the split of direct activity between revenue and capital.	-0.100			
S2425CES013	Further increase Area recharge budgets.	-0.100			
S2425CES014	Freeze third party delegated grass cutting rate as it received 13.4% this year. Move away from RPI increase for new applicants.	-0.030			
S2425CES015	Review the level of permits NCC process in line with the permit scheme and ensure full cost recovery.	-0.250	-0.100	-0.050	
S2425CES016	Waste and recycling levels have reduced following the increase during Covid 19 due to the effects of behaviour change. A slow down in growth has been observed from Q3 2021-22 which has continued.	-2.700			
S2425CES017	Recycling credits review of assumed growth has allowed for a reduction from what has currently been factored into the medium term financial plan.	-0.475			
S2425CES018	Increase trade waste charges in recycling centres.	-0.030			
S2425CES019	Increased income generated from reuse items sold at recycling centres.	-0.070			
S2425CES020	Income generated by selling some of the materials deposited at recycling centres.	-0.075			
S2425CES021	Pay as you throw annual index price uplift at recycling centres (*will be impacted by proposed new legislation).	-0.030			
S2425CES022	Refine existing approach to trade waste recharges to district councils.	-0.010			

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2425CES023	Introduce charging to internal and external customers for all aspects of Lead Local Flood Authorities advice.	-0.005	-0.005		
S2425CES024	Cease Transport for Norwich advisory committee meetings to achieve a cost saving by reducing time spent preparing, reviewing and publishing reports.	-0.005			
S2425CES025	Explore with South Norfolk District Council and Broadland District Council on whether their restrictions on roundabout sponsorship can be lifted to generate additional income.	-0.045	-0.015		
S2425CES026	Reduce cleaning specifications across NCC offices (County Hall, Priory and Havenbridge).	-0.100			
S2425CES027	Reduce Grounds maintenance at County Hall.	-0.010			
S2425CES028	Reduction of expenditure with outsourced provider within Corporate Property service.	-0.400			
S2425CES030 [T]	Relocation of Havenbridge House staff and functions to former Great Yarmouth library. This will occur in 25/26, 24/25 will be covered through one-off sources.	-0.200			
S2425CES031 [T]	Relocation of Norman House staff to Shrublands.	-0.028			
S2425CES032 [T]	Rationalisation of Breckland House occupancy in Thetford.	-0.020			
S2425CES033 [T]	Rationalisation of occupancy at Wymondham Gateway.	-0.010			
S2425CES034	Efficiency improvements to reduce cost codes and processing of invoices and recharges.		-0.020		
S2425CES035	Alternative delivery of security / vacant building management.	-0.010			
S2425CES036	Increase income generated from County Farms.	-0.160			
S2425CES038	Defer Environmental Policy revenue budget uplift to 2024-25. Working closely with Suffolk CC on this important programme to enable efficiencies.	-0.150	0.150		
S2425CES039	Arts Service - further reduction of the Council's strategic arts grants	-0.015			
S2425CES040	Further increases in fees income generated by our Planning teams.	-0.018			
S2425CES041	Fundraising and new events income generated by the Norfolk Records Office.	-0.015			
S2425CES044	Holding of vacant posts and delayed recruitment to generate one-off saving within staff costs	-0.070	0.070		
S2425CES046	Reduce staff learning and development budget across the department.	-0.015			

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2425CES047	One-off reversal of business as usual budget growth across the Communities, Information and Learning service.	-0.039	0.039		
S2425CES048	One-off streetlighting saving which represents the in-year maintenance cost saving for those lights being replaced.	-0.040	0.040		
S2425CES049	Increased recharge for Highways Asset & Capital Programme team.	-0.100			
S2425CES050	Increased use of Commuted Sums for 3 years which are applied to the highways revenue maintenance fund each year to support the maintenance of the highways asset.	-0.300			0.300
S2425CES052	Moving Traffic Offences - scheme implementation - Following the government devolving powers, moving traffic offences in Norfolk are now the responsibility of the Council. The scheme will go live this autumn, and following an initial period, the scheme is likely to generate a small income from 24/25. This also includes bus lane enforcement transferred from the City Council in 2023.	-0.050	-0.050		
S2425CES053	Moving Traffic Offences - scheme expansion - Following the government devolving powers, moving traffic offences in Norfolk are now the responsibility of the Council. The scheme will go live in autumn 2023, and there is the option of adding more sites for enforcement in 24/25 and then in subsequent years. This represents the projected income from this scheme.		-0.100	-0.050	
S2425CES054	A series of new on-street electric vehicle charging points will go live in Norwich in 23/24. This contract has an income revenue share with the Council.	-0.020	-0.020		
S2425CES055	The Council's premium for its annual insurance policy within Highways has recently reduced. This figure represents the current annual saving.	-0.150			
S2425CES056	Civil Parking Enforcement - Further increased income and reprofiling as more on-street parking schemes are rolled out	-0.100	-0.302	-0.300	0.100
S2425CES057	One-off use of Highways and Transport reserves	-0.250	0.250		
S2425CES058	One-off use of Waste reserves	-0.250	0.250		
S2425CES060	Increased income to the Council from road closure applications	-0.350		0.350	
S2425CES064	Planning - additional fee income from reviewing the approach to planning applications and internal development work	-0.025			
S2425CES067	Increase fees charged to developers for Section 38 road adoption agreements.	-0.050			

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
S2425CES070 [T]	Freeze currently vacant natural history post whilst other funding sources are being explored	-0.048			
S2425CES071	Increased income generation from Calibration Services, within Trading Standards		-0.020	-0.020	
S2425CES073	One-off use of Community Information and Learning reserves	-0.473	0.473		
S2425CES074	Reduce attendance at national training conferences with Norfolk Fire and Rescue Services	-0.020			
S2425CES075	One-off use of Culture and Heritage reserves	-0.075	0.075		
S2425CES076	One-off use of Corporate Property Team reserves (Wind turbines and Farms)	-0.160	0.160		
S2425CES079	Recharge Long Stratton Bypass procurement effort in 2023/24 and use resulting revenue underspend towards 2024/25	-0.048	0.048		
S2425CES080	Recharge West Winch Housing Access Road procurement effort in 2023/24 and 2024/25	-0.025	0.025		
S2425CES085	NFRS efficiency review	-0.080			
S2425CES086	Increase fees and charges within Highways services	-1.000			
S2425CES089	Review financial options for Postwick Park & Ride and if a financial subsidy is still required consider closure	-0.150			
S2425CES090 [T]	Review and reduce property portfolio	-0.100			
S2425CES091 [T]	Introduce a booking system for Recycling Centres	-0.200			
S2425CES092 [T]	Deletion of vacant posts across CES to achieve savings across the department	-0.250			
S2425CES094	Business rates reduction in Museums	-0.250			
S2425CES097	Reprocure P&R operation contract during 24/25 and review income opportunities with aim to achieve zero subsidy position (to be funded by CES reserves in 24/25)	-0.450			
		-9.665	**0.543**	**-0.240**	**0.400**
	BASE ADJUSTMENTS				
	Home Office's Fire and Pensions Grant	1.629			
		1.629	**0.000**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
2023.24	CES to S&T - Customer Services	-1.238			
2023.24	S&T to CES - Lampada Digital Solutions SEED Licences	0.036			
2023.24	FIN to CES - AFCC Savings Applied to PA0100 Reimbursement	0.010			

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
2023.24	FIN to CES - Lease Budget returned to Libraries	0.012			
2023.24	Adults to CES - Business Support Strategic Review Restructure	0.470			
2023.24	CES to CEX - Exec Support	-0.187			
2023.24	S&T to CES - Strategic Review budget transfer	0.280			
2023.24	CES to S&T Head of Customer Service and Development post	-0.086			
2023.24	S&T to CES - Visit Norfolk budget	0.010			
2023.24	CES to CEX - Exec Support	-0.292			
2023.24	CES to S&T - Customer Services	-0.050			
2023.24	S&T to CES - Business Support Hub	0.110			
2023.24	CS to CES - Business Support Hub	0.079			
2023.24	Adults to CES -Procedures post	0.017			
2023.24	CES to CEX - Chief Exec Department transfer	-0.196			
2023.24	S&T to CES - Business Support Hub	0.025			
2023.24	CES to Fin - Capital adjustment	-0.207			
2023.24	S&T to CES - Business Support Hub	0.019			
C2425CES001	Depreciation & Debt Management	5.733			
C2425CES002	I&A staff transfer to S&T	-0.134			
C2425CES004	Covenant Budget from Finance	0.010			
C2425CES005	CS to CES - YJS Accommodation	0.096			
2023.24	Pay award 2023-24	1.257			
C2425CES006	Business Rates Pool income	0.600			
		6.373	**0.000**	**0.000**	**0.000**
	NET BUDGET	**202.668**	**210.371**	**217.020**	**224.331**

11. 2024-25 Budget proposals – Strategy and Transformation

Service Strategy and context

11.1. The Strategy and Transformation department provides a continuum of services from strategy development, organisational development and upskilling, HR and HSW core services and professional advice, innovation and transformation delivery, insight and performance, strategic communications and resource stewardship as well as economic development, skills and infrastructure development. It works across the council but also has a significant and visible impact on the residents and economy of Norfolk whether through initiatives like Better Broadband or skills and business support.

11.2. Following the departure of the Executive Director of Finance and the Director of Governance during 2023-24, the Strategy and Transformation services were restructured. Digital and the Growth and Investment functions, previously part of Finance and CES Departments, have transferred to Strategy and Transformation. These areas fit well within the Strategy and Transformation Department's drive to support and drive strategic, development, innovation and transformation plans that support NCC's vision. Democratic Services, Regulatory Services, and Legal Services were transferred to the new Chief Executive Officer's Department.

11.3. The department's key functional areas post restructure are Human Resources; Strategy Design and Delivery; Communications and Marketing; Insight and Analytics; Digital and Growth and Investment. For some of these services, as well as providing a service to operational departments they also enable the delivery of change and benefits within those departments.

- A **strategic focus** – to provide advice and to support the political and managerial leadership of the Council in their strategic approach. At a time when resources are stretched, and a number of "unknowns" remain in the financial and government policy space, it is essential to have the capability to:
    - Look to the future and anticipate change.
    - Provide analytical and problem-solving expertise to the executive team and departments.
    - Offer professional leadership to the organisation in key areas such as strategy, people management, communications and intelligence and analytics, to drive insights and value for money actions.
    - These capabilities are also offered to Norfolk Resilience Forum (NRF) partners, supporting their management and delivery.
    - Supporting economic recovery and growth, including development of a County Deal and a new Economic Strategy for Norfolk to prioritise future growth and development.
    - Raising the profile of Norfolk and the council through economic development, skills leadership and infrastructure development.

  - Supporting community resilience and development of social infrastructure, including through the Social Infrastructure Fund and delivery of projects and interventions with a range of partners.

- A **transformational focus** – to support and enable change to deliver expected benefits and outcomes and drive innovation, through providing capacity and support to services by:
  - Defining transformational solutions to strategic problems across all areas of processes, people and systems
  - Delivering projects and transformation at pace where required
  - Supporting the Council to improve its performance through, enhancing the governance of significant transformation activity and capital investment.
  - Supporting our organisational design to deliver our ambitions in the most effective and efficient way
  - Supporting our people to have the skills and behaviours needed to deliver
  - To improve and maximise the benefits of myOracle and explore further digital and technological products
  - Improving the lives of residents through skills training and providing digital connectivity

- An **enabling service focus** – providing more responsive internal services from all elements of the department to managers and employees while:
  - Achieving lower costs through greater use of technology,
  - Developing and implementing simpler and more streamlined processes that deliver the desired outcomes
  - Supporting and driving evidence-based decision making
  - Effective communications internally and externally to support service provision, drive the uptake of council services, and position the council in a leadership capacity
  - Building the Council's positive reputation for delivery and influence positive behavioural change
  - Keeping the organisation safe – influencing the appropriate management of risks

- A **service delivery and income generating focus** – to create value for the Council through maximising the opportunities provided through public service provision for genuine fee earning activities which don't deviate from but enhance, our statutory purpose and core offer. Our functions within Strategy and Transformation including HR, Communications, Digital and Insight and Analytics also have an important income generating dimension to their budgets as well as Growth and Investment which works to secure investment into the county as well as generating incomes to support council services.

Service financial strategy and savings proposals 2024-25

11.4. To ensure best value for money, we continue to investigate and explore opportunities for a coordinated spend approach across the Council in all areas. The department's strategic approach to developing budget proposals is intended to:

- Achieve efficiencies in departments procuring third party marketing and advertising services, by commissioning via the corporate communications team. Any savings that might result from these discussions would not be a reduction of ST Communications budgets but come from efficiencies made by the Communications Department leadership in commissioning these services from other Departments budgets.
- Significant savings generated as a result of the creation of a new I&A capability following the Strategic Review were identified as part of the budget process. Benefits realisation will be delivered during 2024/25 and 2025/26. This is particularly centred around increased efficiency of operation by bringing all information, insights and intelligence functions together for NCC. There is potential for rebalancing and efficiencies delivered through improved tools, techniques and working practices (not least through increased automation). This new function will be within S&T and so will see corresponding budget uplift against which the saving is planned.
- Work to drive transformation and organisation design, in providing support across the organisation to maximise, seek and consolidate efficiency, and effectiveness.
- Ensure the current programmes, including Transformation and Smarter Working are supported and delivered successfully. This is made possible with the increased capacity provide through capital receipts funding for two years to 2024-25 to provide:
    - specialist resource to improve transformation delivery across the council
    - improved corporate oversight of the transformation and capital spend to support clear strategic alignment and resourcing of our programmes
- Digital Services are reviewing applications systems and contracts, to potentially cease, renegotiate, migrate or move functionality to existing systems or platforms.
- Provide clarity on HR core service delivery post MyOracle implementation.
- Acknowledge and invest in the role of manager capability and capacity in good people practice resulting in reduced HR intervention and advice in the future.

11.5. Critical objectives and priorities for the year include to:

- Identify and support implementation of continuous efficiencies
- Co-ordinate the preparation for mobilisation of the County Deal for Norfolk and leading on relevant areas.

- Implement the integration of functions from the Local Enterprise Partnership to strengthen our capabilities to support businesses and individuals.
- Create wider organisational capacity and capability in strategy, policy, innovation and operational performance, through enhanced direct support to services and deeper engagement into the organisation.
- Develop, implement and embed a new performance management framework.
- Continue cross-departmental talks with the aim to control communications and marketing spend that is commissioned outside of the corporate communications team and devise a mechanism for recording the saving.
- Increase the provision of insight, accessible information and resources in a timely and meaningful way so as to enable evidence and intelligence led decision-making in the delivery of our services.
- Increase use of automation to provide insight and information.
- Implement a new, strategy-driven approach to communications, supported by a structure designed to deliver that.
- Continue to deliver the Smarter Working programme and realise benefits across the organisation.
- Strengthen the transformation, innovation and capital programme's governance framework, ensuring a direct connection to organisational performance and return on investment.
- Build a central transformation delivery capability to assure transformation delivery and ability to respond to an organisational priority.
- Developing better systems, processes and online resources which support self-service and improve access for the public, councillors and colleagues.
- Making better use of technology to further improve our services delivery and efficiencies.

Key issues and risks

11.6. Strategy and Transformation provide services that support organisational effectiveness. Over the past five years there has been significant investment in transformation programmes across our major services. This investment creates increased demand and strain on Strategy and Transformation Services for example provision of technology hardware and support services, delivery of learning and development and people management support and providing support to effectively communicate and engage with the Norfolk community on our work. Strategy and Transformation Services have overall remained static throughout and there is a risk that our services cannot meet the organisations demands to deliver our ambitions for Norfolk without focussed investment.

11.7. The timescales for implementation and delivery of key projects across The Council have implications for the delivery of savings across the Strategy and Transformation Budget, particularly where Strategy and Transformation capacity is needed to support delivery across other services.

11.8. The demand for information, insight and intelligence continues to increase both in terms of volume and complexity, which reflects NCC's growing maturity in how it values the use of data to understand daily operation and to inform and evidence longer-term strategic decision making. This demands more effective and efficient use of NCC's current analytical resources, being delivered through the creation of the new and consolidated I&A capability for NCC, and an associated raft of initiatives including improved data modelling, automation, upskilling and use of AI. Given the scale of the challenge, the major planned improvements are programmed to take place over a period of one to two years, albeit quick-wins already identified are being implemented immediately.

11.9. To deliver on current savings plans for insight and information and to explore increased use of automation requires a hiatus on further savings for 12 months (before and during 2024/25) to embed and develop improved Operating Model and in order to retain the post restructure resources in place to deliver the efficiencies and savings planned.

11.10. Marketing and advertising budgets must be identified, there is a risk reduction in spending for these services might reduce overspends and not generate savings.

11.11. Delivery of a new, strategic approach to communications will be affected by continued demand pressures, until a corporate communications strategy and priorities signed off by ELT and cabinet is put in place. The team can then be restructured in order to deliver this new approach.

11.12. The new ways of working that was initially discussed as part of the Strategic Review will require a change in behaviour from services. The risk is that budgets are centralised or at least lead by ST services but other Departments continue to spend, commission and recruit to deliver same outcomes, which will not result in savings.

11.13. Digital Services still needs to decide which applications need ceasing/reviewing and may not hold/manage the budget for some of the systems and therefore to reduce costs an agreement with other Departments will need to be reached.

11.14. Digital Services significant ongoing savings are being enabled from 2024/25 through application systems rationalisation work (moving to fewer or cheaper systems) but it should be noted that much of the savings are turning out to be funded through recurring capital spend. Other systems spend may be revenue but budgets have not been moved to Digital Services so there may be some challenge in releasing the savings.

11.15. The usage of AI and Automation enabled efficiency savings are demonstrable and there is a healthy pipeline of future work requests. However, the savings are most often staff time savings which may be re-invested rather resulting in salary/wage savings. These efficiencies are realised in business functions, but the cost to deploy & maintain automations falls to Digital Services. Sharing of costs & savings may therefore be required.

11.16. Digital Services Schools traded service income is reducing as more schools move to academy status and therefore self sufficiency. There is generally a lag in downsizing the Schools IT support capacity (and therefore costs) following contract losses.

11.17. HR model will take time to embed, particularly in relation to the need to plan HR resources into departmental projects and programmes and the shift to a higher threshold for HR involvement. This presents a risk to savings realisation through reduction of temporary roles.

11.18. The demand for HR services continues in conflict with the self-service model that is resourced. This impacts on the services ability to implement their own transformational activity.

11.19. Elements of HR income come from the use of temporary staffing models in services. As we rightly move to reduction on this workforce the HR income will decrease impacting on service delivery and resources.

11.20. The scale of change across the Council is significant and this brings reputational risks and challenges to keep a highly motivated and high performance work force.

11.21. Integration of LEP functions requires careful execution to ensure support for businesses and individuals is maintained and enhanced.

11.22. Changing funding streams for economic development and skills makes longer term planning more challenging.

Strategy and Transformation proposed budget 2024-25

Table 29: Detailed budget change forecast Strategy and Transformation 2024-28

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	OPENING BUDGET	**21.859**	**30.184**	**32.283**	**33.032**
	ADDITIONAL COSTS				
	Economic / Inflationary				
	Basic Inflation - Pay (3%)	0.949	1.052	1.033	1.064
	Basic Inflation - Prices	0.168	0.141	0.146	0.149
	Basic Pay - Income	-0.027	-0.076	-0.082	-0.084
	Legislative Requirements				
G2425S&T002	LEP integration costs	0.200	-0.200		
	NCC Policy				
G2324S&T003/ G2425S&T006	County Deal - implementation costs including consultation, prior to capacity funding becoming available, if the County Deal is approved			-0.250	

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
G2324S&T004	Transformation service - growth pressure following Strategic Review (funded by capital receipt flexibility)		-1.531		
G2324CES010	Growth and Development - Norfolk Infrastructure Fund expenditure (one-off)	-2.000			
G2324CES011	Growth and Development - Local Transport Plan	0.300			
G2324CES012	Growth and Development - Transport for Norwich	0.200			
G2223CES040	Upfront investment for project / scheme development		0.250		
G2425S&T003	CLA Licence	0.033			
G2425S&T004	NFRS Microsoft 365 licenses	0.041			
G2425S&T005	Learning Management licences	0.040			
G2425S&T007	Increased cost for public communications	0.120			
G2425S&T008	MyOracle licenses	0.434			
G2425S&T009	Increased NCC contribution to GNGB	0.015	0.005	0.005	0.005
G2425S&T010	Schools IMT income pressure	0.150			
G2425S&T014	Funding for G&I capacity prior to County Deal	0.086	0.057	-0.143	
		0.709	**-0.302**	**0.709**	**1.134**
	SAVINGS				
S2324S&T006 [SR]	Expansion of professional leads: Centralise and control spend on communications. This would include paid staff and non-pay procurement across the organisation *[Reversal of saving]*	0.100			
S2324S&T008 [SR]	One-off usage of S&T Reserves *[Planned reversal of one-off 2023-24 saving]*	0.050			
S2324S&T010 [SR]	One off use of Strategy and Transformation reserves. *[Planned reversal of 2023-24 saving]*		1.571		
S2324CES146	Application of Business Rates Pool funds to support Norfolk Investment Framework (NIF) expenditure *[Planned reversal of one-off 2023-24 saving]*	2.000			
S2425S&T002 [T]	Insight & Analytics team Strategic Review efficiency savings from restructure and one-off underspends / use of reserves	-0.320	-0.060	0.060	
S2425S&T003 [T]	HR Strategic Review savings from ending temporary and vacant posts	-0.100			
S2425S&T005 [T]	Digital Services to reduce spend on application systems through contract management	-0.360			
S2425S&T006 [T]	Digital Services to reduce spend on network services through contract management	-0.100			
S2425S&T007	Utilisation of business rates pool for 2023-24 to fund 2024-25 growth for Local Transport Plan (£0.300m) and Transport for Norwich (£0.200m)	-0.500	0.500		
S2425S&T008	Reduce Local Transport Plan growth bid	-0.120	0.120		
S2425S&T009	Use of Reserves - Utilise reserves from Kickstart programme (now closed)	-0.030	0.030		
S2425S&T010	Align Scottow income budget with most recent actual rental income forecasts	-0.100			
S2425S&T011	Further increase rent charged by Scottow over and above the amounts currently factored into the medium term financial plan.		-0.020	-0.020	-0.020
S2425S&T012	Strategy, Design & Delivery	-0.060	0.060		
		0.460	**2.201**	**0.040**	**-0.020**

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	BASE ADJUSTMENTS				
B2425S&T001	LEP integration funding	-0.200	0.200		
		-0.200	**0.200**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
2023.24	CES to S&T - Customer Serviced	1.238			
2023.24	S&T to CES - Lampada Digital Solutions SEED Licences	-0.036			
2023.24	S&T to FIN - Oracle DBA	-0.056			
2023.24	CES to S&T Head of Customer Service and Development post	0.086			
2023.24	S&T to CES - Strategic Review budget transfer	-0.280			
2023.24	S&T to CES - Visit Norfolk budget	-0.010			
2023.24	Adults to S&T - Social Care Systems	1.628			
2023.24	CS to S&T - Data Officer Post	0.030			
2023.24	CES to S&T - Customer Services	0.050			
2023.24	S&T to Adults - Learning & Development HR budget	-0.333			
2023.24	S&T to CEX - Executive Assistant Hub	-0.115			
2023.24	FIN to S&T - IMT transfer	1.949			
2023.24	FIN to S&T - IMT transfer	0.791			
2023.24	S&T to CES - Business Support Hub	-0.110			
2023.24	S&T to CEX - Political Assistant budget	-0.064			
2023.24	S&T to CES - Business Support Hub	-0.025			
2023.24	S&T to CES - Business Support Hub	-0.019			
2023.24	Pay award 2023-24	0.778			
C2425S&T001	Depreciation & Debt Management	0.693			
C2425S&T002	I&A staff from departments	1.159			
		7.356	**0.000**	**0.000**	**0.000**
	NET BUDGET	**30.184**	**32.283**	**33.032**	**34.145**

12. 2024-25 Budget proposals – Chief Executives Directorate

Service Strategy and context

12.1. Following the departure of the Executive Director of Finance and the Director of Governance during 2023-24, the functions within Financial and Commercial Services transferred to other departments and there was a need to create the Chief Executive Officer Directorate which also includes Democratic Services, Regulatory Services, and Legal Services.

12.2. The newly established Chief Executive Officer Directorate is focussed on embedding a new approach and efficient way of working, to ensure clear governance, support the democratic process and deliver more efficient support to the wider organisation. It also aims to provide oversight and leadership and identify and deliver continuous improvements that provide best value for money for Norfolk residents.

- A **governance focus** – to ensure the organisation is safe, compliant and governed effectively and with strategic focus and purpose, with strong stewardship / control systems and processes, joining up across the local government system.

- An **efficiency focus** - providing Councillor and Executive Service functions which deliver effective and resilient support to elected councillors and senior leaders while seeking ways to automate and reduce waste.

- A focus on delivering **value for money services**

    - Nplaw, as a shared service has some additional capacity to deliver services for external clients while delivering value for money professional advice for internal clients.

    - Registration services is a statutory function and provides an excellent face to face service for all residents in Norfolk. Creative implementation regarding ceremony venues in Norfolk, plus sensible and sustainable charging regimes, mean that the service is able to cover its own costs, as well as contribute to council overheads.

Service financial strategy and savings proposals 2024-25

12.3. Registration services are updating their Citizenship services to provide additional options to new Norfolk citizens for their formal ceremony. New staff will need to be recruited and trained in line with the new demand for this service within Norfolk.

12.4. The newly created Executive Support Hub will deliver savings, but this is at an early stage. During 2024-25 this service will be reviewed and, where necessary, redesigned with the aim to provide efficiencies.

12.5. NPLaw has entered into a new agreement with its partners, with the aim to provide a fairer and more transparent pricing structure. The impact has been a reduction on legal fee costs to both Norfolk County Council and the other shareholder councils. This is reflected within current budget.

12.6. Balance opportunities to maximise income for genuine fee earning services against cost savings, without deviating from our core service offering.

12.7. Critical objectives and priorities for the year include to:

- Delivering regulatory services which are business-like and joined up, making a positive contribution to the Council's priorities.
- Pursuing opportunities to appropriately increase external legal work to increase trading surplus to be contributed to Council front line services.

Key issues and risks

12.8. Difficulties in recruiting and retaining senior lawyers are a risk to Nplaw. Recruitment is currently slow across the sector, so a new approach of 'grow our own' was started a few years back. This has been successful, and in the last two years retention is at 100%, however this leaves a gap for 'senior lawyers' which currently have to be covered with locums. These are not only paid a higher rate than permanent staff, but they also lose chargeable hours due to necessary data protection and local systems training. We expect this to begin to close in the next two years.

12.9. The 2022 Elections act which required higher staffing levels to manage ID requirements, had an impact on costs, especially for a standalone by-election, which has generated a pressure. We continue to meet electoral administrators to understand cost drivers and take action to mitigate costs wherever possible.

Chief Executive's Directorate proposed budget 2024-25

Table 30: Detailed budget change forecast Chief Executive's Directorate 2024-28

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	OPENING BUDGET	**3.092**	**4.384**	**4.917**	**5.172**
	ADDITIONAL COSTS				
	Economic / Inflationary				
	Basic Inflation - Pay (3%)	0.238	0.178	0.187	0.196
	Basic Inflation - Prices	0.070	0.003	0.003	0.003
	Basic Pay - Income	-0.055	-0.057	-0.058	-0.059
	NCC Policy				

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
G2021GOV002	Coroners Officers administrative team (12 FTE) transfer from Police	0.111			
G2324GOV004	Coroners resource / capacity increase to address volumes of work		0.118	0.124	
G2324GOV006	8% Market Supplement for Nplaw Grades I to N until 31 October 2023	-0.142			
		0.221	**0.242**	**0.256**	**0.140**
	SAVINGS				
S2425S&T001	Democratic Services new income stream from citizenship service	-0.010			
S2425S&T004	Democratic Services savings from reduction of Chairman’s functions budget and executive assistant support	-0.020	-0.010		
S2425CEX004	NPLaw one-off use of reserves	-0.300	0.300		
		-0.330	**0.290**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
	CES to CEX - Executive Assistant Hub	0.187	0.000	0.000	0.000
	CES to CEX - Executive Assistant Hub	0.292	0.000	0.000	0.000
	S&T to CEX - Executive Assistant Hub	0.115	0.000	0.000	0.000
	CS to CEX - Executive Assistant Hub	0.352	0.000	0.000	0.000
	Departmental virements	0.196	0.000	0.000	0.000
	S&T to CEX - Political Assistant budget	0.064	0.000	0.000	0.000
	Pay award 2023-24	0.194	0.000	0.000	0.000
		1.401	**0.000**	**0.000**	**0.000**
	NET BUDGET	**4.384**	**4.917**	**5.172**	**5.313**

13. Finance proposed budget 2024-25

13.1. The Finance department works to deliver support to the front line across a wide range of activities to improve outcomes for the people of Norfolk. To enable the Council to secure value for money in the use of resources, and ensure robust financial governance, reporting and decision making. It promotes responsible financial management, including budgeting, expenditure control, debt management, and long-term financial planning. Part of the department’s role is to demonstrate accountable stewardship of public funds. It also provides capacity to enable the Council to act swiftly, innovatively, and effectively in a climate of continuous change. The Department continues to be focused on delivering the following key objectives:

- enhancing financial performance, understanding and accountability within the organisation, developing the role of Responsible Budget Officers (RBOs), and the support provided to them.
- managing scheme administration, investment, and governance for the Local Government Pension Scheme (LGPS) in Norfolk.

- supporting the development and delivery of a robust, balanced revenue budget, and the Council's Capital Programme.
- providing risk based, independent assurance, advice, and insight, and embedding sound risk management into directorates.
- provision of relevant, accurate and timely financial services and advice.
- supporting front line services to transform and enabling the organisation to act swiftly, innovatively, and effectively to meet the Council's objectives.
- providing assurance that all the Council's resources are utilised efficiently, by providing information to supports good decision making.
- making service managers feel enabled and supported with appropriate tools, training, and guidance.
- ensuring best value is achieved from the Council's assets and maximising the return on investments.
- improving and maximising the benefits of MyOracle, including EPM.
- integrating the School's Finance Team into the finance department.
- supporting delivery of core organisational priorities (including Local First Inclusion, Flourish, Connecting Communities, the County Deal and more).
- providing financial oversight, support, and advice to the Council's wholly owned companies, and administering the France Channel England Certifying Authority and Audit Authority requirements.
- providing financial advice on the financial implications of the delivery of the Council's climate strategy and delivery of Net Zero by 2030.

Service financial strategy and savings proposals 2024-25

13.2. The key objectives set out above have informed the Department's approach to identifying budget proposals which minimise the impact on front line services. Saving plans for 2024-25 are therefore focussed on achieving efficiencies and improvements, including realising the benefits of the HR and Finance System (MyOracle) in future financial years.

Key issues and risks

13.3. The Department is directly managing, and supporting the wider Council with several key issues and risks:

- Supporting the Council to set and deliver services within planned budgets.
- Supporting the wider organisation to engage with funding reform and ensuring the Council's needs are understood by Government.
- Managing significant changes in local and national income streams.
- Responding to inflationary pressures on revenue and capital budgets.
- Providing governance for companies controlled by the Council and associated financial implications.
- Ensuring benefits of self service through myOracle are maximised.

13.4. Finance General is a corporate budget, which includes council wide expenditure and income. This is a net income budget as total income exceeds total expenditure. A net income budget is shown as a negative figure.

13.5. Finance General includes employee related costs such as corporate pension payments due to changes following the actuarial valuation of the pension fund. Pension deficit recovery is identified as a cash sum and is budgeted for in Finance General. Other expenditure includes redundancy and pension payments arising from organisational review; grant payments; audit fees; member allowances; and capital financing costs. Income includes funding through the Business Rates Retention System; interest from investments; and depreciation on capital from services.

Finance Directorate proposed budget 2024-25

Table 31: Detailed budget change forecast Finance 2024-28

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
	OPENING BUDGET	**-203.107**	**-230.252**	**-203.630**	**-169.202**
	ADDITIONAL COSTS				
	Economic / Inflationary				
	Basic Inflation - Pay (3%)	0.692	0.601	0.613	0.629
	Basic Inflation - Prices	0.086	0.105	0.106	0.106
	Basic Pay - Income	-0.001	-0.015	-0.015	-0.015
G2324FG009	Basic inflation - Pay (2024-25 additional 1% central contingency)	3.940			
G2425FIN007	Apprenticeship Levy	0.177	0.200	0.200	0.200
	Legislative Requirements				
G2021FG002/ G2425FIN005	Increased IFCA Precept	0.040			
	Demand / Demographic				
G2324FG014/ G2425FIN004	Provision for future Service Pressures		25.500	26.010	26.530
	NCC Policy				
G2021FG033/ G2324FG005	Minimum Revenue Provision	2.497	1.720	1.954	
G2223FG007	Provision to increase General Fund level to maintain at target 5% net Budget	0.250			
G2223FG011	Children's transformation provision removal		-2.000		
G2324FG008	Interest payable / receivable Treasury Management adjustment	2.200			
G2425FIN008	Schools and Norse Insurance		0.125		
G2425FIN006	FES pressures	0.580			
G2425FIN009	Merchant account charges	0.084	-0.084		
G2425FIN010	Council tax collection contribution	0.500			
G2425FIN011	AVC Wise reduction in corporate income	0.225			
G2425FIN012	Provision for financial loan interest deferral linked to NCC company	0.250	-0.250		
G2425FIN015	Interest payable / receivable Treasury Management adjustment		2.500	2.000	
G2425FIN016	Provision for site rental and other financial pressures linked to NCC company	0.300	-0.200		

Appendix 1: Norfolk County Council Revenue Budget 2024-25

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
		11.820	**28.203**	**30.867**	**27.450**
	SAVINGS				
S2122FCS014	Benefits realisation from the HR & Finance System replacement project in Finance Exchequer Services - Benefits realisation work is still underway to quantify value of saving from the HR & Finance System replacement, but current forecast reflects savings of £0.4m in 2022-23 which will be delivered by a combination of reduction in posts and changes to licence costs. Expected full year effect of the project being implemented is currently estimated as a further £0.1m from 2023-24.	-0.150	-0.150	-0.200	
S2223FCS018	Benefits realisation from the HR & Finance system replacement (MyOracle) project. Recognising efficiency and other savings to be achieved within Budgeting and Accounting service from 2023-24.	-0.030	-0.030	-0.040	
S2324FCS022 [SR]	Strategic Review - Opportunities A - Finance	-0.230	-0.180		
S2324FG016	One-off application of Finance General reserves to support core budget *[Planned reversal of one-off 2023-24 saving]*	1.000			
S2324FG018 [SR]	Strategic Review - Opportunities A - Finance	-0.050			
S2324CES105	Business Rates Pool – forecast income over £2m		0.600		
S2425FIN001	Review interest receivable budgets for updated cash balance forecasts and interest rates forecast to be achievable 2024-25.	-4.500			
S2425FIN003	The 2024-25 business rates pool to contribute in full towards savings. Decision on pooling will be taken in Autumn 2023.		-2.600	2.600	
S2425FIN004	Business Rates Pool income	-2.580	1.380	1.200	
S2425FIN006	Recurrent service savings to be identified during 2024-25	-1.430	-0.600		
		-7.970	**-1.580**	**3.560**	**0.000**
	BASE ADJUSTMENTS				
B2425FIN001	New Homes Bonus Grant	-0.448	0.000	0.000	0.000
B2425FIN002	Change in Revenue Support Grant	-4.613	0.000	0.000	0.000
B2425FIN003	Rebase Business Rates budget	-8.427	0.000	0.000	0.000
B2425FIN004	CPI increase in Business Rates budget	-12.147	0.000	0.000	0.000
B2324FG006	One-off application of Business Rates Risk reserve to support 2023-24 revenue budget	7.012	0.000	0.000	0.000
B2425FIN005	Services Grant	5.283	0.000	0.000	0.000
		-13.340	**0.000**	**0.000**	**0.000**
	COST NEUTRAL ADJUSTMENTS				
2023.24	FIN to CES - AFCC Savings Applied to PA0100 Reimbursement	-0.010			
2023.24	FIN to CES - Lease Budget returned to Libraries	-0.012			
2023.24	S&T to FIN - Oracle DBA	0.056			

Ref		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
2023.24	FIN to S&T - IMT transfer	-1.949			
2023.24	FIN to S&T - IMT transfer	-0.791			
2023.24	CES to Fin - Capital adjustment	0.207			
2023.24	FIN to Departments - 23-24 Pay Award Recurring Budget Adjustment	-7.037			
C2425FIN001	Depreciation & Debt Management	-7.417			
C2425FIN002	I&A staff transfer	-0.092			
C2425FIN003	Covenant budget to CES	-0.010			
C2425FIN004	Business Rates Pool income	-0.600			
		-17.656	**0.000**	**0.000**	**0.000**
	NET BUDGET	**-230.252**	**-203.630**	**-169.202**	**-141.752**

14. Public consultation

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

14.2. For the 2024-25 Budget the Council has consulted on proposals to:

- increase Norfolk County Council's share of general Council Tax by 2.99%
- raise the Adult Social Care precept, in 2024-25 by 2% in 2024-25

14.3. At the time of the consultation being undertaken in October 2023, no other budget proposals were identified as requiring consultation, as none were deemed to directly impact on service delivery. However, following the publication of the Provisional Local Government Finance Settlement, the County Council has worked to develop further saving proposals which have been required to address the budget gap which emerged during the later stages of the budget setting process. This report details a number of additional proposals which have been incorporated into the budget as they do not require further consultation. Alongside these are a small number of proposals which may need consultation, which will be undertaken as set out elsewhere in this report, and if ultimately approved by Cabinet following consultation and EQIA, these further proposals will support the delivery of a balanced position for 2024-25.

14.4. The approach to consultation involved:

- Consultation took place between 25 October 2023 and 1 December 2023;
- Proposals were published and consulted on via the council's consultation hub, Citizen Space: https://norfolk.citizenspace.com/consultation/budget-24-25/;
- Letters were sent to key partners, stakeholders and 520 parish councils;
- Parish councils were invited to attend a Zoom-platform webinar hosted in conjunction with the Norfolk Association of Local Councils (NALC) In total 18 parish councils accepted the event;
- The Council made every effort to find out the views of people who may be affected by the proposals and carry out impact assessments;
- Opportunities for people to have their say on budget proposals, council tax and precept were promoted through the Norfolk Resident's Panel, press releases to all media partners/channels across Norfolk, online publications, council website and multiple social media channels;
- Opportunities for council staff to have their say on budget proposals were promoted by Member briefings, management briefings, intranet/newsletters, Friday Takeaway and other cascades and channels as available; and
- Every response has been read in detail and analysed to identify the range of people's opinions, any repeated or consistently expressed views, and the anticipated impact of proposals on people's lives. These key themes are then summarised within Appendix 5.

14.5. It should be noted that the consultation did not cover the proposals brought forward in the further round of savings development post October 2023 Cabinet, as described in paragraph 7.3. Details of the savings arising from these activities are also set out in Section 7. Those considered to be efficiency type savings which will not impact on front line service delivery (and therefore would not require public consultation) have been included in the proposed 2024-25 Budget. Savings proposals which may require consultation will be dealt with on the basis set out in Section 10 of the covering Cabinet report dealing with Risk Implications/Assessment, and described in paragraph 10.5 onwards. Saving proposals with potential implications for staffing levels, will be the subject of staff consultation, as described in paragraph 10.7 of the covering Cabinet report.

Your views on our budget consultation 2024-25: consultation feedback

14.6. We received 260 responses in total. Full details of respondent numbers and analysis are provided in Appendix 5.

14.7. A summary of the feedback in relation to each section of the consultation is as follows:

COUNCIL TAX

Q2: How far would you agree or disagree with increasing Norfolk County Council's share of the general council tax by 2.99% in 2024-25?

There were 259 responses to this question. Slightly more people disagreed or strongly disagreed (128/49.23%) than agreed or strongly agreed (116/44.02%) with the proposal.

Q3: Why do you say that?

There were **214** responses to this question, please refer to Evidence Table 1 for comments. People told us:

- The cost of living is already high and people are struggling financially – paying more would be difficult. (55 comments)
- NCC needs to manage its resources more efficiently before, or in addition to, increasing council tax. (37 comments)
- Council services are important or vital (especially for vulnerable people) and should be maintained. (37 comments)
- The cost to NCC of providing and investing in services has risen and needs to be paid for. (37 comments)

Q4: How far would you agree or disagree with our proposal to increase the Adult Social Care precept by 2.00% in 2024-25?

There were **257** responses to this question. Just over half of respondents agreed or strongly agreed (135/51.93%) and almost a third (84/32.31%) disagreed or strongly disagreed with the proposal.

Q5: Why do you say that?

There were **190** responses to this question, please refer to Evidence Table 2 for comments. People told us:

- Council services are important or vital (especially for vulnerable people) and should be maintained (34 comments)
- The cost to NCC of providing and investing in services has risen and needs to be paid for. (27 comments)
- NCC needs to manage its resources more efficiently before, or in addition to, increasing the Adult Social Care precept. (24 comments)

Q6: Do you have any comments about our budget approach?

There were **131** responses to this question, please refer to Evidence Tables 3 and 4 for comments. People told us:

- NCC needs to manage its resources more efficiently before, or in addition to, increasing tax. (30 comments)
- NCC should consider ceasing some projects to save money; the Norwich Western Link project was mentioned seven times. (10 comments)

15. Representatives of non-domestic rate payers

15.1. The Council has a statutory duty under Section 65 of the Local Government Finance Act 1992 to consult with representatives of non-domestic ratepayers. In November 2023, a package of material including a summary of key issues relating to the 2024-25 Budget was discussed with representatives of the business sector. We ran a business breakfast event with colleagues in our Economic Development team. This was held at Aviva's head office in Norwich on Friday, 17th November and some 19 businesses and one professional organisation joined us. Our Director of Strategic Finance presented an update on how Norfolk County Council is investing in Business Rates. The Leader of the council was also at the event and answered questions and queries from those in attendance.

16. Capital programme

16.1. A summary of the proposed Capital Programme is set out in the separate Capital Programme report elsewhere on this agenda. Where relevant the implications of capital proposals, including the required level of Minimum Revenue Provision (MRP) budget, have been reflected within the proposed Revenue Budget.

17. Robustness of the Budget and compliance with the Financial Management Code

17.1. The Director of Strategic Finance is required by section 114 of the Local Government Finance Act 1988 to report to Members if it appears that the expenditure the authority proposes to incur in a financial year is likely to exceed the resources available to it to meet that expenditure. In addition, duties under section 25 of the Local Government Act 2003 establish a requirement to report on the robustness of the estimates made for the purposes of the calculation of the precept (and therefore in agreeing the County Council's budget).

17.2. As a result, these duties require a professional judgement to be made by the Director of Strategic Finance as the officer ultimately responsible for the authority's finances. The Director of Strategic Finance takes a view of the robustness of the Council's budget across the whole period covered by the Medium Term Financial Strategy and this is set out in full in the Statement on the Robustness of Estimates 2024-25 to 2027-28 (Appendix 4).

17.3. At this closing stage of the budget setting process, and with reference to the new saving proposals developed for next year and set out in this report, the assessment by the Director of Strategic Finance in relation to this duty is that a balanced budget can be proposed for 2024-25. This reflects the following key considerations and assumptions:

- The new savings proposals developed to date for 2024-25, contribute to establishing a solid foundation for the development of a robust budget in future years, but a number of key risks remain.
- The current monitoring position for 2023-24 indicates a balanced outturn position is expected to be delivered by the end of the financial year. However, this is only being achieved through the use of significant one off measures, including the use of reserves. This will not be sustainable in the longer term. The 2024-25 Budget makes provision to address the recurrent element of the 2023-24 overspend but the Council will need to closely monitor the delivery of planned budgets in 2024-25 in order to ensure that the medium term financial position remains robust. Further overspending in 2024-25 will require in year mitigations to avoid a further unsustainable draw on reserves.
- Initial forecasts from District Councils suggest that the council tax base and collection position has proven more resilient that previously forecast and has provided additional funding which has assisted in closing the 2024-25 gap.
- Having regard to the Local Government Finance Settlement and prospects for 2025-26 funding, the Director of Strategic Finance considers that a balanced budget for 2024-25 can be set with an overall council tax and Adult Social Care Precept increase of 4.99%, with an increase to the maximum council tax referendum thresholds in future years. There is uncertainty regarding the level of the Adult Social Care Precept in in future years, a 2.99% level of increase assumed for planning purposes for 2025-26 to support a sustainable Medium Term Financial Strategy position. A lower increase in council tax in future years would require material additional deliverable, recurrent savings to be identified.
- Significant risks therefore remain around the scale of the likely gap for 2025-26 and future years, subject to the level of one-off options required to balance the 2024-25 budget.
- The assessment of the robustness of the Budget remains highly sensitive to the detail of Government decisions about funding made at future Spending Reviews and Budgets and also the progress of Local Government Finance reforms.

17.4. In addition to the above, this judgement takes into account the fact that significant emerging pressures have been included in the final Budget proposals in January 2024 where they have been shown to be appropriate, but risks remain around a number of other areas:

- The level of the 2024-25 pay award for local government agreed nationally;
- Further inflationary pressures including for energy, fuel, and utilities as a result of wider international economic instability;
- Pressures within adults and children’s social care including growth in demand, additional cost of purchasing care provision, delays in delivery of savings, the overall position of the care market and the impact of the National Living Wage;

- Risks linked to expectations around hospital discharge activities and associated funding;
- Potential future cost pressures linked to Government social care reforms;
- Other demographic pressures including home to school transport;
- Impact of policy decisions
- Property cost pressures;
- Government funding ceasing;
- Wider pressures linked to the National Living Wage; and
- Other decisions with cost implications, legislative and other changes.

17.5. Further risks are also emerging around long term economic issues. For example, disruptions to the food supply chain could result in additional costs related to the need to provide support to vulnerable members of society. Children’s services, in both social care and education (particularly the High Needs Block), continue to be under very significant stress. There remains a risk that many of these pressures continue to increase in the medium-term as a result of both additional needs and higher unit costs.

17.6. The forecast budget gap for 2025-26 remains a material and challenging gap with limited prospects for additional Government funding in 2025-26. Taking all of this into account, the Director of Strategic Finance’ current advice is that the Council needs to develop the 2025-26 Budget in a way which offers flexibility to respond to changes in the wider environment and operating context. This includes an early and thorough process to identify deliverable recurrent savings for 2025-26. The overall Budget position will need to be kept under review as budget planning progresses, informed by consideration of the adequacy of the overall General Fund balance, the need for a general contingency amount within the revenue budget, uncertainty about Government funding, and the further implications of the key issues discussed in this report alongside the Council’s wider value for money position. Due to the size of the budget gap, it is recommended that this process starts in April/May 2024 and is supported by a series of savings reports to Cabinet through the year, in order to ensure that Cabinet can be assured that there will be a sufficient quantum of savings deliverable savings in place from the beginning of 2025-26.

17.7. As in previous years, the 2024-25 Budget has been prepared with reference to the Financial Management Code (the FM Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The FM Code provides guidance about the principles of good and sustainable financial management, and requires authorities to demonstrate that processes are in place which satisfy these principles. It identifies risks to financial sustainability and sets out details of a framework of assurance which reflects existing successful practices across the sector. In addition, the Code establishes explicit standards of financial management, and highlights that compliance with these is the collective responsibility of elected members, the chief finance officer and the wider Executive Leadership Team.

17.8. The code builds on elements of other CIPFA codes and in particular has clear links with The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom. The code is based on the following principles:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

17.9. Details of how the Council considers it achieves compliance with the FM Code are set out in the table below.

Table 32: Assessment of compliance with Financial Management Code

Section	Statement	Summary of assessment of compliance
1	**The responsibilities of the Chief Finance Officer and Leadership Team**	
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	Executive Directors keep their services under continuous review and seek to achieve value for money. The requirement to deliver savings as part of the annual budget setting process helps to ensure that a focus on value for money is maintained. Various sources of benchmarking are used by different teams and services where appropriate across the organisation. A scheme of delegation has been imbedded into the monthly financial monitoring and the annual budget setting process. As part of the annual audit of the Council's Statement of Accounts, the External Auditors consider the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.[22] No issues have been identified as part of this exercise.
B	The authority complies with the *CIPFA statement on the role of the Chief Finance Officer in local government*	The Director of Strategic Finance is CCAB qualified and complies with CPD requirements. Financial Regulations clearly set out the role and responsibilities of the Director of Strategic Finance including requirements of Section 151 of the Local Government Act 1972, and

[22] https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/statement-of-accounts

Section	Statement	Summary of assessment of compliance
		the Council's compliance with the CIPFA Statement on the Role of the CFO in Local Government[23].
2	**Governance and financial management style**	
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	The authority has a clear framework for governance and internal control. The Accounts and Audit (England) Regulations 2015 (as amended by The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404)) require the Council to conduct a review of the effectiveness of its system of internal control at least once a year. The Chief Internal Auditor reviews the effectiveness of the system of internal control throughout the year and reports annually to the Audit Committee. As part of the production of the Annual Governance Statement[24] which accompanies the Statement of Accounts, Executive Directors complete an Annual Positive Assurance Statement and supporting departmental assurance table. Action plans are put in place where any strengthening may be required. The Council's Financial Regulations establish the role and responsibilities of the Director of Strategic Fand explain how these interact with responsibilities of Members, other Executive Directors, and officers. Executive Directors have responsibility for managing their budgets within the amounts approved by County Council. They have been charged with reviewing all their cost centres to ensure that, where an overspend is identified, action is taken to ensure that a balanced budget will be achieved over the course of the year.
D	The authority applies the CIPFA / SOLACE *Delivering Good Governance in Local Government: Framework* (2016).	The Council has approved and adopted a Code of Corporate Governance consistent with the principles of the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014). The authority seeks to apply the principles, behaviours and actions set out in the Framework within its own governance arrangements, including the Financial Regulations which form part of the County Council Constitution. These are supported by the Financial Procedures which are more detailed. This is further supported through regular reporting to the Audit Committee (including high priority findings) and the development of the Internal Audit Strategy.
E	The financial management style of the authority supports financial sustainability.	Financial Regulations and Budget reports collectively set out the Council's approach to prudent, sustainable financial planning and the Director of Strategic Finance's role in commenting on the robustness of estimates, and duties under section 114 of the Local Government Finance Act 1988. A balanced revenue Budget is prepared annually and Members have historically taken decisions on available council tax increases which

23 https://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-chief-financial-officer-in-local-authorities

24 https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/statement-of-accounts/annual-governance-statement-2020-to-21.pdf

Section	Statement	Summary of assessment of compliance
		ensure future sustainability. The Medium Term Financial Strategy also considers a longer term horizon. The wider financial management style of the authority supports financial sustainability in that reports taken to Cabinet have to consider and document the financial implications of any material decision taken. Cabinet regularly receive financial monitoring and forecasts. Managers are encouraged to enhance their financial literacy through a suite of online training and support from finance professionals.
3	**Medium to long-term financial management**	
F	The authority has carried out a credible and transparent financial resilience assessment.	The Council underwent a Local Government Association Corporate Peer Review / Challenge in October 2019[25], which included consideration of financial planning and viability. Findings included that the "*council has successfully addressed the financial challenge to date in balancing its budget. In meeting this challenge, the authority has demonstrated both a prudent approach and a willingness to take difficult decisions.*" The authority undertakes an annual resilience review, as part of the budget setting process, including a sensitivity analysis.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	The authority has a robust understanding of the risks to its financial sustainability and reports regularly to Corporate Board, Cabinet and other relevant committees to highlight the impact of these in relation to short-, medium- and long-term decision making. Issues relating to long term financial sustainability are considered in detail in the annual Budget setting reports to Cabinet and County Council and are regularly articulated to Government via consultation responses and other engagement. The Council has considered its position as evidenced in CIPFA's Financial Resilience Index, which provides a tool for recognising potential signs of risk to councils' financial stability and can be used to assess the organisation's position relative to its peers.
H	The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*	Norfolk County Council prepares and publishes an annual Capital Strategy as part of the budget setting process, covering four years. This is summarised in the MTFS and published alongside the revenue budget papers. The authority has a set of prudential indicators included within the Treasury Management Strategy, in line with the Prudential Code and has suitable mechanisms in place for monitoring performance against those set.
I	The authority has a rolling multi year medium-term financial plan consistent	Annually produced, rolling four-year medium term financial strategy which also looks at the longer term (10 years) to establish potential risks and sensitivities within the budget setting process. Annual Budget sets out links to annual Service Committee Plans. Annual

[25] Plan to develop Peer Challenge Recommendations into Action Plan, (Item 16), Cabinet, 2 December 2019

Section	Statement	Summary of assessment of compliance
	with sustainable service plans.	Strategic Planning activity also makes the link between budget-setting and the Council's wider strategy and transformation activity within Service Departments. The Budget Book also details budgets to a lower level of analysis and incorporates planned savings.
4	**The annual budget**	
J	The authority complies with its statutory obligations in respect of the budget setting process.	The authority is aware of its statutory obligations in respect of the budget setting process and sets a balanced budget for the current year within the required timeframe. The proposals set out within this report will enable the Council to set a balanced budget for the forthcoming year.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	The adequacy of reserves and provisions budget report includes details of the earmarked reserves held, explains the purpose of each reserve, the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances. Information and details of the assumptions used to support the Director of Strategic Finance' statement on the Robustness of the Estimates (budget report) provides assurances to Members prior to recommending and agreeing the revenue and capital budgets and plans.
5	**Stakeholder engagement and business cases**	
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	The authority knows who the key stakeholders are and has processes in place to ensure they are engaged with throughout the year, and as part of the annual budget setting process. The effectiveness of this engagement is kept under review to ensure improvements can be made where necessary. Further details about the approach to engagement are provided within this report and Appendix 5
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	The capital prioritisation process is set out in the annual Capital Programme. Significant decisions are subject to review of business case and approval by Members in line with Financial Regulations. A Capital Programme Quarterly Review Board has been established to co-ordinate and provide oversight of the Council's overall capital programme. It is led by the Cabinet Member for Finance and attended by officer representatives from each major service. The board provides a forum to discuss, co-ordinate and, if necessary, prioritise new schemes to be added to the programme, as well as on-going schemes.
6	**Performance monitoring**	
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	The Council produces regular revenue finance monitoring reports for members, based on forecasting by budget holders which is considered by senior managers. Reporting includes details of the monthly monitoring position against the budget, forecasts general balances and reserves for the end of the financial year, and highlights any other pertinent information relating to the overall financial position of the council. These reports also detail relevant service specific financial and operational issues.

Section	Statement	Summary of assessment of compliance
		Financial information is also aligned with and reported alongside corporately significant vital signs, which provide details of the Council's current performance towards achieving its strategic outcomes. Vital signs support the Council to review current performance, validate the actions being taken to address gaps in performance and identify further opportunities for improvement
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	The authority routinely monitors and reports the material elements of the balance sheet that may give indications of a departure from financial plans.
7	**External financial reporting**	
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	The role of the Director of Strategic Finance is set out within the Financial Regulations. The statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. Statements in the Statement of Accounts confirm compliance.
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	Outturn figures are presented as part of the monthly financial monitoring and forecasting process, so shape strategic decisions going forward. The final outturn is presented within the Statement of Accounts along with supporting narrative. These figures then form a part of the decision making within the following year's annual budget setting process.

18. Summary

18.1. Collectively, the proposals in this report represent a prudent, robust Budget for 2024-25, which is closely aligned to the delivery of the Council's key priorities as set out in its Vision and Strategy. The Budget for 2024-25 incorporates very significant cost pressures, which are higher than experienced in previous years and driven largely by external factors. The development of a balanced position has required the identification of material savings proposals for the year, and the successful achievement of these will require major organisational effort.

18.2. Looking forward, the Budget makes provision for the identified cost pressures across all services in order to establish a foundation for the delivery of a balanced position for 2024-25 and the development of a sustainable MTFS position. However, material risks and significant uncertainties remain for 2025-26 as described in the report, and an early and robust process will be required to support the preparation of a balanced 2025-26 Budget.

Norfolk County Council
Medium Term Financial Strategy 2024-28

1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) 2024-28 replaces the Medium Term Financial Strategy 2023-27. It outlines the different factors that contribute towards the financial context in which the County Council operates and the expected future impacts.

1.2. Developments globally have had a material impact on the ability to forecast the Council's future financial position and have significantly impacted the medium-term fiscal outlook for the country. The geopolitical tensions (ongoing wars in Ukraine and the Occupied Palestinian Territories) have far-reaching impacts on energy and food markets, global trade, and geopolitical relationships.

1.3. There are many economic risks affecting the country, including; persistent high **inflation** (whilst on a downward trend) remains above the 2% inflation target, **interest rates** are currently 5.25% and having risen since early 2022, when it was at an historic low of 0.1% and the **cost of energy** remains much higher than it was 2 years ago (whilst it has come down from the peak at the end of 2022), which have all profoundly impacted the wider economy.

1.4. Recent inflationary increases have contributed to the announcement within the Autumn Budget 2023 to increase the National Living Wage much higher than expected to £11.44 (from £10.42) which will have a significant impact on our contracted / procured services in 2024-25 and beyond.

1.5. As households and communities struggle with the **rising cost of living**, with many households seeing the costs of essentials such as food, energy and rent rising faster than their income. Living standards, as measured by real household disposable income (RHDI) per person, are forecast to be 3.5% lower in 2024-25 than their pre-pandemic level. It represents the largest reduction in real living standards since ONS records began in the 1950s. It is forecast that RHDI per person recovers to its pre-pandemic level in 2027-28.

1.6. The impacts of the pandemic and Brexit continue to cast a dark economic shadow, with the country struggling with stagnant low GDP growth, with no growth anticipated during 2024, combined with elevated debt levels and therefore increasing debt repayment costs, as interest rates continue to rise. This is something the council is not immune to, and we continue to keep our capital programme under review to ensure that we are able to make our repayment obligations going forward.

1.7. Alongside these developments, there are long term public finance challenges around aging, health, and social care. The Green Budget produced by the Institute for Fiscal Studies shows that a near-doubling of the population aged over 85 in the next 20 years will have major implications for the NHS and social care. However, many of the effects of an ageing population are already showing today and will only become more pressing over coming decades.

1.8. The funding of social care remains a major issue for the County Council. Pressures are being experienced in key areas within Adults and Children's Services, with increased spending on social care services due to a range of factors including; managing new and existing demand (due to a post pandemic backlog) market stability, staff recruitment and retention (both within care providers and social care workers), pressures of hospital discharge requirements, cost of care packages exceeding inflation, additional complexity of cases and court system delays.

1.9. The Local Government Finance Settlement announced 18 December 2023 covered one year; 2024-25. The financial implications for Local Government for the latter three years of the MTFS (2025-28) are largely unknown, and therefore remain subject to considerable change and uncertainty.

1.10. Performance indicators for public services continue to show signs of strain, for example the backlog in crown courts reached a record high of 65,000 in August 2023 and twelve 'section 114s' notices have been issued by local authorities since 2018, compared to two in the preceding 18 years. The Institute for Government's recent report[26] found that performance in eight out of nine major public services has declined since 2010, with schools the exception. Longer-term pressures on public spending, such as from climate change and an ageing population, are also building, as discussed in the OBR Fiscal risks and sustainability reports.

1.11. The Government's plans to reform local government funding have been delayed multiple times, and Fair Funding Reform looks increasingly unlikely to be progressed in any meaningful way. There will be a general election held in 2024 and therefore the political make-up of the future Government is uncertain.

1.12. In the context of this uncertainty, the MTFS sets out the latest available information about national and local factors which are likely to impact upon budget planning decisions. The MTFS forms a key part of the Council's financial management approach and supports the identification and management of the key risks to the Council's financial sustainability. As such it details funding changes and explains the strategy for how the Council intends to manage these, to make transformative change, and plan new initiatives, while continuing to meet its statutory responsibilities in the medium term.

1.13. As a result of all of the issues set out above, and in more detail below, the council will need to develop early and robust responses, including **significant further realistic and deliverable savings plans**, during future budget planning rounds and the Medium Term Financial Strategy will need to remain flexible to adapt to changing circumstances.

[26] Institute for Government, *Performance Tracker 2023*, October 2023

2. National Factors

Government Funding

2.1. The financial landscape in 2025-26 is particularly challenging, as there is major uncertainty. Within the November 2023 Office for Budget Responsibility (OBR) Economic and Fiscal Outlook[27] (EFO) forecast, for day-to-day spending overall funding envelope (RDEL) grows by an average of 0.9 per cent a year in real terms (this is lower than the 1.1 per cent a year growth forecast in March 2023). Higher forecast inflation mean spending in cash terms is higher by £4.8 billion a year on average. These assumptions imply total DEL falling as a share of GDP by 1.1 percentage points over the final four years of the forecast (though in 2028-29 DEL is still 1.2 percentage points above its pre-pandemic share of GDP). And by 2027-28, higher inflation means real total DEL spending in the same year is predicted to be £19.1 billion lower than detailed within the March forecast.

2.2. This is not good news for Local Government when considering commitments in some protected areas of spending such as the NHS and Defence. The OBR predicts that unprotected areas (such as Local Government) would need to fall by an average of 4.1% per year to accommodate increases elsewhere[28].

2.3. The Department for Levelling Up, Housing and Communities (DLUHC) announced the provisional Finance Settlement for Local Government on 18 December 2023, which covered 2024-25.

2.4. In overall terms, the Provisional Settlement reflects a 6.8% increase in Core Spending Power (CSP) for the County Council. The increase in CSP is largely being delivered via a higher threshold for council tax increases, including the Adult Social Care precept. These CSP increases are accompanied by significant cost pressures including increased demand, high inflation rates and the increase in the National Living Wage.

2.5. Alongside the Autumn Statement, in November 2023, the Government published an update to its preferred measure of illustrative core spending power, which suggests that Local Government's core spending power (assuming authorities increase their Band D by the maximum allowed) will increase by 6.8% in 2024-25 (predicted to increase by 9.2% in 2024-25 within the 2023-24 statement).

2.6. For Norfolk, a large proportion of the increase in core spending power of 6.8% is driven by assumed council tax increases. The remainder of the increase in CSP largely derives from additional funding for Social Care.

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[27] Economic and fiscal outlook – November 2023 - Office for Budget Responsibility (obr.uk)

[28] The Government's post-Spending Review departmental spending plans - Office for Budget Responsibility (obr.uk)

2.7. Local authority finances have recently been attracting increased attention. The OBR Economic and Fiscal Outlook November 2023 references this -

‘Since 2018, there have been eleven[29] ‘section 114s’ notices issued by local authorities, compared to the two issued since 2000. These notices indicate that the authority’s forecast income is insufficient to meet its forecast expenditure for the next year. Some of these have been issued due to unique financial management issues and some local authorities have submitted multiple times. The direct impact on our forecast to date has been relatively small as the central government response to section 114s has been to allow affected local authorities to reallocate their capital budget towards day-to-day spending (a ‘capitalisation direction’) or to increase council tax rates’.

2.8. It has also been announced that **Fair Funding** will be delayed until 2026-27 at the earliest. It is disappointing as it had initially appeared that the direction of travel was generally favourable for upper tier shire authorities. The Council continues to engage with the government to ask that the Fair Funding Review be concluded to provide an adequate overall quantum of funding for local government within the system, update the relative needs formula, and fully recognise the costs associated with rurality and sparsity.

2.9. The overall level of uncertainty means that the financial environment for local government remains extremely challenging for the foreseeable future. Local authorities continue to face a growing gap between funding and service pressures, driven in part by demographic changes, burdens such as the higher than expected increases to the National Living Wage over the past two years, central Government policy expectations, and the needs of vulnerable social care users becoming increasingly complex.

Government policy and economy forecasts

2.10. At the time of preparing this Strategy in January 2024, the last major fiscal event was when the Chancellor of the Exchequer, Jeremy Hunt, announced the Autumn Statement in November 2023.

2.11. Alongside this, the OBR have published an updated Economic and Fiscal Outlook in November 2023 to set out forecasts for the economy and Government plans. The OBR forecast indicated that with high inflation and high interest rates weighing on demand, the UK economy is expected to see small growth or be flat during 2024.

2.12. The OBR reports expect inflation to remain higher for longer, taking until the second quarter of 2025 to return to the 2 per cent target, more than a year later than forecast in March 2023, from a peak of 10.7 per cent in the last quarter of 2022. Within the latest release (dated 17 January 24) it shows the Consumer Prices Index (CPI) rose by 4% in the 12 months to December 2023, up from 3.9% in November and down from a recent peak of 11.1% in October 2022 (the highest rate in over 40 years - the CPI National Statistic

[29] As at publication of the OBR EFO - November 2023

series begins in January 1997). The annual rate in November 2023 was the lowest since September 2021.

2.13. The level of commissioning undertaken by the council sees a wide range of services being delivered by partners and through private sector contracts. Contractual obligations are often linked with the Consumer Price Index (CPI), meaning these rates will impact on the council's budget setting activity and medium-term planning.

2.14. The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At a meeting on 14 December 2023, the MPC voted to maintain the Bank rate 5.25%[30].

2.15. The Government implemented a National Living Wage (NLW) from 2016-17, starting at £7.20. From April 2024, it will be increased by 9.8% to £11.44 (currently £10.42). The exact level at which the National Living Wage will be set in future years has not been confirmed. Although assumed cost pressures relating to the National Living Wage have been included in medium term forecasts, there is a risk these could change significantly in the future.

European Union withdrawal (Brexit)

2.16. One of the challenges for economic growth is the ongoing impact of Brexit. On 22 November 2023, the OBR updated its forecast alongside the Autumn Statement, reflecting a continued assumption that Brexit will result in the UK's trade intensity being 15% lower in the long run than if the UK had remained in the European Union (EU). The latest evidence suggests that Brexit has had a significant adverse impact on UK trade, as of 2023, UK trade intensity remains 1.7 per cent below its 2019 level, versus an average increase of 1.9 per cent across other G7 economies. The relative weakness in UK trade since the pandemic is explained entirely by goods trade, as UK services trade has grown at a similar rate to other G7 countries. This may suggest that Brexit frictions and post-pandemic disruptions have weighed more on trade in goods than on services.[31]

2.17. Brexit has also intensified a post-pandemic labour shortage, with the current immigration policy posing particular challenges to the care and agricultural sectors in the county. It is therefore doubly important that Norfolk is able to access post-Brexit government funding to address identified challenges, including supporting small and medium enterprises (SMEs).

Coronavirus Pandemic

[30] Bank rate maintained at 5.25% - December 2023 | Bank of England

[31] CP 944 – Office for Budget Responsibility – Economic and fiscal outlook – November 2023 (obr.uk)

2.18. The COVID-19 pandemic, and the public health measures taken in response to contain it, delivered one of the largest shocks to the UK economy and public finances in recent history. While the immediate impacts of the pandemic have now begun to recede, there has been a legacy impact on the Council in respect of both higher costs which have effectively become mainstreamed into the base budget (for example more expensive and different ways of delivering services to maintain health and safety standards), and higher levels of demand. Many of the main issues we faced before COVID-19 have been exacerbated including population changes, social, economic and health inequalities, rising demand for services and support, workforce challenges in key sectors such as the care market, and higher than expected national living wage increases during 2023-24 and 2024-25. Nationally, no funding to support ongoing COVID-19 cost pressures has been provided since 2022-23.

3. Organisational factors

3.1. In responding to these national pressures, Norfolk County Council is operating in the context of significant change in both the scope and scale of public services, while simultaneously absorbing the impact of historic sustained reductions in levels of funding. This pressure on resources has come at a time of increasing levels of demand, and complexity of needs, for many of the services the council provides.

3.2. The council is responding to the wider cost of living crisis while remaining focussed on meeting the twin challenges of increasing demand and limited central government funding, whilst minimising the impact on the front-line delivery of services, and delivering the updated strategy Better *Together, for Norfolk*. This Medium Term Financial Strategy has been developed to support this work to ensure that the council's gross budget of £1.8bn is spent to best effect for Norfolk residents.

3.3. There are a number of local factors that impact upon services provided or commissioned by Norfolk County Council and therefore affect the budget, yet are (at least in part) outside of the council's control. The most significant of these relate to demographics, the local economy, and ecological pressures.

Demographics

3.4. Norfolk's population is an estimated 925,300 in mid-2022[32] – an increase of around 6,800 on the previous year.

3.5. Over the last 5 years since mid-2017, the population of Norfolk has increased by 3.0% (or around 26,800 people), compared with an increase of 2.7% for England as a whole.

[32] Office for National Statistics mid-2022 population estimates.

3.6. In terms of broad age groups, Norfolk's population is made up of 16.2% of children and young people aged 0 to 15 years; 59.1% of 16 to 64-year-olds; and 24.7% of those aged 65 and over.

3.7. The estimates for mid-2022 confirm that Norfolk's population has an older age profile than England as a whole, with 24.7% of Norfolk's population aged 65 and over, compared with 18.6% for England.

3.8. The ONS 2018-based population projections are trend-based[33], and on this basis, Norfolk's overall population is projected to increase from 2018 to 2028 by around 60,600 people – this is an increase of 6.7% which is higher than the East of England projected increase of 5.0% and higher than the England projected increase of 5.0%.

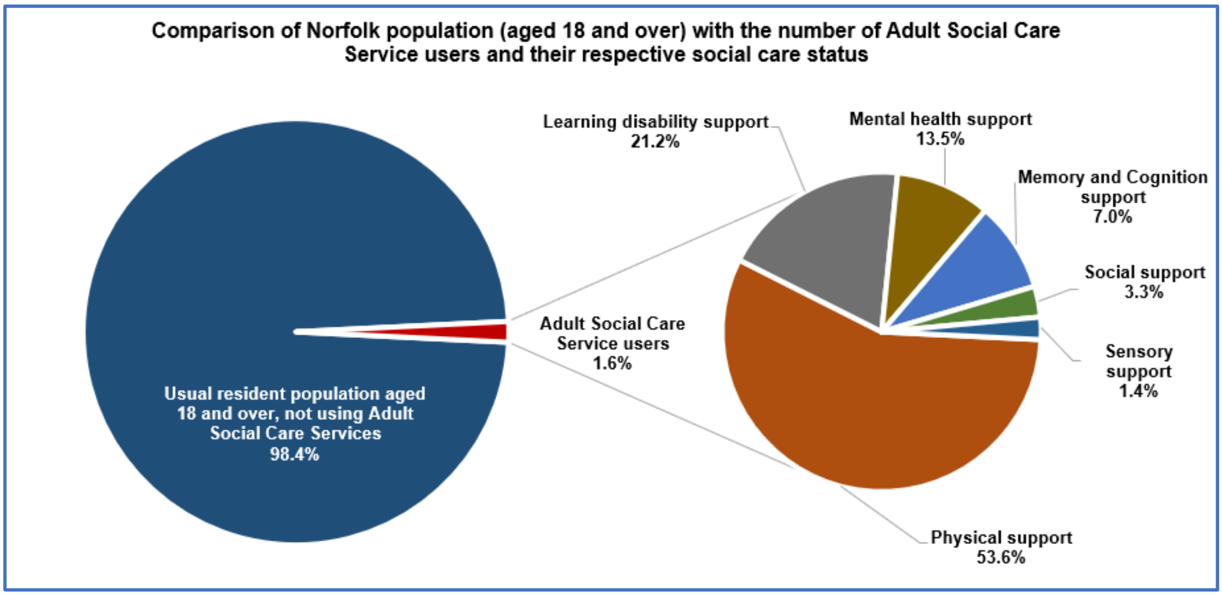
3.9. Norfolk's oldest age groups are projected to grow the quickest over the ten years to 2028, with numbers of 75 to 84-year-olds projected to increase by around 37% and numbers of those aged 85 and over projected to increase by around 24%. This age group is the most likely to require social care, so increases in the size of this older group are likely to have a high impact on the demand for social care services.

3.10. Looking further ahead, Norfolk's population is projected to exceed one million by the year 2036.

Further demographic information is provided below, relating to the proportions of adults (aged 18 and over) and children (aged under 18) in Norfolk's population, compared with the proportions who are social care service users, along with their respective social care status.

[33] Office for National Statistics 2018-based subnational population projections.

MTFS Chart 1: Adults demographic information

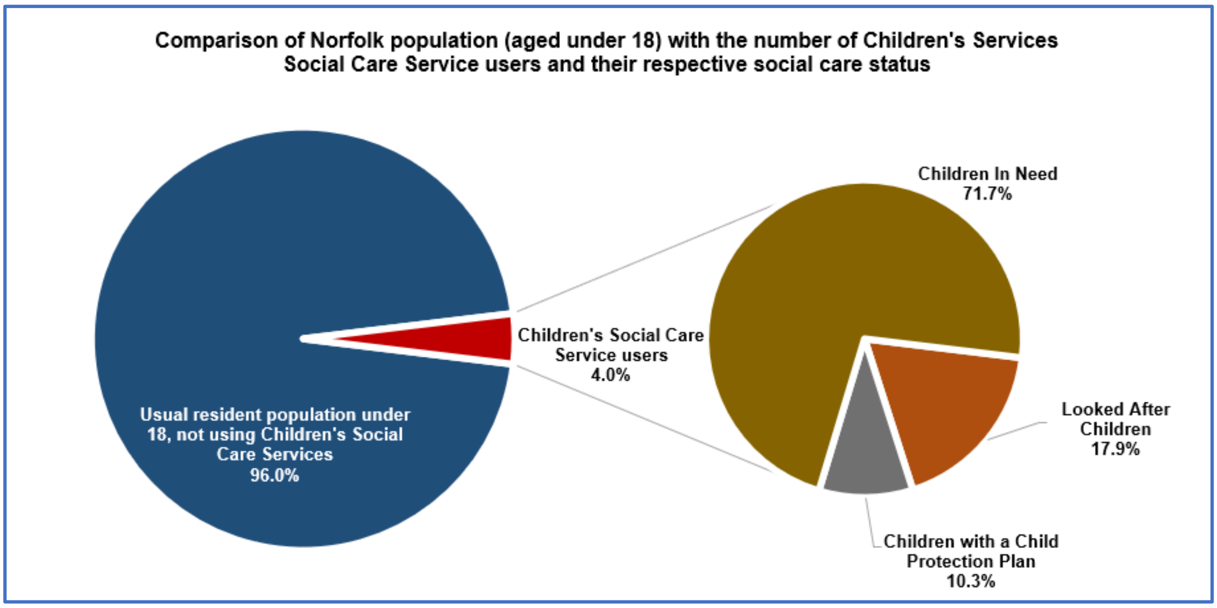


The first pie chart shows that of the usual resident population aged 18 and over, 98.4% are not using Adult Social Care services. It also shows that 1.6% of the usual resident population aged 18 and over are Adult Social Care service users.

The second pie chart provides a breakdown of the type of service the 1.6% Adult Social Service users accessed during 2022-23. A breakdown is included within the MTFS Chart 1 Table below:

Adult Social Care Service	**Percentage of Adult Social Care Service users**
Physical support	53.6%
Learning disability support	21.2%
Mental health support	13.5%
Memory and cognition support	7.0%
Social support	3.3%
Sensory support	1.4%
Total	**100%**

MTFS Chart 2: Children's demographic information



Population data from Office for National Statistics mid-2022 estimates; service data 2022-23.

The first pie chart shows that of the usual resident population aged under 18, 96.0% are not using Children's Social Care services. It also shows that 4.0% of the usual resident population aged under 18 are Children's Social Care service users.

The second pie chart provides a breakdown of the type of service the 4.0% Children's Social Service users accessed during 2022-23 – a breakdown is included within the MTFS Chart 2 table below:

Children's Social Care Service	Percentage of Children's Social Care Service users
Children in need	71.7%
Looked after children	17.9%
Children with a child protection plan	10.3%
Total	**100%**[34]

Local Economy

3.11. Norfolk County Council (NCC) is currently developing the Norfolk Economic Strategy 2024-29, in partnership with Norfolk district councils and county-wide stakeholders. The strategy will build on the work of the New Anglia Local Enterprise Partnership (NALEP)'s Economic Strategy for Norfolk and Suffolk, and is a key function for NCC to deliver, as part of the LEP Integration. The Norfolk Economic Strategy will also support objectives for economic growth, set out in the Council's business plan, and Better Together for Norfolk. The Norfolk Economic Strategy will provide a voice to Government on Norfolk's priorities for economic growth and provide a policy framework for future investment, such as the implementation of a devolved Investment Fund.

[34] Subject to rounding

3.12. The integration of the LEP into the council in April 2024 will strengthen the council's capabilities in supporting economic growth and in attracting more investment into the county.

3.13. In terms of current funding to support the local economy, the Government replaced EU funding with the £2.6bn UK Shared Prosperity Fund (SPF) and the £4.8bn Levelling Up Fund (capital). Norfolk's SPF allocation for 2022-25 is £10.4m, an average of £1.49m per district for the three-year period, which includes funding for a national adult numeracy programme ('Multiply'). Three-year investment plans for the funding, submitted by Norfolk's district councils, were agreed by Government on 5 December 2022. The Government's flexible approach means that councils and local partners will have the opportunity to adapt each plan to reflect new economic priorities over the period to 2025. A range of projects and programmes has been launched covering business support, skills, as well as programmes to support local communities and to support low carbon growth.

3.14. The Rural England Prosperity Fund (REPF) was announced in September 2022 – an additional fund to support the UK Shared Prosperity Fund's priorities on Supporting Local Business and Community and Place, with nearly £5.9m allocated across six Norfolk districts (all except Norwich) to 2025 and a range of local programmes and projects launched.

3.15. Of the £4.8bn Levelling Up Fund, which supports town centre and high street regeneration, local transport projects, and cultural and heritage assets, £1.7bn was allocated in the first round, following a competitive bidding process, but none to Norfolk. The second bidding round allocated £2.1bn in January 2023, with £44.1m awarded between the County Council (£24.1m for King's Lynn STARS project) and Great Yarmouth Borough Council (£20m for the Riverside Gateway). Of the third round, the government has agreed to put £7.6m into a Norwich City scheme to breathe new life into the city's Sloughbottom Park on the Mile Cross estate. The Government also allocated £9.9m for the Fakenham Leisure and Sports Hub facility in North Norfolk.

3.16. On 8 December 2022 agreement was secured from the Government to pursue a County Deal for Norfolk. Under the deal, Norfolk will receive a £20m investment fund, every year for 30 years. There would also be specific funding for integrated transport, brownfield development (£7m), adult education, and infrastructure (£5.9m for housing, regeneration and development, during this Spending Review period). The deal would also see the County Council taking on the management of SPF and REPF for the county from April 2025.

3.17. Full Council and Cabinet considered the County Deal in December 2023, following a public consultation held in early 2023, and voted in favour of implementing the County Deal for Norfolk and move to an elected leader and cabinet system of governance. Full Council and Cabinet also agreed that elections for a Directly Elected Leader will be postponed until May 2025, to align with County council elections – which is more cost efficient.

3.18. Securing a County Deal will support the Council's aspirations to improve transport, transition to net zero, support sustainable housing, jobs and economic growth. A long-term investment fund will enable the council to develop a pipeline of projects support economic outcomes.

3.19. Looking briefly at 2023-24 achievements - our programmes have continued to deliver high outputs to help deliver economic growth and support Norfolk's businesses:

- Construction work to build out the **Great Yarmouth Operations & Maintenance (O&M) Campus** commenced in September 2023. The O&M Campus will support growth in Norfolk's offshore wind sector. The campus will create 288,700 square foot of lettable space and up to 650 jobs, as well as drive investment in the renewable energy sector in the region.
- The Go Digital project, funded by C-CARE, NCC and district councils, has supported over 1000 Norfolk businesses to do more online. The project offers bespoke digital advice and support for small to medium sized businesses, including access to £500 in funding to increase their digital capabilities.
- We have successfully delivered our **ESF Insight Apprentice project** in total, 56 SMEs benefited from the support provided, of which 29 proceeded to start at least 46 apprentices. A further 279 individuals participated in pre-apprenticeship activities and mentoring training as part of the project.
- The **Levy Support Scheme** delivered by the Apprenticeships Norfolk service at NCC has been live since April 2023. The scheme helps to utilise unspent apprenticeship levy funds from larger companies by matching opportunities with smaller businesses, to help them negate the cost of the training. So far, in the last 9 months, the scheme has received **£1.8m** of levy pledges from supporting organisations; including Aviva, UEA, East of England Coop, Amazon, Equinor, B&Q, Alan Boswell Insurance Brokers and Anglian Home Improvements.
- The original milestone for the end of financial year 2023-24 was to have committed £350,000 of levy transfers for businesses in Norfolk. To date (5th January 2024) the scheme has facilitated **£847,000** of transfers, supporting **73 businesses** to start **132 apprenticeships**, ranging from Level 2 right through to Level 7. Almost half of that amount has supported businesses with 0-50 employees. So far, 56% of transfers have supported businesses to hire new apprentices with 42% of transfers helping businesses to upskill their existing workforce.
- the **Innovation Grant Mentoring Project was created in** response to a low take up of Innovate UK funds by Norfolk and Suffolk SMEs. The project offers fully funded bespoke mentoring and bid coaching for SMEs with ideas worthy of Innovate UK grants, and helps businesses prepare their bid proposals for submission for those hard to obtain Innovate UK funding calls. **Over £1 million of Innovate UK funding** has been secured via support from Innovation Grant Mentoring Project. This scheme operates on a modest budget, offering an exceptional return on investment. The project is also highly commended by Innovate UK.

- To support green growth, the **Low Carbon Innovation Fund 2** made 61 investments in 37 businesses in the wider region, valued at £10.9m. These investments were matched by European Regional Development Fund (ERDF) (£10.9m) and levered in £65.25m of private investment. In addition, the programme has reported a decrease of 736,618 tonnes of greenhouse gas, against a target of 10,000.

3.20. The €315m INTERREG **France (Channel) England programme** which we manage, will continue through to closure, estimated to be in 2028. The Programme remains subject to EU regulations until 2033, in accordance with the legal framework in place pre-Brexit. EU programme funding ends 31st December 2023, as such we are working closely with both the French and UK Government representatives to ensure adequate funding is available from 1st January 2024 until the end of the programme to deliver to all EU regulations.

Adult Social Care: Care Market Workforce

3.21. The high level Skills for Care data for 2022-23 for Norfolk estimated that there were 27,000 filled posts in adult social care with a vacancy rate of 9.1% (estimated 2,200 vacancies). The turnover rate of staff working in the adult social care sector in Norfolk was 27.5% a significant improvement from 2021-22 when rates were 34.8%. This has been greatly influenced by the impact of care workers being added to the Shortage Occupational List, enabling international workforce who due to the nature of employment have lower turnover rates.

3.22. For staff delivering care directly, the turnover rate reduced too, to 33.2%. Turnover was higher for nursing home staff (36.8% all roles/43.1% direct care roles) and residential care home staff (30.1% all roles/36% direct care). The turnover percentages for community based services were lower, yet still concerning, at 26.9%(all roles)/29.7% (direct care roles).

3.23. Many of those that left their roles remained within the sector, as on average 59% of recruitment was from within adult social care, and 10.1 years working in the sector was the county average. Despite this, staff leaving one employer and starting with another was likely to have caused disruption to both, including to continuity and quality of care delivery. Demographically, 29% of the Norfolk workforce was aged 55 and above with only 9% aged under 25, which is likely to cause further workforce issues in future if recruitment and retention issues are not addressed.

3.24. 62% of the workforce in Norfolk hold no relevant social care qualifications, which is markedly higher than the national average of 54%, and 57% in the East of England. While the sector recruits to the values of the workforce, greater take up of training and qualifications can enable career progression, improve quality, and improve the image of social care. Building upon the legacy of Developing Skills in Health and Social Care, a sector skills plan for Norfolk and Suffolk is in development, alongside an enhanced offer from the newly established Care Market Workforce team as part of local efforts to address this and responding to government reforms such as the Care workforce pathway, released Jan 2024.

Environment

3.25. Norfolk County Council is fully behind the UK-wide effort to tackle climate change and reach net zero greenhouse gas emissions by 2050. The council has set its own commitments, set out in its Environment Policy, to lead by example through making its own estate net zero by 2030 and working in partnership to support the county-wide transition towards a low carbon future.

3.26. In June 2023, the council launched its Climate Strategy. Structured around seven focus areas, it sets out how the council can best direct its powers, resources and influence in support of Norfolk's journey towards a clean and resilient future in the face of climate change. Looking beyond carbon reduction, the strategy also covers the close relationship between climate action and nature recovery, the jobs and growth opportunities from the expanding green economy, and how adaptation is needed to protect our local services and communities. The seven 'focus areas' of the strategy include:

- Reducing our estate emissions
- Reducing our indirect emissions
- Addressing Norfolk's county-wide emissions
- Promoting a green economy for Norfolk
- Climate adaptation
- Ensure nature has space to recover and grow
- Engage and collaborate.

3.27. With this strategic statement in place, the task is now to keep momentum in translating its vision and priorities into practical implementation. The council is publishing a series of climate action plans, with the first endorsed by Cabinet in October 2023 and two more tranches due in 2024. They will be a key means for enabling member and public oversight of the strategy's delivery by outlining the initiatives taking place across the council's service areas that align to the strategy's seven focus areas – ranging from measures on the council's own buildings and vehicles to those aimed at catalysing green growth. Once published, these action plans will be brought together as a single list to allow for an annual progress update each autumn to members.

3.28. The council's estate net zero target covers the emissions relating to its buildings use, streetlights and vehicle fleet. Significant progress has been made to date, with these emissions having been cut by over half (57%) between 2016-17 and 2022-23. The Climate Strategy set out a series of interim carbon reduction targets (relative to 2016/17 baseline) of: a two-thirds reduction by 2024-25; an 85% reduction by 2028-29; and a 90% reduction by 2030-31 with certified offsets in place for the remaining emissions to make our estate net zero.

3.29. Streetlighting is the single largest source of estate emissions at present. To address this, NCC is converting its streetlights to LED technology, which improve the lamp energy efficiency by 60-70%. The latest tranche of LED conversions carried out over the past two years has improved nearly 15,000 streetlights, meaning two-thirds of the streetlighting stock is now LED. This latest upgrade will save an additional 5.5 million kWh of electricity each year and bring cumulative savings of nearly 5,500 tCO_2e by 2030. Moreover, an agreement has been reached with Amey, our streetlighting PFI partner, to initiate work on converting the remaining lamps to LED.

3.30. Achieving a net zero estate will also require raising the energy performance of our buildings and transitioning away from gas and oil heating systems towards low carbon alternative such as air-source heat pumps. The council commissioned technical assessments of NCC buildings to establish the feasible retrofit works and estimated costs.

3.31. In June 2023, Cabinet agreed a capital spend of £22.5m covering 2023-24 and 2024-25 for an initial tranche of building decarbonisation works focused on freehold sites heated using fossil fuels. Of this total, £5.8m was already provided in the capital programme (including £1.8m capital funding secured through the Public Sector Decarbonisation Scheme) and £16.7m was new spend to be funded by prudential borrowing and any successful external funding bids. A bid is currently being prepared for further Public Sector Decarbonisation Scheme funds to support these retrofit works.

3.32. Looking beyond its own estate, the council has been successful at securing significant funding for initiatives being delivered over the coming years that will support decarbonisation of transport across the county, as outlined below.

3.33. In 2024, 70 electric buses will be heading to Norwich thanks to an extra £11.4m funding awarded to NCC by the Department for Transport that was announced in March 2023. This is in addition to the £3.3m confirmed in March 2022 through the Zero Emission Bus Regional Area (ZEBRA) scheme, bringing the total received to £14.7m with a further £21m being invested directly by First Bus as partners of the scheme. The scheme will also see First's Roundtree Way bus depot one of the first fully electric bus depots outside of London.

3.34. Over 80 charge points for electric cars and boats are due to be installed in rural and touristic parts of the county in 2024 after the council secured £1.1m capital funding through the Local Electric Vehicle Infrastructure (LEVI) pilot scheme in March 2023. Moreover, the Office for Zero Emission Vehicles announced in September 2023 a further £6.5m capital funding being earmarked for Norfolk County Council to support the installation of electric vehicle charge points, as well as £0.6m capability funding to support delivery capacity within the council through to 2024-25.

Waste

3.35. The County Council is responsible for dealing with the left-over rubbish (residual waste) collected by all local authorities in Norfolk and for the provision of recycling centres and payments to the District, City and Borough Councils for the recycling they collect.

3.36. Increases in household numbers and the effects of economic growth mean that the amount of left over rubbish and recycling collected are expected to increase significantly, and the associated increase on costs of the expected increases are compounded by the effects of indexation. To help mitigate these effects, the aim of the waste service is to reduce the amount of waste, increase reuse and recycling, and reduce unit costs. These objectives require measures to be put in place by all councils in Norfolk and they are actively working on this together as the Norfolk Waste Partnership.

3.37. The combined effect of long-term trends for household numbers in Norfolk, as well as effects of the general economy, changing working routines, consumer confidence and behaviours and weather patterns remain uncertain. These variables, as well as things such as service changes by other councils in Norfolk or changes in legislation and national waste policy, can all have a major effect on the cost of the County Council's waste services, meaning that the suitable approach to managing budgets for this service area is to make justifiable and evidence-based allowances in medium and longer-term plans that are continually subject to review.

3.38. In relation to national waste policy, changes are expected which could directly and significantly affect the County Council's cost in the short, medium and long-term.

3.39. In the short-term a national and unfunded requirement for a limited free allowance for DIY waste at recycling centres is expected 2023-24, which could generate an additional cost for the County Council estimated at between £0.5m and £1m. In addition, national requirements for how soft furnishings containing fire retardants called Persistent Organic Pollutants are dealt with at recycling centres, along with how similar items collected by the District, City and Borough Councils in Norfolk are dealt with by the County Council, are expected to increase costs for the County Council, also without additional funding.

3.40. In the medium-term, in 2025 the introduction of a delayed Extended Producer Responsibility scheme for packaging is expected to mean that part or all of the County Council's costs (along with the District, City and Borough Council costs) for dealing with packaging in waste and recycling could be met by producers. Potentially linked to this development could be the amending or ending of current requirements around the payment of recycling credits to the District, City and Borough Councils.

3.41. After the expected start date for packaging Extended Producer Responsibility in 2025, it is expected that a national policy presented as 'simpler recycling' will require changes to services provided by councils across the country, including an expected requirement to collect food waste and other changes which would affect the County Council's costs. In addition, the prospect of a national deposit return scheme for some packaging items, such as plastic bottles and drink cans, is expected from October 2025 and such a development, if delivered, would also affect the County Council's costs due to producers taking back some packaging materials directly.

3.42. In the longer term, beyond 2025 and up to 2030, there is a prospect of incineration being included in a national emissions trading scheme, which could add a significant and unknown extra cost to each tonne of waste that is incinerated.

Flooding

3.43. Norfolk is identified in the Norfolk Local Flood Risk Management Strategy[35] as the area 10th most at risk out of 149 authorities of local flooding in England. The county has approximately 38,000 properties at flood risk from local sources during a rainfall event with a 1 in 100 annual chance of occurring.

3.44. These local sources include flooding from surface runoff, groundwater and from over 9,000 km of watercourses within Norfolk. The County Council's two core aims as Lead Local Flood Authority are to reduce the existing local flood risk for communities and to prevent new development from increasing flood risk. Whilst not directly the authority's responsibility, the county also has nearly 100 miles of coastline and is vulnerable to tidal inundation and surges.

3.45. In the event of a major flooding incident, it is likely that the council would have recourse to the Bellwin scheme of emergency financial assistance to Local Authorities[36]. This would enable the council to be reimbursed for 100% of eligible expenditure above a threshold set by the government. The most recently published threshold for Norfolk was £1.346m[37] in 2022-23 (i.e. this is the maximum liability for the County Council in the event of a major incident eligible for support under the Bellwin rules). However, the annual threshold is 0.2% of the net revenue budget for the year. If the scheme is activated more than once during the year, the threshold is compared with the cumulative expenditure.

3.46. Following the flooding events which affected large parts of Norfolk in late December 2020 and January 2021, the Council set up the Norfolk Strategic Flood Alliance (NSFA) with a remit to ensure that the residents of Norfolk have confidence that inland and coastal flood risks are as low as reasonably practicable. Additionally, Cabinet approved changes to the Local Flood Risk Management Strategy and agreed[38] to extra funding to assist with the immediate response, clear up operation and repairs to the existing

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35 Norfolk Local Flood Risk Management Strategy
36 Bellwin Scheme published October 2017 https://www.gov.uk/government/publications/bellwin-scheme-guidance-notes-for-claims
37 Bellwin Scheme thresholds 2022 to 2023
38 Local Flood Risk Management Strategy Review, Agenda Item 11, Cabinet, 12 January 2021

drainage systems damaged or broken by the floodwater. The required works needed were and continue to be extensive. Flood investigations[39] into the 350+ properties that suffered internal flooding were completed and Flood Investigation Reports published during 2021-22. These reports identified areas where improvements should be made to reduce the future risk of surface water flooding. 28 priority sites were agreed by the NSFA where multi agency efforts are needed to develop and deliver solutions to flood risk.

Potential new statutory role for Norfolk County Council, as Sustainable Drainage System (SuDS) Approval Body

3.47. Schedule 3 of the Flood and Water Management Act 2010, relates to the creation of a Sustainable Drainage System Approval Body (SAB) for new development which would fall to the County Council as Lead Local Flood Authority. This has not yet been implemented in England and in January 2023, the Government explained its plan to implement Schedule 3 in 2024 following a consultation in 2023, which is still awaited.

3.48. This creates implications for the County Council that would arise from the implementation of Schedule 3 as currently legislated, particularly:

- The workforce implications for the County Council of a new statutory role with potential up-front and ongoing costs.
- The responsibility of the County Council for the adoption of sustainable drainage systems, ie their upkeep and maintenance, with the associated costs met by developers, and the cost risks for the County Council associated with funding long-term aftercare.

3.49. Early estimates of extra staff resources needed to cover the SAB role is for 30 additional officers on approvals only – with more on aftercare and maintenance, and this figure is similar to those quoted for other authorities. However, a precise figure would only become clearer with further details on the national standards, processes, and exceptions. There are also associated risks with staff recruitment and retention in a new start up service and one that may also be under scrutiny and challenge, for example by developers.

3.50. The three main financial risks recognised by Government are the costs to set up the SAB, the running costs of the SAB and the operation and maintenance costs of SuDS. Issues around these costs create the risks of front-loaded requirements (such as IT, staffing and training) not being funded; the risk of fees of non-performance bonds not matching the required resources, and long-term management costs not being fully funded. Around these cost considerations is also the possibility of challenge by developers within national parameters or the possibility that local costs are high in relation to national parameters, where set.

4. Organisational factors

[39] Flood investigations - Norfolk County Council

Organisational structure and governance changes

4.1. The County Council is under Conservative control and moved to an Executive Leader and Cabinet governance structure in May 2019.

4.2. The senior management and organisation structure is currently led by Tom McCabe who became Chief Executive in June 2023. He is responsible for the overall corporate management of the County Council, providing strategic leadership to the management team and ensuring the workforce delivers the Council's objectives.

4.3. He is the Council's principal policy advisor and together with the Section 151 (Finance Officer) and Monitoring (Legal) Officer ensures that the Council complies with a range of financial and legal requirements. He also works with our Statutory Directors of Children's and Adult Services to ensure effective safeguarding policies and practices are in place and followed in our work with children and young people and vulnerable adults - across the Council and our partner organisations.

4.4. As the head of the Council's workforce, Tom is responsible for overall corporate and operational management of the Council including developing an organisation culture that embraces and delivers change and raises the ambition of Norfolk. Within this he will seek to ensure the development of the workforce so that its expertise, skills and potential is realised and that high levels of performance are achieved and maintained, and areas of under-performance are addressed.

Staffing

4.5. The annual pay award and National Living Wage increases for both the Council's directly employed staff and contracted services are an important cost driver. The 2023-24 pay award was confirmed in November 2023 as a flat rate of £1,925 on scales A to L. Those on scale M and above received an increase of 3.88% on their basic salary. No announcements about national negotiations for 2024-25 pay awards have been made, although there is likely to be significant upward pressure on pay given wider inflation rates. The Budget makes contingency provision for a pay award of 4% in 2024-25 and circa 3% for all staff in future years of the MTFS. The pay award remains subject to confirmation at this point.

Treasury Management

4.6. The Council's treasury management objectives remain safeguarding the timely repayment of principle and interest, whilst ensuring liquidity for cash flow and the generation of investment yield. The Council works closely with its external treasury advisors to determine the criteria for high quality institutions, including high quality banks and financial institutions, and local authorities. The Council applies a minimum, acceptable credit-rating criteria to generate a pool of highly creditworthy UK and non-UK counterparties which provides diversification and avoids concentration risk. These are detailed further in the Annual Investment and Treasury Strategy 2024-25.

4.7. The Council makes non-treasury investments for policy purposes, for example capital loans to subsidiaries and other companies. These are addressed further in the Annual Investment and Treasury Strategy 2024-25.

The Norfolk and Waveney Integrated Care System (ICS)

4.8. Integrated care systems (ICSs) are partnerships that bring together providers and commissioners of NHS services across a geographical area with local authorities and other local partners to collectively plan health and care services to meet the needs of their population. The central aim of ICSs is to integrate care across different organisations and settings, joining up hospital and community-based services, physical and mental health, and health and social care. All parts of England are now covered by one of 42 Integrated Care Systems

4.9. Norfolk and Waveney together are in one of four ICSs within the Eastern Region, and has agreed three key goals:

1. **To make sure that people can live as healthy a life as possible**. This means preventing avoidable illness and tackling the root causes of poor health. We know the health and wellbeing of people living in some parts of Norfolk and Waveney is significantly poorer – how healthy you are should not depend on where you live. This is something we must change.
2. **To make sure that you only have to tell your story once.** Too often people have to explain to different health and care professionals what has happened in their lives, why they need help, the health conditions they have and which medication they are on. Services have to work better together.
3. **To make Norfolk and Waveney the best place to work in health and care**. Having the best staff, and supporting them to work well together, will improve the working lives of our staff, and mean people get high quality, personalised and compassionate care.

4.10. The Norfolk and Waveney ICS brings together a range of partners including;

- Norfolk and Waveney NHS (previously the CCG)
- 3 acute hospitals (Queen Elizabeth, James Paget and the Norfolk & Norwich)
- 2 Community Healthcare providers (East Coast Community Healthcare and NCH&C)
- Norfolk County Council
- Suffolk County Council
- 8 District Councils; (Breckland, Broadland, Norwich City, South Norfolk, Kings Lynn & West Norfolk, Great Yarmouth, North Norfolk and East Suffolk District Councils)
- Voluntary, Community and Social Enterprise (VSCE) providers of care and health related service
- 17 Primary Care Networks

4.11. The ICS promotes the principle of subsidiarity, making decisions close to the communities they effect. Work takes place at a system level as well as a place level and neighbourhood level (Primary Care Network footprints).

4.12. There are 5 Place Boards in the ICS bringing together colleagues from across health and social care to integrate services, focussing on effective operational delivery and improving people’s care.

4.13. Eight Health and Wellbeing Partnerships based in district council footprints bring together district and council colleagues, health services and wider VCSE organisations and partners that have an impact on people’s health and wellbeing, to progress work on tackling the wider determinants of health.

4.14. Provider collaboratives bring together NHS providers to reduce unwarranted variation and inequality in health outcomes, access to services and experience; improve resilience and ensure specialisation and consolidation occur where this provides better outcomes and value. All local providers are working towards these expectations with the overarching aim of enabling the best health outcomes for the population of Norfolk and Waveney.

4.15. An ICS has two named bodies, an **Integrated Care Board (ICB)** and an **Integrated Care Partnership (ICP)**:

- **Integrated Care Board (ICB)** is a statutory body that is responsible for planning and funding most NHS services in Norfolk and Waveney, leading integration within and across the NHS to deliver healthcare. The role of the ICB is to allocate the NHS budget and commission services for the population, taking over the functions previously held by clinical commissioning groups (CCGs) and some of the direct commissioning functions of NHS England. The ICB is directly accountable to NHS England for NHS spend and performance within the system.

- **Integrated Care Partnership (ICP)** provides leadership to the wider health and social care system, bringing together health and social care providers, local government, the voluntary, community and social enterprise (VCSE) sector, and other partners. It drives and enhances integrated approaches to address challenges that the health and care system cannot address alone. This includes prioritising prevention, reducing health inequalities, and addressing the wider social and economic factors affecting our communities. The ICP, which is a statutory committee of the ICS, is responsible for setting an integrated care strategy for improving the health care, social care and public health across the whole of the Norfolk and Waveney ICS population. The ICB is required to have regard to this strategy when making its decisions.

4.16. **The ICB is responsible for**:

- Setting the NHS Joint Five Year Forward Plan
- Delivering the health elements of the Integrated Care Strategy.
- Holding the executive to account for monitoring the performance of the body against core financial and operational objectives, and providing effective financial stewardship.
- Promoting effective dialogue between the ICB and other partners, including NHS England, the ICP, providers, councils, representatives of local committees and people who use services.
- Putting in place effective arrangements for place-based working with partners. Ensuring that the ICB develops arrangements for effective clinical and care professional leadership.
- Creating an organisational culture that encourages and enables system working, building partnerships with people and communities and utilising feedback to improve services.
- Ensuring legal duties are discharged effectively and foster the development of policies, processes and initiatives that promote equality and address health inequalities.
- Ensuring workforce strategies are built on the commitments in the NHS People Plan and People Promise.
- Developing a compassionate and inclusive leadership model.
- Aligning the ICB assets to contribute to population health and improvement as anchor institutions.

4.17. **The ICP is responsible for:**

- Leading the Integrated Care Strategy, reflecting the priorities of all partners, to improve health and care outcomes for Norfolk and Waveney people for which all partners will be accountable.
- Driving improvement in the care, health and wellbeing of all residents from babies and young people, working age adults and older people
- Playing a critical role in supporting place-based partnerships and coalitions with community partners to help people live more independent, healthier lives for longer.

- Improving the wider determinants that drive inequalities including employment, housing, education, environment and reducing offending.

4.18. The Council's Cabinet at its meetings in October 2020 and September 2021 have agreed the Council's leadership role within the ICS.

4.19. Alongside the Council's budget position, wider NHS partners have identified an increasing and underlying recurrent deficit. The ICS has also developed principles for medium to long-term financial planning, that could be congruent with NCC's objective to support a sustainable health and care system, including:

a) working transparently and sharing understanding of financial pressures
b) working collaboratively to identify and deliver efficiency and productivity schemes, with no one party pursuing any scheme that may have a detrimental impact on another party without agreement
c) engaging transparently and early in respect of emerging financial plans.

4.20. Whilst there are significant opportunities presented by working together on resource allocation, there are also risks that will need to be mitigated. These risks apply to all individual organisations in an ICS. The Norfolk and Waveney Health and Care system is currently operating with a significant financial deficit. The aspiration continues to be work through the financial needs for the system as a whole and developing whole system solution. Critical to the approach will be the overall principle that the Council retains ultimate control and accountability for its budgets and would retain its ability to adjust resource across the county to meet need.

Consultation with citizens and equality and rural impact assessments

4.21. The council has undertaken **public consultation** and produced **equality impact assessments** in relation to the 2024-25 Budget and MTFS proposals. Detailed information about the findings of these are included in the Revenue Budget paper (Appendix 1) and in Appendix 5 and Appendix 6.

Resource plans, funding, service pressures and savings

4.22. The plans and assumptions in the Council's budget and Medium Term Financial Strategy have been reviewed as part of the preparation of the 2024-25 Budget to ensure that they are robust and deliverable. The Director of Strategic Finance's recommendation of a 4.99% council tax increase is made on the basis that this will enable a more robust budget for 2024-25 and for future years, however the outlook for 2025-28 remains extremely challenging.

4.23. Experience of the implementation of savings plans demonstrates that in some cases the cost, complexity and time required to deliver transformational change is likely to be greater than that originally allowed. As a result, the removal or delay of a number of previously agreed savings has been proposed over the life of the MTFS. Where it has not, this reflects expectations that non-delivery is due to delays in implementing savings and the realisation of these planned savings on a sustainable ongoing basis will be fundamental to the delivery of the 2024-25 Budget.

4.24. As set out elsewhere, the Provisional Settlement has provided clarity about funding levels for 2024-25. However, there remains very considerable uncertainty around the final three years of the Medium Term Financial Strategy (2025-28).

General and Earmarked Reserves and provisions

4.25. General reserves are an essential part of good financial management and are held to ensure that the council can meet unforeseen expenditure and respond to risks and opportunities. The amount of reserves held has been set at a level consistent with the council's risk profile and with the aim that council taxpayers' contributions are not unnecessarily held in provisions or reserves.

4.26. The Medium Term Financial Strategy assumes an increase in the level of general balances in 2024-25 rising to £30.410m by 2027-28 to reflects the increased level of risk around budget assumptions, such as pay awards, where the longer forecasting horizon increases the level of uncertainty, the increased levels of risk relating to council tax base assumptions and uncertainty about government funding allocations.

4.27. Earmarked Reserves support the Council's planning for future spending commitments. Historically, the planned use of Earmarked Reserves has allowed the council to smooth the impact of funding reductions and provided additional time for the implementation of savings plans. As part of the year-end closure of accounts, a detailed review of the reserves and provisions held by the council is undertaken. The Medium Term Financial Strategy assumes an overall decrease in the level of Earmarked Reserves in 2024-25 and 2025-26. Further details of the anticipated use of Earmarked Reserves are included in the Statement on the Adequacy of Provisions and Reserves 2024-28 (Appendix 3).

4.28. When taking decisions on using reserves, it is important to acknowledge that reserves are a one-off source of funding. Once spent, reserves can only be replenished from other sources of funding or reductions in spending. Therefore, reserves do not represent a long term solution to the historic funding reductions and continuing cost pressures facing the Council.

5. Local Government Funding

5.1. Local Government funding has three major components:

- money received through **council tax**;
- money received through partial retention of locally generated **Business Rates**; and

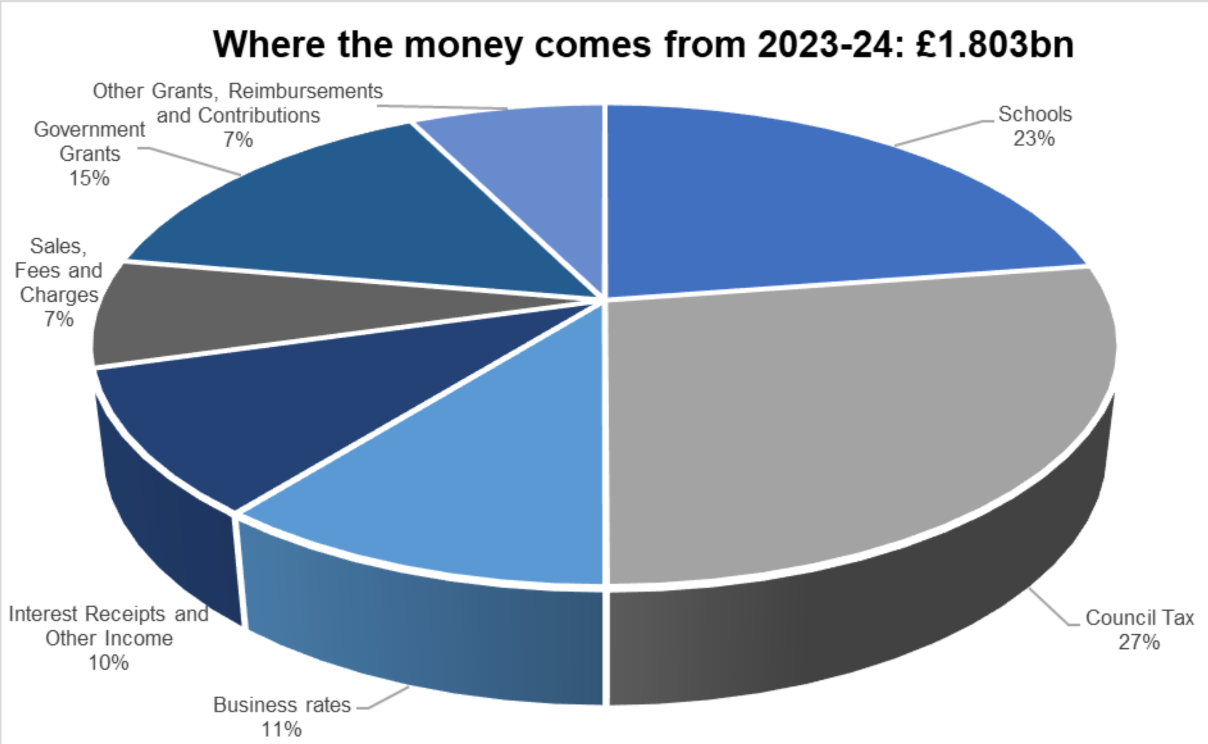
- money redistributed by Government in the form of **Revenue Support Grant** (RSG) and **specific grants**.

5.2. Councils also generate income through sales, fees and charges. The breakdown of this **budgeted funding** in 2023-24 is shown in the pie chart below.

5.3. In recent years, the government has provided a larger proportion of funding through one-off specific grants, which makes it increasingly difficult to plan services for the long term.

5.4. The government has asked authorities within the local government finance policy statement 2024 to 2025 to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities. Norfolk County Council reserve levels are lower than the shire county average.

MTFS Chart 3: Council funding sources 2023-24



Source of funding	Percentage total of 2023/24 funding of £1.803bn*	Split of £1.803bn*
Council Tax	27.4%	£0.494bn
Schools	22.6%	£0.407bn
Business Rates	10.8%	£0.194bn
Government grants	14.9%	£0.268bn
Interest, receipts and other income	9.8%	£0.177bn
Other grants, reimbursements, and contributions	7.4%	£0.133bn
Sales, fees and charges	7.2%	£0.131bn
Total	**100%**	**£1.803bn**

*subject to rounding

Business Rates (11%)

5.5. Since April 2013, councils have no longer received Formula Grant, but instead received funding from a mix of locally retained business rates and government grants that are allocated from centrally retained business rates.

5.6. The introduction of the business rates retention scheme resulted in a direct link between local business rates growth and the amount of money councils have to spend on local people and local services. The scheme provides incentives for local authorities to increase economic growth, through retention of a share of the revenue generated from locally collected business rates. This does not alter the way that business rates are set, and they continue to be set nationally by central government.

5.7. Local authorities benefit from 50% of business rates growth (or indeed suffer the consequences of business rates decline) in their area. The scheme is complex, involving a system of tariffs, top-ups and levies, however, at its simplest, for every £100 change in rates in Norfolk, £50 would go to central government, £40 to the district councils and £10 to Norfolk County Council.

5.8. Baselines are fixed in-between reset periods and only adjusted for inflationary increases to allow local authorities to retain generated growth for a period of time. Upper tier authorities are restricted in gains but also protected from reductions somewhat, as a large proportion of income is received through index linked top-ups.

5.9. Challenges within the current Business Rates scheme include the level of financial risk that councils face due to appeals and business rate avoidance, with little scope for these risks to be managed under the current arrangements. Some councils are of the view that the risks outweigh the rewards available to councils through incentives to grow the local economy. Risks to business rates income are considered to be higher due to the impact of cost-of-living crisis and COVID-19 and the level of uncertainty around continued Government support for businesses.

5.10. Since the introduction of the Business Rates Retention Scheme in 2013-14, Norfolk has not seen any significant growth or decline in the amount of business rates collected. This is a significant concern for Norfolk for future years, when considering the increasing levels of demand, any move towards Business Rates localisation and the potential changes to Revenue Support Grant. Most significantly, local authorities have relatively limited ability to influence some of the major factors which can impact on the level of business rates collected, such as the cost-of-living crisis, impacting businesses energy bills and the impact on business rates income.

5.11. Within the Autumn Statement[40], it was confirmed that local government will be fully compensated[41] for the Government's decision to "freeze" the

[40] Autumn Statement 2023 - GOV.UK (www.gov.uk)
[41] NNDR1: national non-domestic rates - guidance notes - GOV.UK (www.gov.uk)

business rates multiplier, which will remain at 49.9p for small businesses in 2024-25. The standard rating multiplier will be uprated in line with September 2023 CPI (6.7%) from 51.2p to 54.6p, but local authorities will be compensated for historical under-indexation.

5.12. All local authorities in Norfolk have agreed to continue the 2023-24 Norfolk Business Rates Pool in 2024-25. The Pool allows Norfolk to retain additional business rates funding in the county through retaining levy payments which otherwise would have been paid over to central government.

5.13. In respect of the 2024-25 budget, updated District Council forecasts are being collated and the level of income the Council will receive is not yet confirmed.

Changes to the Business Rates Retention Scheme

5.14. The Government has confirmed that potentially significant funding reforms, including reforms to the Business Rates system and Business Rates reset, are subject to ongoing delays.

5.15. A key issue for the County Council will be to ensure that reforms going forward include a review of funding needs which accurately captures the pressures faced by Norfolk, particularly in respect of social care, demographic issues, and the specific local pressures arising from sparsity, rurality and social mobility.

Revenue Support Grant (RSG) (3%)

5.16. The amount of funding the Council receives is published as the Settlement Funding Assessment. In comparison to other councils, Norfolk remains somewhat reliant on Revenue Support Grant (RSG) and therefore cuts to this funding stream would have a significant impact on the budget. Following the Provisional Local Government Finance Settlement, the council’s budget planning assumes that RSG is uplifted by September 2023 CPI in 2024-25.

5.17. Details are shown within the revenue budget report regarding the Settlement Funding Assessment 2024-25 funding allocations. There is currently limited information about Settlement Funding for 2025-26 and beyond and the MTFS gap assumes this will be unchanged from the assumed 2024-25 allocations.

Specific government grants (15%) and schools funding (23%)

5.18. The table below summarises the amount of specific grants due to be received in 2024-25, along with restated figures for 2023-24. In most cases the allocations for the years beyond 2024-25 have not yet been confirmed by the Government and there is therefore limited information available about amounts beyond next year. Ring-fenced funding below includes funding to schools, over which the County Council has no control.

MTFS Table 1: Grants and Council Tax

Type of funding	2023-24 (restated comparative) £m	2024-25 Provisional £m
Un-ringfenced	358.260	386.620
Ring-fenced (schools)	786.830	853.156
Ring-fenced (Public Health)	43.640	44.215
Council tax	493.707	527.748
Local Business Rates	27.834	28.782

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

<u>Ring-fenced grants</u>

5.20. **Public Health** – Public Health grant continued to be ring-fenced grant in 2023-24 for public health services. The Government has not yet confirmed grant allocations for 2024-25. Our budget assumptions are that there will a 1.3% increase in the grant. Allocations will be announced separately in early 2024. Public Health covers a wide range of services that may be provided directly to communities or to other organisations that deliver services supporting the health and wellbeing of our population.

5.21. **Dedicated Schools Grant (DSG)** – Schools funding is provided through the Dedicated Schools Grant (DSG) and other grants. The DSG is allocated to local authorities who then delegate the funding to schools in accordance with the agreed formula allocation. Grants are allocated by local authorities to schools as per the Department of Education (DfE) conditions of grants, which vary depending upon the purpose and aims of the funding. The Local Authority receives its DSG allocation based on the new National Funding Formula. Pupil premium will continue as a separate, ring-fenced grant.

5.22. It is the local authority’s decision how the Schools Block is distributed as, at present, there is no requirement upon local authorities to allocate the block as per the national funding formula unit values. However, central government policy has indicated in the past that there will be a move towards a ‘hard’ formula in future and, therefore, the implications of this have needed to be considered by local authorities when determining their local formula.

Government policy has now been updated so that 2023-24 was the first year of transition to the direct schools National Funding Formula (NFF). In 2024-25, local authorities continue to only be allowed to use NFF factors in their local formulae, and must use all NFF factors, whilst also being required to move their local formulae a further 10% closer to NFF unit values in 2024-25 that builds upon the 10% movement required in 2023-24, unless they are already mirroring NFF. To aid the transition to allowable 2024-25 funding values, the DfE have published the acceptable factor value range for each local authority. Norfolk's formula has been closely aligned to NFF factor values and methodologies since 2019-20. The options for the local formula for Norfolk were co-produced with Norfolk Schools Forum and all schools were consulted on the options available.

5.23. The Government has announced[42] DSG for 2023-24 totalling £853.156m prior to academy recoupment (2022-23 totalling £786.830m[43] [44]); an overall increase of £66.326m between years (including £20.446m of Mainstream Schools Additional Grant rolled into the DSG for 2024-25).

5.24. Norfolk is currently carrying an outstanding Dedicated Schools Grant (DSG) deficit from previous financial years, with a forecast £73.284m cumulative deficit forecast for the end of 2023-24. On the basis of the accounting treatment introduced in 2020 by the Government:

- the DSG is a ring-fenced specific grant separate from the general funding of Local Authorities (LAs);
- any deficit an authority may have on its DSG account is expected to be carried forward and is not required to be covered by the authority's general reserves;
- the deficit should be repaid through future years' DSG income.

5.25. High Needs Block (HNB) funding is intended to provide the most appropriate support package for children and young people (from early years up to aged 25) with special educational needs and disabilities in state special schools, independent schools, and Alternative Provision (AP), taking account of parental and student choice.

5.26. Norfolk is part of the DfE's Safety Valve programme, having had approval from the Secretary of State in March 2023. Further details are provided in the Assumptions and Risks section of the Revenue Budget report (Appendix 1).

5.27. As part of this plan, the Council submitted a disapplication request in respect of the Dedicated Schools Grant (DSG) for 2024-25 for 1% transfer in addition to the 0.5% transfer from the Schools Block to the High Needs Block agreed by Schools Forum November 2023. The Secretary of State has agreed to this request.

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[42] Norfolk (skillsfunding.service.gov.uk)
[43] Total DSG allocation including; Schools , central school services, early years and high needs block.
[44] As at the November 2023 DSG update

5.28. Further details of the HNB impact on the overall Dedicated Schools Grant position are set out in the Revenue Budget report (Appendix 1) and in the Dedicated Schools Grant Funding report elsewhere on the agenda.

5.29. **Pupil Premium Grant (PPG)**[45] – 2024-25 allocations will increase above the 2023-24 rates and for disadvantaged pupils will be as follows: primary allocated £1,480, which is aimed to help primary schools raise attainment and ensure that every child is ready for the move to secondary school. £1,050 is allocated for disadvantaged secondary pupils. Disadvantaged pupils are those who have been registered for free school meals at any point in the last six years.

5.30. The pupil premium plus (for children looked after) is £2,570 per pupil. The eligibility for this includes those who have been looked after for one day or more, and (from 2015-16) children who have been adopted from care or have left care under a special guardianship or child arrangement order. Schools receive £2,570 for each eligible pupil adopted from care who has been registered on the school census and the additional funding will enable schools to offer pastoral care as well as raising pupil attainment.

5.31. Children with parents in the armed forces continued to be supported through the service child premium, which will be £340 per pupil.

<u>Un-ring-fenced grants</u>

5.32. **NHS funding (Better Care Fund[46])** – Since 2015, the Government's aims around integrating health, social care and housing, through the Better Care Fund (BCF), have played a key role in the journey towards person-centred integrated care. This is because these aims have provided a context in which the NHS and local authorities work together, as equal partners, with shared objectives. The plans produced are owned by Health and Wellbeing Boards, representing a single, local plan for the integration of health and social care in all parts of the country.

5.33. **The national conditions are:**

- **A jointly agreed plan between local health and social care commissioners, signed off by the Health and Wellbeing Board (HWB)**
- **NHS contribution to Adult Social Care to be maintained in line with the uplift to the NHS minimum contributions**
- **Invest in NHS commissioned out of hospital services**
- **Implementing the BCF policy objectives.**

5.34. The BCF is developed alongside Integrated Care Boards (ICBs) (and District Councils in relation to the effective deployment of disabled facility grant, which is passported in full to District Councils). The service continues

[45] Pupil premium: conditions of grant 2023 to 2024 - GOV.UK (www.gov.uk) published November 2023
[46] 2022 to 2023 Better Care Fund policy framework - GOV.UK (www.gov.uk) updated November 2022

to work closely with health partners within the ICS to agree the budget plans reflect priorities within the programme. In 2021/22 NCC led a joint review of the BCF with the ICB in Norfolk to shape a future BCF that further delivers local priorities; acts as a strengthened delivery arm of joint commissioning; and focus' strategy and funding on the most important priorities for integration. A new local set of principles for services in the BCF have also been agreed:

a) **Funding services which move us towards meeting our local and national priorities**
b) **Funding whole services through BCF, to better understand system impact**
c) **Funding services which are meaningfully joint health and social care**

5.35. We presently await the 2024-25 planning guidance relating to the Better Care Fund (BCF) which should confirm the mandatory minimum contributions from Integrated Care Boards (ICB) towards the protection of Social Care. Our 23-24 plan was recently agreed as part of the annual BCF assurance cycle.

5.36. Disabled Facilities Grant (DFG) allocations are transferred to District Councils through the BCF. This enables Housing Authorities to meet their statutory duty to provide adaptations to the homes of people with disabilities to help them live independently for longer. From 2016-17 the DFG allocations have included amounts to offset the discontinuation of the Social Care Capital Grant.

5.37. **Social Care Grant** – The provisional settlement confirmed previously announced increases to the social care grant. The Social Care Grant will increase to £4.5 billion in 2024-25, an increase of £692 million from 2023-24. This includes £1.9 billion from delaying the rollout of adult social care charging reform from October 2023. The majority of this additional funding will be allocated using adult social care relative needs formula, while £80 million will be used to equalise the variation in yield from the adult social care precept and a further £80 million in equalisation against the adult social care precept will be paid from elsewhere in the settlement. This brings our total grant for 2024-25 to £78.880m. This grant is ringfenced towards helping to address cost pressures across both Adults and Children's social care.

5.38. **Improved Better Care Fund (iBCF)** The provisional settlement confirmed no increase to the iBCF and our allocation remains at £39.619m for 2024-25. The grant must only be used for "meeting adult social care needs; reducing pressures on the NHS, including seasonal winter pressures; supporting more people to be discharged from hospital when they are ready; ensuring the social care provider market is supported". As grant recipient, we work with our local Integrated Care Board and providers to ensure the grant conditions are met. In 2019-20 the government announced that the winter pressures funding previously provided as a distinct grant would be rolled into the iBCF. In addition, the governance changed with a requirement to pool this grant alongside the wider Better Care Fund. The Adult Social Care budget reflects the spending plans for the grant.

5.39. **Local Reform and Community Voices grant** – allocations for this grant, which consists of three funding streams (Deprivation of Liberty Safeguards in Hospitals; local Healthwatch funding; and funding for the transfer of Independent NHS Complaints Advocacy Service to local authorities) have not been announced for 2024-25 it is therefore assumed that this funding continues in 2023-24 and in future financial years.

5.40. **Social Care in Prisons grant** – the Social Care Act establishes that local authorities are responsible for assessing and meeting the care and support needs of offenders residing in any prison, approved premises or bail accommodation within its area. This grant is to provide additional funding to undertake this new burden. Allocations have not yet been announced for 2024-25 onwards but it is assumed that the funding continues.

5.41. **War Pensions** – In the 2016 Budget, the government announced that a change would be made to the care and support charging arrangements in England to treat the schemes more consistently. This was done by requiring regular payments made to veterans under the War Pensions Scheme to be disregarded (i.e. not taken into account) when local authorities conduct the Adult Social Care financial assessment. This grant compensates local authorities who lost income from this change in charging policy. Allocations for 2024-25 have not been published and it is therefore assumed that this funding continues.

5.42. **Adult Social Care Discharge Grant** – A grant providing £500m of national funding in 2024-25 to which Norfolk will receive £9.257m of funding. It is provided to upper tier authorities to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible.

5.43. **Adult Social Care Market Sustainability and Improvement Grant** – A grant providing £1,050m of national funding in 2024-25 to which Norfolk will receive £18.282m of funding. The grant allocations now include £205 million MSIF - Workforce Funding. The grant is provided to upper tier authorities to enable tangible improvements to be made to adult social care.

5.44. **New Homes Bonus Funding** – New Homes Bonus (NHB) is a grant paid by central government to local councils for increasing the number of homes and their use. NHB is paid for each new home, linked to the national average of the council tax band, originally for a period of six years. As part of the provisional Settlement, the Government has confirmed that NHB will continue in 2024-25 and will be paid on the same basis as 2023-24. In two-tier areas, the annual payment will continue to be split: 80% for shire districts and 20% for shire counties. It is unclear whether New Homes Bonus will continue after 2024-25. Our NHB allocations have increased in 2024-25 to £1.076m (2023-24 £0.628m).

5.45. **Rural Services Delivery Grant** – Rural Services Delivery Grant (RSDG) recognises the extra costs of delivering services in rural areas. The provisional Settlement confirmed that 2023-24 allocations of Rural Services Delivery Grant will be rolled forward £95m nationally in 2024-25 of which Norfolk receives £4.670m. No increase in Rural Services Delivery Grant results in a real term year on year reduction in this grant.

5.46. **Services Grant 2024-25 –** Norfolk's Services Grant has been substantially cut within the provisional settlement to £0.987m – a reduction of £5.283m from 2023-24. The Services Grant is an unringfenced grant for local authorities to use across all services. The Council is lobbying government to reverse the 2024-25 cut in Services Grant.

Council Tax (28%)

5.47. Council tax is a key source of locally raised income. This helps make up the difference between the amount a local authority needs to spend and the amount it receives from other sources, such as business rates, government grants, and fees and charges.

5.48. In 2016-17 the Government introduced a new discretion for local authorities providing adult social care to raise additional council tax as an Adult Social Care precept. This gave authorities the option to raise an additional precept of 2%, on top of their existing discretion to raise council tax within the referendum limit (at the time also 2%). In 2017-18, the Government further extended the flexibility around the Adult Social Care precept, allowing councils to raise it by 3% in 2017-18 and 2018-19, but in this event having no rise permitted in 2019-20. The council took advantage of this flexibility to raise the maximum Adult Social Care precept by 2018-19 meaning no increase was applied in 2019-20. In 2020-21, a further 2% was raised through the Adult Social Care Precept.

5.49. In 2021-22 the Government included within the provisional Local Government Finance Settlement[47] (December 2020), a core council tax referendum principle of up to 2% and an adult social care precept of 3% on top of the core principle, with the opportunity to split this over two years. Members chose to split the available 3% adult social care precept increase with 2% applied in 2021-22 and 1% in 2022-23.

5.50. For 2022-23 the Government announced a core council tax referendum principle of 2% and an additional 1% adult social care precept, which could be taken in addition to the deferred element of the 2021-22 amount (1%). The Council opted not to take the deferred element (1%) for 2022-23. In February 2023, Council agreed an increase of 4.99%, including the 2% available for the Adult Social Care Precept for 2023-24.

5.51. Norfolk's taxbase growth continues at similar levels seen in previous years with growth in the tax base of 1.65% for 2024-25. Assumed growth of

[47] Provisional local government finance settlement 2021 to 2022: consultation - GOV.UK (www.gov.uk)

1% has been built in for the remainder of the current MTFS (2025-28) as shown in **Table 2** below.

MTFS Table 2: Council Tax assumptions

Council Tax assumptions	2024-25	2025-26	2026-27	2027-28
Assumed increase in general council tax	2.99%	1.99%	1.99%	1.99%
Assumed increase in Adult Social Care precept	2.00%	1.00%	0.00%	0.00%
Total assumed council tax increase	**4.99%**	**2.99%**	**1.99%**	**1.99%**
Assumed Council Tax Base	**313,647**	**316,784**	**319,952**	**323,151**
Assumed increase in Council Tax Base (%)	**1.65%**	**1.00%**	**1.00%**	**1.00%**

5.52. It should be noted that in the event of an increase in the referendum limit, or given the scope to further increase the Adult Social Care precept, it is likely that the Section 151 Officer would recommend the maximum available council tax be raised in future years, in view of the Council's wider financial position. Further background information about council tax is provided below and in the Revenue Budget report.

Council Tax assumptions within Core Spending Power for 2016-17 onwards

5.53. In 2016-17 the Government introduced a measure of "core spending power", intended to reflect the resources over which councils have discretion. However, in reality, the council has limited discretion over how much to raise council tax, and cannot significantly influence whether businesses pay Business Rates, or the level of allocated central government funding.

5.54. Core spending power risks painting an unrealistic picture of how well a council might be faring. For example, Norfolk's indicative core spending power has risen from £606.3m in 2015-16 to £924.420m in 2024-25, an increase of £318.120m, however two thirds of this increase has been delivered through assumed increases council tax, effectively transferring the burden to local council tax payers. During this time the council has also had to plan to make substantial savings to meet wider cost pressures and reductions in funding and enable the setting of a balanced budget.

5.55. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant for the period up to 2019-20 to ensure that within each tier of Local Government (upper-tier, lower-tier, fire and rescue, and GLA other services), authorities of the same type received the same percentage change in settlement core funding. The inclusion of council tax in this calculation represented a significant change in Government policy. The Spending Review document at the time stated that this was intended to "*rebalance support including to those authorities with* *social care responsibilities by taking into account the main resources available to councils, including council tax and business rates.*"[48]

5.56. Nonetheless, by previously using core funding as a mechanism for the distribution of funding in the settlement, the Government has effectively assumed that councils will raise council tax at the referendum threshold, will raise the Adult Social Care precept, and that historic levels of tax base growth will persist. As a result, any decision to raise council tax by less than the maximum available will lead to underfunding when compared to the Government's expectations, and may make it more difficult to lobby for additional central government funding.

6. Revenue strategy and budget

6.1. The primary objective of the Medium-Term Financial Strategy 2024-28 is to show a balanced four-year position. At present further savings or additional revenue funding need to be identified to meet the significant shortfall shown in the period 2025-26 to 2027-28 below:

MTFS Table 3: Provisional medium term financial forecast budget shortfall

Budget shortfall	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**
Additional cost pressures	116.024	69.083	70.915	68.833
Funding changes	-36.961	0.200	0.000	0.000
Forecast council tax increase	-34.041	-17.788	-16.420	-16.914
Identified saving proposals	-45.022	-8.569	-8.989	-7.923
Budget shortfall	**0.000**	**42.927**	**45.505**	**43.995**

6.2. The council's revenue budget plans deliver a balanced budget for 2024-25, but a significant shortfall remains in the subsequent years 2025-26 to 2027-28 (an **overall deficit in the Medium Term Financial Strategy of £132.428m**. The Medium Term Financial Strategy (MTFS) is intended to aid forward planning and help mitigate financial risk. The detailed timetable for the identification of the required savings and future year budget setting is set out in the Revenue Budget report (Appendix 1).

6.3. Uncertainty remains around several key areas which could impact on the MTFS in future years:

[48] *Spending Review and Autumn Statement 2015*, para 1.242, p59, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

- Pressure on budgets from needs led services, relating to adults and children's social care, where the number of service users and the complexity of need continues to increase;
- The long term impact of the pandemic on social care, backlogs built up on top of new demand, alongside staff shortages due to changes in immigration caused initially by Brexit but compounded by the pandemic;
- Delayed adult social care charging reforms (including the cap on care costs) where the full implications of Government decisions remain to be understood;
- The above inflation increasing price of care packages, as providers struggle to meet soaring energy and food prices and high wage inflation;
- The level of Dedicated Schools Grant funding provided to deliver High Needs Block SEND provision, and the progress in recovering the deficit position on these budgets. Although the Government has now prescribed an accounting treatment for the DSG deficit and confirmed that in principle there is no expectation for local government to fund the DSG from council resources, this position is not guaranteed and will remain a subject of scrutiny for External Auditors. Further information about this is set out within the Revenue Budget paper paragraph 4.3;
- The impact of the decision to leave the EU on local government funding and the wider economy; workforce shortages in key sectors, supply bottlenecks have been exacerbated by changes in migration and reductions in trading;
- Workforce recruitment and retention and shortage of labour in key sectors;
- Continued high levels of inflation (including national living wage, energy and food);
- Significant delays to Business Rates reform and the fair funding review;
- The uncertainty concerning the quantum and distribution of funding in the future years of the MTFS; and
- The ability of local tax payers to continue to absorb increases in council tax and the Adult Social Care precept.

6.4. CIPFA's Financial Management Code sets out a requirement for councils to consider a long-term financial view which recognises financial pressures. This should include an assessment of the sensitivity of the council's position to a range of alternative scenarios. The table below therefore provides a summary long term financial outlook for the council, based on currently known pressures and an assumption that government funding continues at the same level as 2023-24.

6.5. Norfolk County Council has a strong history of good financial management. An assessment of our compliance with the Financial Management Code is included within Appendix 1 Table 32.

6.6. The 6 Principles of Good Financial Management set out in the FM Code are:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

MTFS Table 4: Long term financial forecast (LTFF) budget position

This table shows the forecast gap and individual types of change to funding position over a ten year period, broken down by financial year, to show the long term financial forecast (LTFF) budget position. The first four years (2024-25 to 2027-28) show the potential changes within the Medium Term Financial Strategy. The final 6 years show a potential Long Term Financial Forecast. The final column shows the total cumulative impact over 10 years by each category to show the totality of each category that makes up the gap over the Long Term.

Medium Term Financial Strategy (MTFS) or Long Term Financial Forecast (LTFF)	**MTFS**	**MTFS**	**MTFS**	**MTFS**	**LTFF**	**LTFF**	**LTFF**	**LTFF**	**LTFF**	**LTFF**	**Total LTFF**
Financial Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**Total**
Type of change	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth Pressures: Economic and inflationary	34.670	23.015	23.480	24.098	23.409	24.097	24.815	25.406	26.148	26.893	**256.031**
Growth Pressures: Legislative requirements	37.618	7.850	6.500	6.500	0.000	0.000	0.000	0.000	0.000	0.000	**58.468**
Growth Pressures: Demand and demographic	39.732	37.608	37.110	38.230	30.000	25.000	20.000	20.000	15.000	15.000	**277.680**
Growth Pressures: Policy decisions	4.004	0.610	3.825	0.005	0.000	0.766	0.000	0.000	0.000	0.000	**9.210**
Funding Changes	-36.961	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**-36.761**
Savings identified	-45.022	-8.569	-8.989	-7.923	0.000	0.000	0.000	0.000	0.000	0.000	**-70.503**
Council tax increases	-34.041	-17.788	-16.420	-16.914	-17.423	-17.948	-18.488	-19.045	-19.618	-20.208	**-197.892**
Forecast Gap (Surplus)/Deficit	**0.000**	**42.927**	**45.506**	**43.996**	**35.986**	**31.915**	**26.327**	**26.361**	**21.530**	**21.685**	**296.232**

6.7. The long term outlook suggests a cumulative budget gap in excess of £296m by 2033-34, if no mitigating actions are taken. However, the level of this gap is highly sensitive to changes in assumptions and is ultimately likely to be materially different. In particular, the level of uncertainty within these forecasts inevitably increases for later years. The sensitivity of the budget in 2024-25 to changes in key assumptions is shown in the following table.

MTFS Table 5: Assumption sensitivity 2024-25

Change in assumption	£m
10% savings non delivery	+/- 4.502
+/-1% pay inflation	+/- 3.100
+/-1% general inflation	+/- 8.398
+/-1% Revenue Support Grant	+/- 0.496
+/-1% Business Rates baseline	+/- 1.672
+/-1% Council tax base	+/- 5.244
+/-1% Council tax	+/- 5.244

6.8. There is a huge range of sensitivity around the MTFS forecast shown in **MTFS Table 44 and MTFS Table 5**. There is very substantial uncertainty linked to potential variation and levels of risk over the longer-term planning horizon. This is particularly exacerbated in the medium term by a lack of certainty over government funding levels.

7. Capital strategy and budget

7.1. The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. The capital strategy is intended to:

- give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability; and
- demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

7.2. A proposed capital programme for 2023-28 of £1,134.982m, subject to the planned slippage of £253m and additional amounts for schemes yet to be re-profiled from 2023-24, is included elsewhere on the agenda, of which £588.877m relates to future years.

7.3. The table below shows the split of capital spend by department, but individual schemes within departments are set out in further detail in the Capital Programme.

MTFS Table 6: Total Capital Programme expenditure (existing and new) 2024-28

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Adult Social Care	17.267	16.547	24.728	17.296	3.268	79.106
Children's Services	36.955	86.990	48.743	31.657	53.334	257.679
CES Highways	159.082	165.804	156.511	142.192	124.867	748.457
CES Other	37.081	61.272	35.311	15.153	8.354	157.171
Finance	3.401	23.603	6.313	10.750	0.000	44.067
Strategy and Governance	29.200	24.987	11.347	11.378	0.000	76.912
IFRS 16 Right of Use Assets	0.000	18.915	1.892	1.892	1.892	24.590
Total	**282.986**	**398.118**	**284.846**	**230.317**	**191.714**	**1,387.982**
2023-24 SLIPPAGE forecast	-49.375	49.375	0.000	0.000	0.000	0.000
SLIPPAGE PLANNED	0.000	-135.000	-65.000	-30.000	-23.000	-253.000
CAPITAL PROGRAMME with Slippage	**233.611**	**312.493**	**219.846**	**200.317**	**168.714**	**1,134.982**

7.4. The capital programme is financed through several sources – grants and contributions from third parties; contributions from revenue budgets and reserves; and external borrowing and capital receipts. The table below shows how the Capital Programme is funded (before planned slippage).

MTFS Table 7: Funding of the proposed Capital Programme £m 2024-28

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
External Funding	190.798	206.498	152.368	142.527	112.230	804.420
Revenue and Reserves	1.037	1.330	0.442	1.233	0.000	4.042
NCC Borrowing	71.980	168.375	119.129	82.165	74.593	516.243
Capital Receipts	19.171	3.000	11.016	2.500	3.000	38.687
IFRS16 Lease Assets	0.000	13.943	1.394	1.394	1.394	18.126
Donated Assets	0.000	4.972	0.497	0.497	0.497	6.464
TOTAL	**282.986**	**398.118**	**284.846**	**230.317**	**191.714**	**1,387.982**

7.5. The Council is adopting International Financial Reporting Standard 16 (IFRS16) for leases which requires the recognition of "Right of Use" Assets arising from the lease contracts undertaken by the Council. This a new standard with statutory implementation from 1 April 2024 (this is why there is not an amount shown in 2023-24). Further details are set out within the Capital Strategy elsewhere on the agenda.

7.6. The funding derived from Donated Assets represents the IFRS16 Right of Use Asset valuations of property leases with peppercorn rents occupied by the Council. The Council's continued usage of these sites at peppercorn rents of £1 or less confers on NCC a right to use these sites and the valuation of this right has been added to the 2024-25 Capital Programme as part of the adoption of IFRS16. This is purely an accounting adjustment, with no cashflow implications.

7.7. The capital strategy sets out in more detail the policies in place on capitalisation for different types of assets, such as:

- Property, Plant and Equipment
- Heritage Assets
- Intangible Assets

7.8. The strategy also sets out how capital projects are scored against a set of prioritisation criteria to ensure that the Capital programme is targeted to council priorities. Capital bids with ecological priorities that deliver a ‘reduction in Carbon Footprint for Norfolk’ score higher within the capital prioritisation marking scheme than those that have no impact.

7.9. For further details, please see the Capital Strategy and Capital Programme 2024-28+ found elsewhere on the agenda.

8. Summary

8.1. As in previous years, the Medium Term Financial Strategy sets out details of the high level national and local factors which are considered likely to impact on budget planning over the next four years. It provides information about how the Council intends to respond to these challenges and needs to be considered when the County Council makes decisions about the Budget. The MTFS provides an overview of the likely implications of 2024-25 budget decisions for the future years 2025-26 to 2027-28 and outlines the potential longer-term issues facing the Council.

8.2. The overarching purpose of the Medium Term Financial Strategy is to support the Council in developing balanced budget plans over a four year period, and to support this objective a proposed planning timetable for setting a balanced budget for 2025-26 is included within the 2024-25 Revenue Budget report.

8.3. The Medium Term Financial Strategy links closely with the CIPFA Financial Management Code implemented in 2021-22 and as such it is an important component of the authority’s financial management framework. In particular, the Medium Term Financial Strategy is one of the tools which supports the Council to develop plans which will assist in forming a view of, understanding, and maintaining financial resilience in the medium to longer term. The Strategy is therefore aligned with the requirements of the Financial Management Code.

Norfolk County Council
Statement on the Adequacy of Provisions and Reserves 2024-25

1. Introduction

1.1. This report sets out the Director of Strategic Finance' statement on the adequacy of provisions and reserves used in the preparation of the County Council's budget. As part of budget reporting to Cabinet and the County Council, the Director of Strategic Finance is required under the Local Government Act 2003 to comment on the adequacy of the proposed financial reserves. Members must consider the level and use of reserves and balances to inform decisions when recommending the revenue budget and capital programme.

1.2. Reserves are an essential part of good financial management and are held to ensure the council can meet unforeseen expenditure and to smooth expenditure across financial years. They enable councils to manage unexpected financial pressures and plan for their future spending commitments. While there is currently no universally defined level for councils' reserves, the reserves a council holds should be proportionate to the scale of its future spending plans and the risks it faces as a consequence of these. Norfolk County Council's policy has been to set limits consistent with the council's risk profile and with the aim that council taxpayer's contributions are not unnecessarily held in provisions or reserves.

1.3. This report sets out the County Council policy for reserves and balances and details the approach to setting a risk assessed framework for calculating a recommended level of general balances. This explicitly identifies the risks, over ten categories, and the quantification of those risks, in arriving at the recommended level. Taking into account the overall position, it is considered that the current level of general balances should be increased to a minimum level of £26.660m.

1.4. Details of the County Council's other reserves and provisions are also provided alongside an assessment of their purpose and expected usage during 2024-28.

2. Purpose of holding provisions and reserves

2.1. The council holds both provisions and reserves. **Provisions** are made for liabilities or losses that are likely or certain to be incurred, but where it is uncertain as to the amounts or the dates on which they will arise. The council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice. Reserves (or Earmarked Reserves) are held in one of three main categories:

- Reserves for special purposes or to fund expenditure that has been delayed – reserves can be held for a specific purpose, for example where money is set aside to replace equipment or undertake repairs on a rolling cycle, which can help smooth the impact of funding.
- Local Management of Schools (LMS) reserves that are held on behalf of schools – the LMS reserve is only for schools and reflects balances held by individual schools. The balances are not available to support other County Council expenditure.
- General balances – reserves that are not earmarked for a specific purpose. The general balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Director of Strategic Finance is required to form a judgement on the level of the reserve and to advise Cabinet accordingly.

2.2. Reserves are held for both revenue and capital purposes. However, some are specific e.g. Usable Capital Receipts can only be used for capital purposes. The following section of this report constitutes the council's policy on reserves and provisions and can be used to provide guidance in assessing their level.

3. Norfolk County Council Policy on Reserves and Provisions

3.1. **Objective**

3.1.1. The objective of holding provisions, reserves, and general balances is to ensure the council can meet unforeseen or uncertain expenditure, and to meet specific future commitments as they fall due.

3.1.2. The level of provisions and reserves are continually reviewed to ensure that the amounts held are within reasonable limits. Those limits should be consistent with the council's risk profile and should ensure that council taxpayers' contributions are not unnecessarily held in provisions or reserves.

3.2. **Provisions**

3.2.1. Provisions are made for liabilities or losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise. The council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

3.2.2. The provision amounts are reported to Cabinet on a regular basis and are continually reviewed to ensure that they are still needed and that they are at the appropriate amount. If necessary, the amount is increased or decreased as circumstances change to ensure that the provisions are not over or understated.

3.3. **Reserves**

3.3.1. The council's reserves consist of the following main categories:

- Earmarked Reserves (Reserves for special purposes or to fund expenditure that has been delayed)
- Local Management of Schools (LMS) reserve
- Dedicated Schools Grant (DSG) reserve
- General balances (Reserves that are not earmarked for a specific purpose)

3.3.2. Further detail of these categories is set out below. The council complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

3.3.3. Similar to provisions, reserves are reported to Cabinet on a regular basis and are continually reviewed in the context of service specific issues and the council's financing strategy. Reserves are held for revenue and capital purposes. Some reserves, such as general balances, could be used for either capital or revenue purposes, whilst others may be specific e.g. Usable Capital Receipts can only be used for capital purposes.

3.3.4. **Reserves for special purposes or to fund expenditure that has been delayed.**
Reserves can be held for a specific purpose. An example of a reserve is repairs and renewals. Money is set aside to replace equipment on a rolling cycle. This effectively spreads the impact of funding the replacement equipment when the existing equipment is no longer fit for purpose.

3.3.5. **LMS reserve**
The LMS reserve is only for schools and reflects balances held by individual schools. These balances are not available to support other County Council expenditure.

3.3.6. **DSG reserve**
The DSG reserve represents the cumulative position of the ringfenced DSG funding provided by the DfE. From the 2018-19 outturn, DSG reserves or deficits have been reported as a separate ring-fenced reserve. A DSG deficit does not need to be covered by an equivalent amount in a local authority's general reserves.

3.3.7. **General balances**
The general balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Director of Strategic Finance is required to form a judgment on the level of this reserve and to advise Cabinet and County Council accordingly.

In forming a view on the level of general balances, the Director of Strategic Finance takes into account the following:

- Provision for Unforeseen Expenditure
- Uninsured risks
- Comparisons with other similar organisations
- Level of financial control within the Council

3.3.8. **Provision for Unforeseen Expenditure**

Unforeseen expenditure can be divided into two categories:

- Disasters
- Departmental Overspends

In a disaster situation, the council can have recourse to the Government using the Bellwin rules under which the council would have to fund the first £1.164m of costs (2017-18 threshold). Central government would provide grant funding of 100% for eligible expenditure incurred above this amount. Examples of natural disasters are severe flooding and hurricane damage.

The council also needs to be able to fund a departmental overspend, should one occur.

3.3.9. **Uninsured risks**

A combination of external insurance cover and the council's insurance provision provides adequate cover for most of the council's needs. Considerable emphasis has been placed upon risk management arrangements within the council in order to minimise financial risks.

However, there are some potential liabilities, such as closed landfill sites, some terrorism cover, and some asbestos cover, where it is not economical or practical to purchase external insurance cover. The County Council needs to have some provision in the event of such a liability arising.

3.3.10. **Comparisons with similar organisations**

As part of assessing the minimum level of general balances to be held, comparisons are made with other local authorities. Although Norfolk has one of the lowest levels of usable revenue reserves compared to other upper tier local authorities, it is also important to consider recent trends in reserve levels. In the last three years the percentage change in Norfolk's usable revenue reserves has increased by more than the upper tier authority average.

Based on the latest Cabinet monitoring report, the forecast level of general balances at 31 March 2024 is £25.410m, prior to allowing for the revenue budget year end position. The County Council holds balances of 5.1% as a percentage of its net 2023-24 Council Tax Requirement. In the medium term, the Council aspires to continue to hold a general balance equivalent to 5% of the net Budget.

3.3.11. **Level of financial control within the council**

Factors that are taken into account in assessing the level of financial control are:

- The state of financial control of the Revenue Budget and the Capital Programme;
- The adequacy of financial reporting arrangements within the council;

- Adequate financial staffing support within the council, including internal audit coverage;
- Working relationships with Members and Executive Directors;
- The state of financial control of partnerships with other bodies; and
- Any financial risks associated with companies where the council is a shareholder.

In evaluating the level of general balances, as part of producing the 2024-25 Budget, the Director of Strategic Finance has used a framework based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council.

The ten areas of risk considered in the general contingency are set out in the report to the Cabinet budget meeting, including an explanation of the potential risks faced by the council. The report also details the calculation of the general balances. The balances reflect spending experience and risks to which the council is exposed.

3.3.12. **Minimum Level of General Balances**

Taking all of the above factors into account, the Director of Strategic Finance currently advises that the council holds the following minimum level of general balances for 2024-25 and indicative minimum levels for planning purposes for 2025-26 to 2027-28.

Reserves Table 1: Norfolk County Council general balances requirement

2023-24 (31/03/2024 Forecast) £m	Description	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
25.410	Assessment of the level of General Balances	26.660	27.910	29.160	30.410

Having considered the adequacy of the overall general fund balance, the Director of Strategic Finance considers that it is not appropriate to make further budget reductions to accommodate an increase in the level of general balances, but having regard to the reserves and balances risk assessment, any additional resources which become available in 2024-25 should be added to the general fund balance wherever possible.

Executive Directors are expected to comply with financial regulations and deliver their services within the budget approved by the County Council and therefore departments are not expected to draw upon the £26.660m.

If the level of general balances is reduced to below the minimum balance, currently £25.410m, the shortfall will need to be replenished as soon as possible or as part of the following year's budget.

4. Current context

4.1. The minimum level of general balances is recommended at £26.660m for 2024-25. The projected actual level at 31 March 2024 is £25.410m, prior to allowing for the revenue budget year end position, which is currently a balanced outturn (period 8 as per the monitoring report to Cabinet 29 January 2024). Executive Directors are continuing to take action to secure achievement of a balanced outturn position for the year. The budget proposals for 2024-25 do not include any use of general balances. The level of minimum balance is informed by an assessment of the financial risk to which the council is exposed, whilst also taking account of the level of financial controls within the council. Financial management and reporting arrangements are considered by the external auditors in relation to the accounts.

4.2. Norfolk County Council's provisions and reserves are reported to Cabinet on a monthly basis and are subject to continual review. As previously discussed, in comparison with other County Councils, the Council holds a lower than average percentage of general balances and this is borne out by the position shown in the published CIPFA Financial Resilience Index as discussed in further detail in of section 3 Appendix 4.

4.3. In setting the annual budget, a review of the level of reserves is undertaken, alongside any under or overspend in the current year, to determine whether it is possible to release funding to support the following year's budget or whether additional funding is required to increase the level of reserves. That review is informed principally by an assessment of the level of financial risk to which the council is exposed and an assessment of the role of reserves in supporting future spending plans.

4.4. The overall level of general balances needs to be seen also in the context of the earmarked amounts set aside and the council's risk profile. Whilst it is recognised that all county councils carry different financial risk profiles, the position in Norfolk is that the level of its general balances is below that of most other counties. The Director of Strategic Finance has therefore **recommended general fund balances increases of £1.250m in 2024-25 and in future years** and that any additional resources which become available during the year should be added to the general fund balance wherever possible (as set out in further detail in key risks and assumptions – (section 4 of Appendix 1). The recommended general balance position for 2024-25 has in particular been set with reference to considerable uncertainty about the wider financial environment for local authorities. Wider inflationary pressures and financial and policy uncertainty at the national level have all had implications in terms of additional costs, levels of demand and financial planning. The Budget and MTFS seeks to maintain the general fund balance at or around 5% of the Council's Net Revenue Budget for the year.

5. Assessment of the level of general balances

5.1. The framework for assessing the level of general balances is based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council. It takes into consideration the most significant risks and issues including the following:

- Level of savings and transformation. One of the most significant risks continues to be the level of transformation that has to take place across the council to deliver the required budget savings. Risk has been considered as part of the assessment of the robustness of the budget proposals, and reflected in the reprofiling and removal of some savings. The remaining risks will be monitored within and across services as part of the council's ongoing risk management process and mitigating actions will be identified and monitored. Robust financial monitoring controls are in place and additional monitoring of the transformation programme is being undertaken.
- Managing the cost of change. The council will need to budget for the cost of any redundancies necessary to achieve the required budget savings and service restructuring to the extent they are not contained in the budget proposals. The council has a separate redundancy reserve for this purpose.
- The effect of economic and demand changes. There is always some degree of uncertainty over whether the full effects of any economy measures and / or service reductions will be achieved. Whilst the budget process has been prudent in these assumptions and those assumptions, particularly about demand led budgets, should hold true in changing circumstances, an adequate level of general contingency provides extra reassurance the budget will be delivered on target. Changes in the economic climate may also influence certain levels of income to be received at a lower level than previous years.
- Cost of disasters. The Bellwin Scheme of Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. In a disaster situation, the council can claim assistance from the Government using the Bellwin rules. Thresholds were set for 2017-18 and mean the council would have to fund emergency costs below £1.164m. Central Government would then provide 100% grant funding for any eligible expenditure incurred above this amount. Examples of natural disasters eligible for the scheme would include severe flooding and hurricane damage.
- Uncertainty arising from the introduction of new legislation or funding arrangements such as the moves towards retention of business rates.
- Risk of changes to the levels of grant funding and factors affecting key income streams such as council tax and business rates.
- Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.

- The risk of major litigation, both currently and in the future.
- The need to retain a general contingency to provide for any unforeseen circumstances which may arise.
- The need to retain reserves for general day to day cash flow needs.

5.2. The ten areas of risk considered in the general contingency are detailed below with an explanation of the potential risks faced by the council.

Reserves Table 2: Key financial risks for Norfolk County Council general balances calculation

Area of risk	Explanation of risk
1) Legislative changes	Key government policy and legislative changes will impact on the council's budget plans. Forecasts have been based on the latest information available but there is risk of variation and there is in particular greater risk in future years, where estimates cannot be based on firm government announcements. Key elements include: • **Government grant:** 2024-25 represents a one year funding allocation. Ongoing delay in local government funding reform means that the council faces a very significant level of uncertainty about funding levels from 2025-26. • **Business Rates:** Council funding is affected by the level of business rates collected. The council receives a share of the combined rates across all Norfolk councils, which helps smooth out any specific peaks and troughs, however the impact on businesses of appeals, revaluations and applications for relief can result in significant volatility. • **Council tax base and collection fund:** Council funding is impacted if there is a reduction in the tax base or in the amount collected by the billing authorities. The budget is based on a forecast 1.00% increase in tax base in 2025-26, 2026-27 and 2027-28. • **NHS/Social Care Funding:** The improved Better Care Fund (iBCF) funding represents a mix of recurrent and one-off funding. Planning assumptions are based on funding of £39.619m announced in the provisional Settlement. The provisional Settlement confirmed social care funding of £78.800m, Discharge Support funding of £9.257m and ASC Market Sustainability and Improvement funding of £18.282m will also be provided in 2024-25. The MTFS assumes these will be ongoing. • **Pay:** The National Living Wage was introduced from 2016-17, starting at £7.20. The rate for 2024-25 has been confirmed as £11.44. Further details are provided in the Statement on the Robustness of Estimates.
2) Inflation	Pay inflation has been assumed at 3% for 2024-25 to 2027-28, with an additional contingency provision of 1% 2024-25. The County Council is currently part of the national agreement and therefore pay awards for 2024-25 onwards will be determined by any agreements

Area of risk	Explanation of risk
	reached. Every 1% variation in pay amounts to around £3m for the council. There is therefore a risk that pay awards could vary from this assumption over the planning period. Core price inflation is 2% where required specific inflation has been provided based on contractual need. There is a risk that inflation will be required during the planning period, even where there is no current contractual element. In addition, many contracts are negotiated post budget agreement and therefore forecast inflation levels may be different in practice. Inflation on fees and charges is set by NCC – a core 2% increase has been assumed for 2024-25 and the following years. However, there is a risk that market forces may require this to be varied during the planning period.
3) Interest rates on borrowing and investment	Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by our Treasury Advisors. Current interest rates are at a 15 year high, but are forecast to decrease continuously during the next 12 months. The revenue cost of borrowing is based on the rates of interest payable on the council's existing debt and assumptions in respect of capital expenditure to be funded from borrowing which has yet to be borrowed.
4) Government funding	The provisional Settlement provided only indications for one year of funding allocations in 2024-25, which still remain to be confirmed in the final Local Government Finance Settlement. Uncertainty about future local government funding reform including any potential Comprehensive Spending Review (CSR), Fair Funding Review (FFR), and 75% Business Rates Retention Scheme (BRRS) means that the council faces a very significant level of uncertainty about funding levels from 2025-26. A number of issues may also impact on future funding levels: • The effect of cost of living policy responses, economic impact of the ongoing war in Ukraine and the conflict in Israel and the Occupied Palestinian Territories, the war in Ukraine and legacy of Covid-19 on public finances. • The impact of the UK to leaving the European Union and any consequential impact on the national economy, which may have a significant impact on the levels of funding for the public sector at national level. • The operation of the business rates retention scheme and increased risks to business rates income. • On occasion general issues arise on funding which place the council at risk of clawback. • Key funding for integrated health and social care is via the Department of Health and Social Care and is dependent on the

Area of risk	Explanation of risk
	agreement of plans and further information regarding payment by results.
5) Employee related risks	Staffing implications of budget planning proposals have been evaluated and reflected within the financial plans, including the cost of redundancy. However, variations could occur as detailed implementation plans are developed.
6) Volume and demand changes	Many of our largest budgets are demand led and these present long standing areas of risk. Forecasts for social care are based on current outturn predictions and applied to population forecasts. Costs could vary if the population varies, or if the proportion of people either requiring or eligible for care is different to the forecast. Budgets for children looked after and support for vulnerable children take into account the County Council's strategy for minimising the number of children in care. Financial risks include delivery of the strategy and external factors that can lead to an increase in the number of children looked after and/or the complexity of need due to societal changes. Waste forecasts are based on the latest available information. If tonnage levels increase, this will lead to an increased pressure.
7) Budget savings	The Medium Term Financial Strategy includes £70.503m budget savings to be delivered across four years. A full assessment of all proposals has tested the robustness of each saving to minimise the financial risk, however a risk remains that the programme is delivered at a slower rate, or that some savings are not achievable at the planned level. In addition, further savings need to be identified to close the £132.428m funding shortfall between 2025-26 and 2027-28.
8) Insurance and emergency planning provision	Unforeseen events and natural disasters can increase the level of insurance claims faced by the council. The council's insurance arrangements, including actuarial review of the fund, additional provisions for unforeseen and unreported claims, service risk management and emergency planning procedures minimise this risk.
9) Energy, security and resilience	Resilience risks include: • Were a disaster to occur, we must have a reserve in place to pick up the costs that will fall to the council. • Norfolk includes flood risk areas and emergency procedures are in place to manage this. • Resilience of Digital Services can create a risk that might have financial implications for the council.
10) Financial guarantees /legal exposure	Certain contracts contain obligations that, if not fulfilled, would attract a penalty.

Area of risk	Explanation of risk
	The Council has PFI Schemes for street lighting and schools. However, there is no risk to the financing of these schemes at present.

5.3. The following table details the calculation of the general balances having regard to the identified areas of risk.

Reserves Table 3: General balances calculation

Area of Risk	2024-25			2025-26			2026-27			2027-28		
	Budget £m	Risk Level %	Value £m	Budget £m	Risk Level %	Value £m	Budget £m	Risk Level %	Value £m	Budget £m	Risk Level %	Value £m
Government Grant (RSG)	49.668	0.00%	0.000	49.668	0.25%	0.124	49.668	0.25%	0.124	49.668	0.25%	0.127
Business Rates	200.361	0.50%	1.002	200.361	0.25%	0.501	200.361	0.25%	0.501	200.361	0.25%	0.511
Council Tax Variation to Base/Collection	527.748	0.00%	0.000	545.535	0.25%	1.364	561.955	0.25%	1.386	578.870	0.25%	1.476
NHS/Social Care Funding	145.958	0.00%	0.000	145.958	0.25%	0.365	145.958	0.25%	0.365	145.958	0.25%	0.372
Apprenticeship Levy	1.510	2.00%	0.030	1.510	2.00%	0.030	1.510	2.00%	0.030	1.510	2.00%	0.030
Landfill Tax - waste recycling (price)	31.736	1.00%	0.317	34.371	1.25%	0.430	37.058	1.50%	0.556	39.058	1.50%	0.588
Legislative Changes Total	**956.981**		**1.349**	**977.403**		**2.814**	**996.511**		**2.962**	**1,015.425**		**3.103**
Employees	363.578	0.50%	1.832	371.367	0.60%	2.210	381.467	0.60%	2.289	392.911	0.60%	2.377
Premises	21.150	0.50%	0.107	21.508	0.60%	0.128	21.841	0.60%	0.131	22.278	0.60%	0.135
Transport	86.186	0.50%	0.434	87.842	0.60%	0.523	89.532	0.60%	0.537	91.323	0.60%	0.553
Supplies and Services	152.699	0.50%	0.767	184.781	0.60%	1.099	217.022	0.60%	1.302	221.362	0.60%	1.339
Agency and Contracted	628.066	0.50%	3.165	643.305	0.60%	3.843	659.258	0.60%	3.956	672.443	0.60%	4.068
Income (Fees and charges)	133.339	0.50%	0.667	135.661	0.60%	0.814	138.001	0.60%	0.828	140.761	0.60%	0.852
Inflation Total	**1,385.019**		**6.972**	**1,444.465**		**8.617**	**1,507.120**		**9.043**	**1,541.077**		**9.324**
Borrowing	33.897	0.25%	0.085	33.897	0.50%	0.169	33.897	0.75%	0.254	33.897	1.00%	0.341
Investment	1.169	0.25%	0.003	1.169	0.50%	0.006	1.169	0.75%	0.009	1.169	1.00%	0.012
Interest Rates Total	**35.065**		**0.088**	**35.065**		**0.175**	**35.065**		**0.263**	**35.065**		**0.352**
Public Health Grant funding	44.215	0.25%	0.111	44.215	0.50%	0.221	44.215	0.75%	0.332	44.215	1.00%	0.444
Other General Fund Grants	19.415	0.25%	0.049	19.415	0.50%	0.097	19.415	0.50%	0.097	19.415	1.00%	0.195
Grants Total	**63.630**		**0.159**	**63.630**		**0.318**	**63.630**		**0.429**	**63.630**		**0.639**
Pensions actuarial valuation	18.682	0.00%	0.000	18.682	2.50%	0.467	18.682	2.50%	0.467	18.682	5.00%	0.935
Employee Related Risks total	**18.682**		**0.000**	**18.682**		**0.467**	**18.682**		**0.467**	**18.682**		**0.935**
Customer and Client Receipts	133.339	0.75%	1.000	135.661	0.75%	1.017	138.001	0.75%	1.035	140.761	0.75%	1.063

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Area of Risk	2024-25			2025-26			2026-27			2027-28		
	Budget £m	Risk Level %	Value £m	Budget £m	Risk Level %	Value £m	Budget £m	Risk Level %	Value £m	Budget £m	Risk Level %	Value £m
Demand Led Budgets (Adult Social Care third party and transfer payments)	437.832	1.00%	4.378	444.089	1.00%	4.441	450.970	1.00%	4.528	459.990	1.00%	4.607
Demand Led Budgets (Children's Services third party and transfer payments)	107.088	1.00%	1.071	112.280	1.00%	1.123	117.525	1.00%	1.180	119.876	1.00%	1.199
Winter Pressures	4.198	10.00%	0.420	4.227	10.00%	0.423	4.212	10.00%	0.421	4.243	10.00%	0.424
Landfill Tax - waste recycling (volume)	31.736	1.00%	0.317	34.371	1.00%	0.344	37.058	1.00%	0.372	39.058	1.00%	0.391
Public Health third party spend	40.558	1.00%	0.406	40.566	1.00%	0.406	40.573	1.00%	0.407	40.573	1.00%	0.406
Social care and Better Care Fund Spend	145.958	1.00%	1.460	145.958	1.00%	1.460	145.958	1.00%	1.465	145.958	1.00%	1.460
Volume / Demand Changes Total	**900.709**		**9.052**	**917.152**		**9.213**	**934.299**		**9.409**	**950.459**		**9.549**
Budget Reductions	45.022	7.50%	3.377	8.569	7.50%	0.643	8.989	7.50%	0.674	7.923	7.50%	0.594
Budget Savings Total	**45.022**		**3.377**	**8.569**		**0.643**	**8.989**		**0.674**	**7.923**		**0.594**
Uninsured Liabilities	0.000		4.500	0.000		4.500	0.000		4.750	0.000		4.750
Bellwin rules	1,163.554	0.10%	1.164	1,163.554	0.10%	1.164	1,163.554	0.10%	1.164	1,163.554	0.10%	1.164
Insurance/Public Liability Third Party Claims Total	**1,163.554**		**5.664**	**1,163.554**		**5.664**	**1,163.554**		**5.914**	**1,163.554**		**5.914**
Grand Total			**26.660**			**27.910**			**29.160**			**30.410**

5.4. The required level of general balances is therefore identified as £26.660m in 2024-25, rising to £30.410m by 2027-28. It is essential in setting a balanced budget that the council has money available in the event of unexpected spending pressures. The “balances” need to reflect spending experience and risks to which the council is exposed.

5.5. The latest budget monitoring position reported to Cabinet forecasts general balances at 31 March 2024 of £25.410m, prior to allowing for the revenue budget end of year position, which is currently forecasting a balanced outturn for 2023-24.

5.6. The increase in the minimum level of risk-based balances needed in the later years of the Medium Term Financial Strategy reflects the increased level of risk around budget assumptions, such as pay awards, where the longer forecasting horizon increases the level of uncertainty, the increased levels of risk relating to council tax base assumptions and uncertainty about government funding allocations, which add £5.000m to the assessed balance required by 2027-28. The actual level of balance ultimately required will reduce as the planning timeframe shortens and the uncertainty diminishes.

6. Review of Earmarked Reserves and Provisions

6.1. As part of the 2024-25 budget planning process, a detailed review has been undertaken in respect of each of the reserves and provisions held by the council. In general, the earmarked reserves and provisions are considered by the Director of Strategic Finance to be adequate and appropriate to reflect the risks they are intended to cover. However, it is considered that changes could be made to some reserves, due to changing circumstances. Reserves Table 4 summarises the earmarked reserves for each service department. The balances for individual reserves are shown in the subsequent detailed table (Reserves Table 5).

Reserves Table 4: Summary of Earmarked Reserves and Provisions 2023-28

Service Department	Balance at 31/03/23 £m	Forecast at 31/03/24 £m	Forecast at 31/03/25 £m	Forecast at 31/03/26 £m	Forecast at 31/03/27 £m	Forecast at 31/03/28 £m
Adult Social Services	56.058	20.199	11.690	8.119	7.626	7.626
Children's Services	10.436	7.075	4.692	4.649	4.649	4.649
Community and Environmental Services	57.302	52.055	50.847	50.847	50.847	50.847
Strategy and Transformation Directorate	11.891	10.910	10.418	10.418	10.418	10.418
Chief Executive's Department	2.166	2.219	2.166	0.732	1.032	1.332
Finance	44.235	34.663	34.663	34.663	34.663	34.663
Total (excluding schools)	**182.089**	**127.120**	**114.475**	**109.428**	**109.235**	**109.535**
Schools	3.552	1.671	0.991	0.458	0.458	0.458
School – LMS	16.040	10.770	10.770	10.770	10.770	10.770
DSG Reserve	-45.877	-73.284	-96.727	TBC	TBC	TBC

Reserves Table 5: Detailed table of Reserves and Provisions 2023-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Information Technology: The reserve is used by multiple services to set aside money for specific IT projects.	The reserve is used by multiple services to set aside money for specific IT projects.	2.231	1.429	1.091	1.030	1.030	1.030
Repairs and Renewals: This fund is to meet the cost of purchasing and repairing specific equipment.	The need for the reserve has changed over time as more equipment is procured via leases.	3.971	3.682	3.411	3.411	3.411	3.411
Unspent Grants and Contributions: This reserve contains the balances on the council's unconditional grants and contributions.	Mostly grants and contributions which will be used to fund spend over the budget planning period.	55.224	37.751	30.126	26.801	26.308	26.308
Total All Services Reserves		**61.425**	**42.862**	**34.628**	**31.242**	**30.749**	**30.749**
Business Risk Reserve: Reserves established to manage key risks.	Reserve which will be used to mitigate continuing financial risks in future years. Expected to be fully utilised in 2024-25.	10.983	0.055	0.000	0.000	0.000	0.000
Prevention Fund: This includes the Living Well in the Community Fund, Prevention Fund and Strong and Well revenue funding as agreed by Members to support prevention work, mitigate the risks in delivering prevention savings and to help build capacity in the independent sector.	Some use expected to over the planning period	1.106	0.574	0.218	0.102	0.102	0.102

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Road Safety: This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety.	Some use in 2023-24	0.207	0.170	0.170	0.170	0.170	0.170
Social Services Residential Review: This reserve contains funds set aside to support delivery of Mental Health services within Adult Social Services.	Use of the reserve over the budget planning period is expected.	10.605	3.511	0.716	0.605	0.605	0.605
Total Adult Social Services Reserves		**22.900**	**4.310**	**1.104**	**0.877**	**0.877**	**0.877**
Business Risk Reserve: Reserves established to manage key risks.	Reserve which will be used to mitigate continuing financial risks in future years. Expected to be utilised in full in 2023-24.	1.373	0.000	0.000	0.000	0.000	0.000
Children's Services Education Equalisation: To fund the variance in the number of Home to School/College Transport days in a financial year as a result of the varying dates of Easter holidays.	Use dependent upon the dates of future school years	0.600	0.600	0.600	0.600	0.600	0.600
Sch Sickness Insurance	There is no current planned use of this reserve.	0.489	0.800	0.800	0.800	0.800	0.800
Total Children’s Services Reserves		**2.461**	**1.400**	**1.400**	**1.400**	**1.400**	**1.400**

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Business Risk Reserve: Reserves established to manage key risks.	Reserve which will be used to mitigate continuing financial risks in future years.	3.345	1.449	1.449	1.449	1.449	1.449
Adult Education Income: The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Skills Funding Agency. In addition, the Skills Funding Agency can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency working.	Expected to be utilised in full in 2023-24	0.879	0.000	0.000	0.000	0.000	0.000
Archive Centre Sinking Fund: This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia.	There is no current planned use of this reserve.	0.163	0.173	0.173	0.173	0.173	0.173
County Farms: This reserve is to hold income related to the County Farms estate.	Some planned use in 2024-25	0.415	0.415	0.255	0.255	0.255	0.255

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Bus De-registration: This is funding to meet costs associated with the commercial deregistration of bus services.	There is no current planned use of this reserve.	0.027	0.027	0.027	0.027	0.027	0.027
Fire Operational/PPE/Clothing: This reserve is to meet variable demands for new operational equipment and personal protective equipment.	The reserve is for items such as hazmat suits and training in dealing with chemicals.	0.194	0.112	0.112	0.112	0.112	0.112
Fire Retained Turnout Payments: This reserve is to meet variable demands from larger incidents and higher than expected turnouts.	There is no current planned use of this reserve.	0.031	0.031	0.031	0.031	0.031	0.031
Highways Maintenance: This reserve enables a wide range of maintenance schemes to be undertaken. An annual amount is transferred to the works budget. The reserve is also used to carry forward balances on the Highways Maintenance Fund.	The balance mainly relates to commuted sums to meet future liabilities. These sums are paid by Developers to cover the additional maintenance work arising from their developments. The profile of use of the reserves reflects the future liabilities and planned general Highways expenditure.	9.007	7.961	7.711	7.711	7.711	7.711
Historic Buildings: This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings.	This reserve is used as and when required.	0.045	0.043	0.043	0.043	0.043	0.043

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Income reserves: Library, Museum, and Planning income	This reserve is used as and when required.	1.495	1.301	1.301	1.301	1.301	1.301
Park and Ride: The reserve is for future site works.	There is currently minimal planned usage of the fund, but it is retained to meet potential necessary site works.	0.212	0.202	0.202	0.202	0.202	0.202
Prevention Fund: This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services.	There is no current planned use of this reserve.	0.118	0.118	0.118	0.118	0.118	0.118
Residual Insurance and Lottery Bids: When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation).	Expected to be utilised in full in 2023-24	0.081	0.000	0.000	0.000	0.000	0.000
Street Lighting PFI Sinking Fund: This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant and contributions which will be	Some use in 2023-24	5.419	4.915	4.915	4.915	4.915	4.915

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
needed in future financial years to meet contract payments.							
Waste Management Partnership Fund: This reserve is for waste management initiatives.	Some use planned to support 2024-25 budget	1.025	2.025	1.775	1.775	1.775	1.775
Total Community and Environmental Services Reserves		**22.456**	**18.773**	**18.113**	**18.113**	**18.113**	**18.113**
Business Risk Reserve: Reserves established to manage key risks.	Some use of reserve is planned for 2023-24.	0.186	0.122	0.122	0.122	0.122	0.122
Growth and Investment Reserves	Funding on projects are mainly committed over the budget planning period.	7.556	7.117	6.685	6.685	6.685	6.685
Strategic Ambitions Reserve: This reserve supports the council in achieving its aspirations and strategic ambitions for Norfolk.	There is a planned release of this reserve in 2024-25 to support the overall Budget	0.342	0.430	0.370	0.370	0.370	0.370
Scottow Income Reserve	There is no current planned use of this reserve.	0.832	0.985	0.985	0.985	0.985	0.985
Other S&T Reserves	Some use forecast in 2023-24	0.616	0.392	0.392	0.392	0.392	0.392
Total Strategy and Transformation Directorate Reserves		**9.533**	**9.046**	**8.554**	**8.554**	**8.554**	**8.554**

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
NPLaw: This reserve has been created to support the development and increased activities of the business and smooth variations in trading.	The reserve has been built up from NCC's share of the Nplaw Trading partnership	0.458	0.211	0.158	0.158	0.158	0.158
Election Reserve: This is to cover the cost of holding County Council elections, , and elections required for a Directly Elected Leader if the County Deal goes ahead.	Regular ongoing contributions to the reserve are planned each year. The reserve will be used for the next election and will then be built up again. Usage will be dependent on the timing of elections.	0.834	1.134	1.434	0.000	0.300	0.600
Business Risk Reserve: Reserves established to manage key risks.	There is a planned release of this reserve in 2024-25 to support the overall Budget	0.353	0.353	0.053	0.053	0.053	0.053
Total Chief Executive's Department Reserves		**1.645**	**1.699**	**1.646**	**0.211**	**0.511**	**0.811**
Business Risk Reserve: Reserves established to manage key risks.	Reserve which will be used to mitigate continuing financial risks in future years.	9.611	7.826	7.826	7.826	7.826	7.826
Business Rates Risk Reserve: Reserves established to manage key risks.	Some use of the reserve to support the 2023-24 position	13.972	6.960	6.960	6.960	6.960	6.960
Insurance Reserve: This reserve reflects monies set aside for future potential insurance liabilities that are in excess of	There is no current planned use of this reserve.	0.134	0.134	0.134	0.134	0.134	0.134

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
those provided for in the Insurance Provision.							
Organisational Change and Redundancy Reserve: This reserve was created to provide one-off funding to support and invest in transformational change e.g. change initiatives such as Workstyle and to fund redundancy costs.	The timing of when the reserve is used is dependent upon future events and it is expected it will be mainly used to fund redundancy costs.	5.685	5.047	5.047	5.047	5.047	5.047
Total Finance Reserves		**29.402**	**19.967**	**19.967**	**19.967**	**19.967**	**19.967**
Non-Schools Total Reserves		**149.822**	**98.056**	**85.411**	**80.363**	**80.170**	**80.470**
LMS Balances: This reserve represents estimated surpluses and deficits against delegated budgets for locally managed schools. These funds are retained for schools in accordance with the LMS arrangements approved by the DfE and are not available to the Council for general use.	The future usage will be part of individual school's financial plans.	16.040	10.770	10.770	10.770	10.770	10.770
Norwich Schools PFI Sinking Fund: This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and schools contributions which will be needed in future financial years to meet contract payments.	Some use expected to over the planning period	2.203	1.645	0.965	0.432	0.432	0.432

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Building Maintenance: This is money put aside to spend on building maintenance of schools.	Expected to be utilised in full in 2023-24	1.312	0.000	0.000	0.000	0.000	0.000
Other school reserves	There is no current planned use of these reserves	0.037	0.026	0.026	0.026	0.026	0.026
Total Schools Reserves		**19.593**	**12.441**	**11.761**	**11.228**	**11.228**	**11.228**
DSG Reserve: DSG is a ring-fenced grant, provided outside the local government finance settlement. The reserve represents the cumulative position of the ringfenced funding provided by the Department for Education.	The DSG deficit arises from the historic underfunding of the High Needs Block which supports high needs places in state special schools, independent schools and Alternative Provision as well as high needs provision in mainstream schools. The level of the deficit reflects our current forecasts.	-45.877	-73.284	-96.727	TBC	TBC	TBC
Total DSG Reserves		**-45.877**	**-73.284**	**-96.727**	**TBC**	**TBC**	**TBC**
Provision for doubtful debts: A provision to cover bad debts.	This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted. A significant proportion is for specific debts with an element for general service-user related debts. Some use of the reserve occurred in 2023-24 for ICB debt write off.	4.473	1.473	1.473	1.473	1.473	1.473

Appendix 3: Norfolk County Council Statement on the Adequacy of Provisions and Reserves 2024-28

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
Total Adult Social Services Provisions		**4.473**	**1.473**	**1.473**	**1.473**	**1.473**	**1.473**
Provision for doubtful debts: A provision to cover bad debts.	This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted.	1.341	1.341	1.341	1.341	1.341	1.341
Total Children's Services Provisions		**1.341**	**1.341**	**1.341**	**1.341**	**1.341**	**1.341**
Closed landfill long term impairment provision: Provision created to fund long term impairment costs arising from Closed Landfill sites, as per Government legislation and External Audit recommendation.	This is required to cover the legal requirements, but there is currently no specific call on the provision identified. A fixed amount from revenue is released each year to cover impairment costs.	12.818	12.818	12.818	12.818	12.818	12.818
Fire Service: This provision is held to meet variations on Fire Service staffing costs.	There is no current specific requirement for the use of this provision.	0.048	0.048	0.048	0.048	0.048	0.048
Provision for doubtful debts: A provision to cover bad debts.	This provision will change as bad debts are reviewed during the year, although the timing of this use cannot be predicted.	0.038	0.038	0.038	0.038	0.038	0.038
Total Community and Environmental Services Provisions		**12.903**	**12.903**	**12.903**	**12.903**	**12.903**	**12.903**
Other provisions	Other provisions	1.639	1.639	1.639	1.639	1.639	1.639
Insurance: Provision for insurance claims.	Contractual commitment based on reported claims and provision	11.708	11.708	11.708	11.708	11.708	11.708

Title and purpose of Reserve / Provision	Planned future use	Opening Balances 31/03/2023 £m	Forecast Balances 31/03/2024 £m	Forecast Balances 31/03/2025 £m	Forecast Balances 31/03/2026 £m	Forecast Balances 31/03/2027 £m	Forecast Balances 31/03/2028 £m
	for incurred but unreported claims.						
Redundancy: A provision to meet redundancy and pension strain costs.	This provision is forecast to be used in 2023-24.	0.203	0.000	0.000	0.000	0.000	0.000
Total Finance Provisions		**13.550**	**13.347**	**13.347**	**13.347**	**13.347**	**13.347**
Non-Schools Provisions Total		**32.267**	**29.064**	**29.064**	**29.064**	**29.064**	**29.064**

6.2. The planned change in total non-school's reserves is a reduction of 36.72% over five years as shown in the following table.

Reserves Table 6: Change in reserves 2023-28

Balances	31/03/2023 £m	31/03/2028 £m	Reduction %
General Balances	25.410	30.410	
Earmarked Reserves	149.822	80.470	
Total	**175.232**	**110.880**	**36.72%**

The comparative figures for last year were:			
Balances	**31/03/2022 £m**	**31/03/2027 £m**	**Reduction %**
General Balances	24.34	29.09	
Earmarked Reserves	158.654	64.351	
Total	**182.994**	**93.441**	**48.94%**

6.3. When taking decisions on utilising reserves or not it is important that it is acknowledged that reserves are a one-off source of funding and once spent, can only be replenished from other sources of funding or reductions in spending. The practice has been to replenish reserves as part of the closure of accounts, however this can be difficult to predict, and these contributions are therefore not reflected in the figures shown. The forecast year end position of all reserves and provisions is reported to each meeting of Cabinet.

- It should be noted that the Department for Education (DfE) consulted in November 2018[49] on proposals to require local authorities to report DSG reserves or deficits as a separate ring-fenced reserve in annual returns. What this meant for local authorities was that DSG deficits do not need to be covered by an equivalent amount in local authorities' general reserves. Consequently, new lines were added to the 2018-19 RO returns and local authorities are now expected to state their cumulative DSG deficit every year. In October 2019, the government consulted again[50] to clarify that DSG is a ring fenced grant separate from other general local authority funding. The accounting treatment introduced in 2020 by the Government[51] advises:

    - the DSG is a ring-fenced specific grant separate from the general funding of Local Authorities (LAs);

[49] *Consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant*, Department for Education, 12 November 2018: https://www.gov.uk/government/publications/esfa-update-14-november-2018/esfa-update-local-authorities-14-november-2018#information-consultation-on-the-new-arrangements-for-reporting-deficits-of-the-dedicated-schools-grant-dsg
[50] https://consult.education.gov.uk/funding-policy-unit/revised-arrangements-for-the-dsg/
[51] https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2019-to-2020/dedicated-schools-grant-conditions-of-grant-2019-to-2020#accounting

- any deficit an authority may have on its DSG account is expected to be carried forward and is not required to be covered by the authority's general reserves;
- the deficit should be repaid through future years' DSG income.

6.4. The DSG deficit arises from the historic underfunding of the High Needs Block (HNB) which supports high needs places in state special schools, independent schools, and Alternative Provision. Norfolk is currently carrying an outstanding DSG deficit from previous financial years, with a forecast £96.727m deficit forecast for the end of 2024-25. On the basis of the accounting treatment established by government, this deficit DSG reserve position is not reflected in the reserve balances presented within this report but is included for completeness within the detailed Reserves Table 4 above.

7. Summary

7.1. Members could choose to agree different levels of reserves and balances, which could increase or decrease the level of risk in setting the revenue and capital budget. This would change both the risk assessment for the budget and the recommended level of balances.

7.2. The proposed level of reserves and balances set out in this report is considered to provide a prudent and robust basis for the Revenue Budget 2024-25 and will ensure the Council has adequate financial reserves to manage the delivery of services and the proposed savings in the financial years covered by the associated Medium Term Financial Strategy.

Norfolk County Council Statement on the Robustness of Estimates 2024-25 to 2027-28

1. Introduction

1.1. As part of the budget setting process, the Director of Strategic Finance (Section 151 Officer) is required under Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget. The level of risk and budget assumptions underpin decisions when setting the revenue budget and capital programme, and affect the recommended level of general balances held. Members must therefore consider the details of these as set out in this report when recommending or agreeing the revenue budget and capital programme. This report includes the Section 151 Officer's formal statement and provides more detailed information on the risks, robustness of revenue estimates, and capital estimates used in the preparation of the County Council's budget.

2. Approach to providing assurance on robustness of estimates

2.1. The budget proposals are estimates of spending and income made at a point in time prior to the start of the next financial year. As such, this statement about the robustness of estimates does not provide an absolute guarantee but does provide Members with reasonable assurances that the draft budget has been based on the best available information and assumptions, and has been subject to scrutiny by relevant staff, Executive Directors, and Members.

2.2. The requirement to report on the robustness of estimates has been met through key budget planning processes during 2023-24, including:

- Departmental reviews of budgets including consideration of the deliverability of planned savings to inform decision making, which has led to the removal or delay of a number of savings to ensure that the proposed budget is robust;
- Review by finance staff of all cost pressures and regular reports to Executive Directors to provide challenge and inform approach;
- Issue of guidance to all services on budget preparation;
- Routine monitoring of current year budgets to inform future year planning;
- An organisational approach to planning with Cabinet providing guidance early on and throughout the process;
- Member review and scrutiny of developing proposals through budget challenge sessions which considered all services in July, September and December 2023.
- Member review and challenge via Cabinet in the June and October 2023, and January 2024 meetings;

- Public review and challenge through budget consultation for specific proposals where required via the Council's consultation hub Citizen Space, including impact assessment of proposals;
- Assurance from Executive Directors that final budget proposals to be considered by County Council are robust and are as certain as possible of being delivered;
- Consideration of the need for further savings to be consulted on during 2024-25 and the level of these savings in the context of the overall budget.
- Member and Executive Director peer review of service growth and savings throughout the budget planning process.

2.3. In addition, and as set out in the Scheme of Authority and Financial Responsibility, Executive Directors are responsible for the overall management of the approved budget and the appointment of Responsible Budget Officers (RBOs) who are responsible for ensuring that authorised budgets are managed in the most effective and efficient manner in accordance with agreed plans and financial controls. Therefore managers with RBO responsibilities also play a key part in monitoring the financial position, identifying variances and financial risks and planning for service changes including forecast contractual, demographic, legislative and policy changes. In preparing estimates, considerable reliance is placed on Executive Directors and RBOs carrying out these responsibilities effectively.

3. CIPFA Financial Resilience Index and Financial Management Code

3.1. As set out in the Revenue Budget report (Appendix 1), CIPFA has published a Financial Resilience Index[52] which sits alongside the Financial Management Code (FM Code). Both of these have helped to inform the council's 2024-25 budget setting process and the Director of Strategic Finance has referred to the range of indicators shown in the index, and the requirements of the FM Code, in order to reach his conclusions on the robustness of estimate statement for 2024-25.

3.2. The index suggests that when compared to all other county councils:

- Norfolk holds a comparatively **low level of reserves**.
- Norfolk has a relatively **high level of gross external debt**.
- Norfolk **spends a relatively high proportion** of its net revenue budget[53] **on social care** (for both Adults and Children).
- Council tax funds a relatively low proportion of net revenue expenditure (i.e. the council is **relatively more reliant on government grant**). This is linked to the relatively low tax base in Norfolk (a higher proportion of lower-banded properties compared to the England average).

[52] https://www.cipfa.org/services/financial-resilience-index-2022
[53] It should be noted that the index refers to net revenue expenditure as used in government financial returns, this includes central government funding e.g. Settlement Funding allocations and is therefore higher than the council's net revenue budget (which is council tax only).

- Norfolk **experiences relatively limited growth in business rates** income above the Business Rates Baseline.

3.3. It is important to note that the indicators within the index look at retrospective data and only provide an insight into the relative position of similar authorities. The council's level of reserves and external debt are considered annually as part of the budget setting process and monitored regularly throughout the year. Although for a number of historical reasons the council's level of reserves and external debt are respectively lower and higher than other county councils, this position reflects the council's overall strategies of avoiding holding taxpayers' resources unnecessarily in reserves and investing in strategic infrastructure projects. The Section 151 Officer has carefully considered the affordability of the Council's Capital Programme in the context of current economic and borrowing climate, and this is set out in further detail within the appended report. Both the level of reserves held, and the level of external debt, are considered justifiable, appropriate, and sustainable in light of the council's strategy and the risks it is exposed to. Further details of these considerations are set out throughout the budget papers.

3.4. The council is acutely aware of the key financial risks that it faces, and these are reported regularly to members as part of both financial monitoring and within the council's risk register. All risks are kept under ongoing review. In addition, the council has taken a number of steps to minimise these risks and ensure that it remains financially resilient in the short to medium term. Actions have included:

- Regularly communicating financial pressures and risks to key stakeholders including to Government as part of consultation responses and other lobbying activity.
- Fully engaging with Government including reporting requirements to identify financial pressures and maximise financial resources available to support Norfolk as a whole.
- Making difficult decisions locally in order to maximise income and minimise cost pressures (for example, raising council tax and the adult social care precept, implementing difficult savings) to do everything in its power to protect its financial position.
- Submitting responses to consultations including the provisional Settlement, to seek to maximise the funding available for rural shire counties.
- Working with District Councils to reach a consensus position to pool business rates in 2024-25 in order to maximise business rates for Norfolk local authorities.
- Providing for budget pressures, while recognising that the system as a whole is not sustainable in the long term and a national funding solution is required.
- Considering and responding as appropriate to the value for money findings of external audit.
- Ongoing budget-setting work for 2024-25 to set a robust, balanced budget, and regular monitoring of the 2023-24 position including capital and treasury management.

- Annually undertaking a risk-based assessment of the level of general balances required and agreeing the Reserves policy.

3.5. The council keeps its financial position under careful review, and in 2024-25 will consider any further actions needed to enhance compliance with the CIPFA Financial Management code. The council's self-assessment of the current extent of compliance is set out within the Revenue Budget report (Appendix 1).

4. Risk Assessment of Estimates

4.1. The council manages risk registers corporately, for each service and for key projects. These incorporate all types of risk, including financial. In addition, a formal risk assessment has been undertaken of the revenue budget estimates in order to support the recommendation of the level of general balances. This risk assessment is detailed in the Statement on the Adequacy of Provisions and Reserves 2024-28 report (Appendix 4).

4.2. Budget proposals and emerging pressures were reported to Cabinet in October, along with identified key risks associated with these. This enables Members to assess the risk associated with achievability of the savings identified and supports consideration now of the overall robustness of the budget plans for 2024-25.

4.3. Early identification of risks enables Executive Directors to take mitigating action and to enable higher risk budgets to be more closely monitored during the year. The key budget risks that will require ongoing attention are:

- **Local sources of income:** In relation to council tax and business rates, District Council forecast figures are to be confirmed 31 January 2024;
- **Government funding:** The final 2024-25 settlement has not yet been published, meaning that some uncertainty remains about next year's allocations, as discussed in detail elsewhere. In addition, the trajectory of significant reforms to key government grant funding are unknown following the delayed Fair Funding Review and there is uncertainty about future plans for 75% Business Rates Retention. A list of revenue grants is included within Table 13 of the Revenue Budget 2024-25 report (Appendix 1);
- **General pay and prices:** Inflationary pressures affecting the council's contracted spend and uncertainty about the level of future national pay awards;
- **Adult Social Services:** Managing increased demand for services and complexity of need, and facilitating adequate investment to deliver financially sustainable service provision;
- **Children looked after:** Meeting the challenge of delivering improvements within Children's Services to achieve both better outcomes and financial sustainability within the service, whilst also dealing with increased demand and complexity of needs;

- **High Needs Block (HNB):** Managing increased demand for high needs places in state special schools, independent schools, and Alternative Provision which currently represent a shortfall in funding within Dedicated Schools Grant (DSG). Although the Government has now prescribed an accounting treatment for the DSG deficit and confirmed that in principle there is no expectation for local government to fund the DSG from council resources, this position is not guaranteed and will remain a subject of scrutiny for External Auditors. The Council has engaged in intensive negotiation over Summer 2022 and subsequently entered an agreement with the DfE as part of its Safety Valve programme. The core aim for DfE and NCC alike is to achieve an in-year balanced budget to enable the cumulative deficit to be addressed. Through these discussions with the DfE, a plan has been prepared to bring the in-year deficit into surplus and to reduce the cumulative deficit over 6 years. The 2024-25 Budget continues to provide for the Council's local contribution to this. If the council is unsuccessful in resolving the DSG deficit position over the medium term, the pressures and level of forecast overspend are such that it could represent a very real threat to the overall financial viability of the whole council. The position of the DSG budget in future years will therefore continue to have a very significant bearing on the Director of Strategic Finance's judgement about the council's financial resilience and the robustness of its Budget.
- **Major capital schemes:** These include the Norwich Western Link, Great Yarmouth Third River Crossing, programme to improve SEND school provision, which are significant capital projects required to be met within planned capital funding; and
- **Organisational Change:** Managing significant transformation and staffing changes.

4.4. The budget estimates span a four year period, 2024-28, and whilst forecast using the best available information, the planning assumptions and forecasts for future years will necessarily be based on less robust data and known factors. This is particularly exaggerated in 2025-26 and beyond for the reasons set out in more detail in the Revenue Budget report and Medium Term Financial Strategy. There is very little information available about Local Government funding levels after 2025-26 and national announcements imply very significant restrictions to public spending which may have a significant impact for councils. As part of the ongoing budget planning and monitoring cycle, these assumptions and emerging state of affairs are reviewed allowing the development of more detailed planning for the next financial years and revised medium term financial plans.

5. Robustness of Revenue Estimates

5.1. Within the framework set by the council's business plan, *Better together, for Norfolk*, the service and budget planning process has focussed on the key priorities for service departments, including those services that are required by law, and involves a continuous review of the way that services are provided.

Cost pressures to manage unavoidable inflationary, legislative and demand pressures have been included in the revenue budget estimates.

5.2. During July, September and December 2023, Cabinet members and Executive Directors undertook budget challenge sessions to consider budget plans and spending proposals. This provided an opportunity to evaluate initial proposals, risks arising from savings proposals, and emerging planning issues for services. The most significant spending implications affecting the Council continue to relate to Adults and Children's Services.

5.3. As part of the budget process, Cabinet and Executive Directors have considered all the budget reductions and growth pressures and these are reflected in the proposed budget. In addition, some of the key risks identified, including risks relating to the achievability of savings, have been taken into consideration in the Cabinet's budget recommendations, which will enable some budget risks to be managed down and this is reflected in the risk assessment of the recommended level of general balances.

5.4. Budget planning for 2024-25 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2024-25 Budget sees a significant investment in Departmental budgets through both the provision of growth for cost pressures, and the removal of previously planned savings, to provide assurance about the robustness of the revenue budget and the deliverability of savings. This represents the net removal or delay of £1.000m previous budget round savings from next year's budget.

5.5. The Council's budget planning assumes that any undeliverable savings have been removed in the exercise detailed above and therefore that all the remaining savings included for 2024-25 are deliverable. A small number of savings have been identified which may require consultation, in the event that they are not implemented the budget report outlines proposed mitigations.

5.6. The table below shows the current budget position and the following three years based on the recommendations set out in the Revenue Budget report (Appendix 1) and the current budget forecast for 2023-24. The Medium Term Financial Strategy does not reflect plans to fully meet the funding shortfall between 2025-26 to 2027-28. In view of the future funding uncertainty, the Council's overall reserves position, and in order to maintain a sustainable budget position, the Council has sought to limit its reliance on one-off options to balance the budget in 2024-25. However, a considerable gap remains forecast for 2025-26 and as part of developing the budget for future years, work will need to continue to identify further proposals for service provision in order to identify ways to address these deficits in future years. The Revenue Budget report sets out in Section 4 details of the assumptions which inform the Section 151 Officer's judgement of the robustness of estimates and in particular confirms that **early planning to address the 2025-26 Budget gap will be essential, along with the production of a realistic plan for reducing the budget requirement** in future years through robust saving proposals, or the reduction of currently identified pressures.

Robustness Table 1: Forecast Budget Deficit 2023-24 to 2027-28

	2023-24 (Period 8 forecast)	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027-28 Budget
	£m	£m	£m	£m	£m
Forecast outturn budget deficit	0.000	0.000	42.927	45.505	43.995

5.7. Executive Directors and budget holders will continue to work over the remainder of the financial year 2023-24 to deliver the balanced outturn position at year end as projected in the period 8 Financial Monitoring report. Any permanent non-delivery of unachievable future year savings from the 2023-27 budget round has been addressed as part of the 2024-25 budget process, however any 2023-24 savings which have not been achieved in-year due to timing delays are assumed to be delivered in 2024-25.

5.8. The factors and budget assumptions used in developing the 2024-28 budget estimates are detailed over sixteen headings, including drivers of growth, savings and other planning assumptions and set out below.

Robustness Table 2: Summary of budget assumptions and approach

Budget Assumption	Explanation of financial forecast and approach
Growth Pressures	
1) Inflation	Pay inflation has been assumed at 3% for 2024-25 to 2027-28, with a 1% contingency in 2024-25. The County Council is currently part of the national agreement and therefore pay awards for 2024-25 onwards will be determined by any agreements reached. Every 1% variation in pay amounts to around £3m for the council. There is therefore a risk that pay awards could vary from this assumption over the planning period. Pensions – The 2022 actuarial valuation of the pension fund has set the employer contribution rates from 1 April 2023 at 15.5% (unchanged) plus a lump sum for each of the three years 2023-26. General inflation, where required, has been provided at 2%. Specific price inflation is provided where a contractual increase is required. This is at the contractual rate where appropriate.
2) Demand and Demographics	There are three key areas where demand and demographic pressures have a significant impact on the council's budget planning: • Gross demand and demographic pressures in Adult Social Care totalling £22.700m including pressures to address the recurring elements of the 2023-24 overspend. • Gross demand pressures of £14.500m in Children's Services reflecting additional costs including increasing demand and

Budget Assumption	Explanation of financial forecast and approach
	complexity of need for children looked after and home to school transport pressures, particularly for children with special educational needs and disabilities. • Demand and demographic pressures from increased maintenance costs of infrastructure assets.
3) Legislative changes	The budget estimates include the following assumptions with regard to current and future legislative changes: • The Government implemented a National Living Wage (NLW) from 2016-17, starting at £7.20. In April 2024 it will be increased to £11.44[54]. The exact level at which the National Living Wage will be set in future years has not been confirmed. Although assumed cost pressures relating to the National Living Wage have been included in budgets, there is a risk these could diverge in future. • Cost pressures have been included associated with the increased income received for the Discharge Fund and Market Sustainability and Improvement Funding. • Legislative changes in CES for removal of DIY waste charges and Fire Service pressures
4) Policy decisions	The 2024-25 budget includes Minimum Revenue Provision pressures and software licence costs
5) Interest Rates	Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by the council's Treasury Advisors.
Savings	
6) Income	Inflationary increases to fees and charges have been included within the budget proposals where appropriate. Other changes to income either through expected reductions in income, or initiatives to increase income generation, are reported as individual budget proposals.
7) Savings	Savings have been identified across all services and range from productivity efficiency savings, to reductions in service provision. All managers are responsible for ensuring that proposed savings are robust and delivered in accordance with plans. Measures throughout the planning process have supported review and challenge of the deliverability of savings and where appropriate a number of savings have been removed or re-profiled to later years. Changes or delays in delivering savings will result in variance to the budget and as such savings will be closely tracked throughout the year as part of the budget monitoring process and reported to Cabinet, with management actions identified as necessary.
Other Planning assumptions	
8) Funding changes	The provisional Settlement provided only indications for one year of funding allocations in 2024-25, which remain to be confirmed in the

[54] https://www.gov.uk/government/publications/minimum-wage-rates-for-2024

Budget Assumption	Explanation of financial forecast and approach
	final Local Government Finance Settlement. Uncertainty about the outcomes (and indeed in some cases progress) of Local Government funding reforms including Social Care Reform, the Fair Funding Review (FFR), Business Rates Retention Scheme (BRRS), which have all been delayed until at least 2026-27, means that the council faces a very significant level of uncertainty about funding levels in future years. The provisional Settlement confirmed social care funding of £78.800m, Discharge Support funding of £9.257m and ASC Market Sustainability and Improvement funding of £18.282m will also be provided in 2024-25. The MTFS assumes these will be ongoing, but a significant level of uncertainty remains. The Revenue Budget report sets out the detail of key grants and highlights that many key areas of funding are yet to be confirmed for 2024-25. In relation to schools, funding is provided through the Dedicated Schools Grant (DSG) and Pupil Premium, which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. It is assumed that all school pay and prices inflationary pressures will be absorbed within the DSG allocation. Norfolk faces severe pressures on High Needs Block (HNB) funding within DSG and has agreed a plan with DFE as part of the Safety Valve programme. Further details are provided in the Dedicated Schools Grant Budget report elsewhere on this agenda. The accounting treatment for DSG cumulative deficits allows councils to carry a negative balance on these reserves. This treatment is dictated by Government but potentially remains a significant issue and will result in a material deficit balance in the council's Statement of Accounts until the DSG recovery plan has been delivered.
9) Financial risks inherent in any significant new funding partnerships; major contracts or major capital developments	Financial risks are included within the assessment of the level of general balances. The financial risks arising from major capital schemes such as the Great Yarmouth Third River Crossing, Norwich Western Link and investment in specialist school places continue to be closely monitored and reflected within the County Council's capital budget proposals.
10) Availability of funds to deal with major contingencies	All provisions and earmarked reserves have been reviewed to test their adequacy and continued need. A risk assessment of the level of general balances has been undertaken and the budget reflects the assessed level of balances required. The council also has recourse to the Bellwin scheme in the event of disasters or emergencies.

Budget Assumption	Explanation of financial forecast and approach
11) Overall financial standing of the authority	The council's treasury management activity manages both short term cash to provide security, liquidity and yield, and the council's longer term borrowing needs to fund capital expenditure through either long term borrowing or the utilisation of temporary cash resources pending long term borrowing. In accordance with the approved strategy, the council currently continues to borrow for capital purposes, while using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. At 31 December 2023, the council's outstanding debt totalled £863m. The council continues to maintain its total gross borrowing level within its Authorised Limit of £1,067m (prudential indicators) for 2023-24. The Authorised Limit being the affordable borrowing limit required by section 3 of the Local Government Act 2003. There are a number of treasury related indicators to restrict treasury activity within certain limits and manage risk. These include maturity profile of debt; and investments greater than 365 days. Monitoring is reported regularly to Cabinet on an exception basis. At the end of December 2023 (Period 9), the council's cash balances stood at £199m.
12) The authority's track record in budget and financial management	As at Period 8 the 2023-24 revenue budget is forecast to be a balanced position on a net budget of £493.707m (gross £1.803bn). Executive Directors are working to ensure this balanced outturn position is delivered at year-end. There are national issues with the delivery of local government audit, which have led to widespread delays in completion. Ernst and Young, the council's external auditor, is expected to issue its opinion on the Council's 2021-22 accounts in early 2024 which will include its conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The Council has published its 2022-23 draft accounts. Audit of the 2022-23 accounts has not yet commenced due to the external auditor's planned phased approach to delivering historic outstanding audits, as developed with the Department for Levelling Up, Housing and Communities. The Council's audit committee considered the draft results of the 2021-22 audit at its meeting in October 2023.[55]
13) The authority's capacity to manage in-year budget pressures	The level of general balances is assessed as part of the budget setting process, reviewed monthly and reported to Cabinet as part of the regular monitoring process. Review and challenge improves the accuracy of budget estimates, which aims to support management and the early identification of budget issues. The regular reporting of risk and monitoring of mitigating actions supports in-year budget management.

[55] https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/statement-of-accounts

Budget Assumption	Explanation of financial forecast and approach
14) The strength of the financial information and reporting arrangements	Information on budget and actual spend is reported publicly and monitoring reports are published regularly throughout the year. The reports are on a risk basis, so that attention is concentrated on what is most important.
15) The end of year procedures in relation to budget under/overspends at authority and departmental level	Guidance on end of year procedures is reported annually and arrangements are monitored. Detailed year-end financial information is reported alongside services' performance monitoring. The proposed year end arrangements will be reported to Cabinet for approval.
16) The authority's insurance arrangements to cover major unforeseen risks	The County Council has a mix of self-insurance and tendered insurance arrangements. Premiums are set on an annual basis and reflected within the budget planning. Premiums are subject to annual variance due to external factors and internal performance, risk and claims management. General balances include assessment of financial risk from uninsured liabilities.

6. Robustness of capital estimates

6.1. As with the revenue budget, the capital programme is designed to address the authority's key priorities, including schemes which will help transform the way in which services are provided. To this end, the programme is prepared on the basis of a number of factors, including previously agreed projects, spend to save proposals, and infrastructure and property requirements.

6.2. Projects are costed using professional advice relative to the size and nature of the scheme. Where appropriate, a contingency allowance is included in cost estimates to cover unavoidable and unforeseeable costs. The programme is guided by a simple prioritisation model: schemes that score less than that achieved by the repayment of debt represent bad value for money. In this way, the Council will achieve the most economic use of its scarce capital resources.

6.3. The largest on-going capital programmes relate to transport infrastructure and schools. In both cases there is significant member involvement through Cabinet. For other large projects, appropriate oversight is put in place.

6.4. An estimate of potential capital receipts is made each year. The actual level of receipt in any one financial year can never be forecast in advance with any degree of certainty due to market conditions and interest from purchasers and reduced receipts may result in fewer capital projects going ahead or additional future revenue costs.

6.5. The risks associated with having to fund large unforeseen programme variations are addressed mainly as a result of the Council being able to amend the timing of projects between years. The ability to re-profile projects between years does not result in a significant funding risk because the vast majority of funding is not time-bound, although there are inflationary risks which have to be considered.

7. Summary

7.1. This appendix sets out details of the assessment of the robustness of the estimates used in preparing the proposed revenue and capital budget. There are no direct resource implications arising from this report, but it provides information and details of the assumptions used to support the Director of Strategic Finance' statement on the Robustness of the Estimates and provides assurances to Members prior to recommending and agreeing the revenue and capital budgets and plans for 2024-28.

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

Norfolk County Council
Budget Consultation findings report 2024-25
8 December 2023

Your views on Norfolk County Council Budget 2024-25

1. Introduction

As required, and in line with previous years, Norfolk County Council has conducted an annual budget consultation for financial year 2024-25. This Budget Consultation was open between 20 October and 1st December 2023, and sought views from the public and stakeholders on the level of council tax, including the adult social care precept. We also invited comments on the council's budget approach and proposals. In particular, the consultation asked for views on our proposals to:

- increase Norfolk County Council's share of general council tax by 2.99% in 2023-24
- raise the adult social care precept by 2% in 2023-24

No other outline budget proposals needed to go out to further public consultation as none are deemed to directly impact on service delivery. However, if it is apparent, once the budget is agreed and the Council starts to implement the proposals, that any of the proposals do impact on delivering services, then we may need to carry out detailed consultation on those proposals in the future.[56]

2. Methodology

An online consultation was developed which ran for six weeks, starting on 25th October closing on the 1st December 2023. This was hosted on the County Council's Citizen Space consultation hub. Paper copies, large print copies, editable copies and Easy Read copies were available to download from the online portal, and available on request by email and phone (with a Freepost returns process in place).

People could choose which financial section they wanted to comment on, so not all respondents answered all questions. Some people also indicated that they did not want

[56] The Budget Consultation findings report 2024-25 summarises comments on the budget proposals published in the Strategic and Financial Planning report to October 2023 Cabinet. As set out in this 2024-25 Revenue Budget report to January 2024 Cabinet, further savings have been developed to support the preparation of a balanced budget since the initial list of proposals considered by Cabinet in October 2023. Where no consultation requirement has been identified these have been incorporated into the budget with relevant EQIA information as set out elsewhere in this report. Where new proposals may require consultation or equality impact assessment, this will be undertaken as soon as possible and brought back to Cabinet for decision.

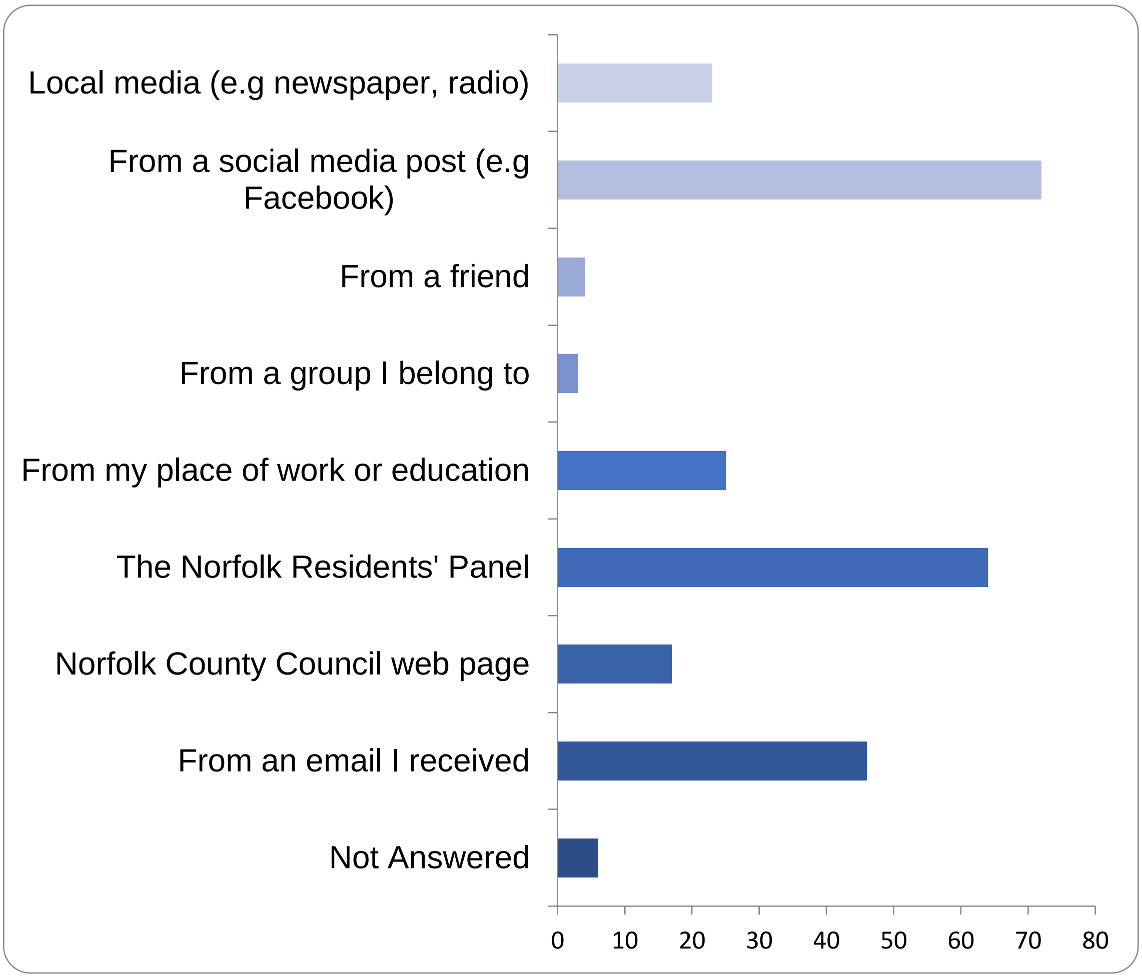
their comments made public in which case their feedback is integrated but no related verbatim commentary included.

3. Promotion

To ensure as many residents as possible could take part in the consultation it was promoted through the following channels:

- Press releases to all media partners/channels across Norfolk
- Email briefing to members of our Norfolk Resident's Panel.
- Social media promotion on X (previously known as Twitter), 4 posts and Facebook, 5 posts.
- Members briefing to all NCC councillors
- NCC Managers Briefing
- Information on the staff intranet and staff newsletters (including Friday Takeaway)
- Information on the Council's website www.norfolk.gov.uk
- Letters sent to key stakeholders
- Letter to 520 Parish Councils, and promotion via Norfolk Association of Local Councils
- Parish Council event (see details below in Section 4)

We asked respondents how they heard about this year's budget consultation and the response is tabled below.



4. Parish Council Event

On 16th November 2023 we participated in a webinar hosted by the Norfolk Association of Local Councils (NALC) and delivered via the Zoom platform. Parish Council representatives were invited to this online meeting with Councillor Andrew Jamieson.

Participants were invited to find out more about our budget consultation proposals. Cllr Jaimeson gave a presentation outlining our proposals, followed by questions and answers session. A recording of the event was made available after the session via the NALC. After the session closed, participants were invited to visit our consultation online and provide written feedback if they so wished. In total, representatives from 18 parish councils accepted the event.

Four strong themes emerged from the consultation comments. Respondents told us:

NCC must operate efficiently, making savings where appropriate (not to front line services), cutting costs and spending wisely. (97 comments)

"NCC still wastes a lot of the money it receives. Whether through procurement, contracts or road building."

People are struggling financially, the cost of living crisis is making it difficult to pay rising costs, especially for those on fixed or low incomes. (76 comments)

"The average person could find it hard to pay the extra amount in view of the increasing costs of food, heating etc."

The services NCC provides are vital, especially those for vulnerable or older people and children, and should be prioritised and protected. (71 comments)

"Social services are so important, people in need should get the help they need to live a good life."

Respondents recognise the cost to NCC of maintaining services is rising, income streams are limited, and raising council tax is one of few options. (64 comments)

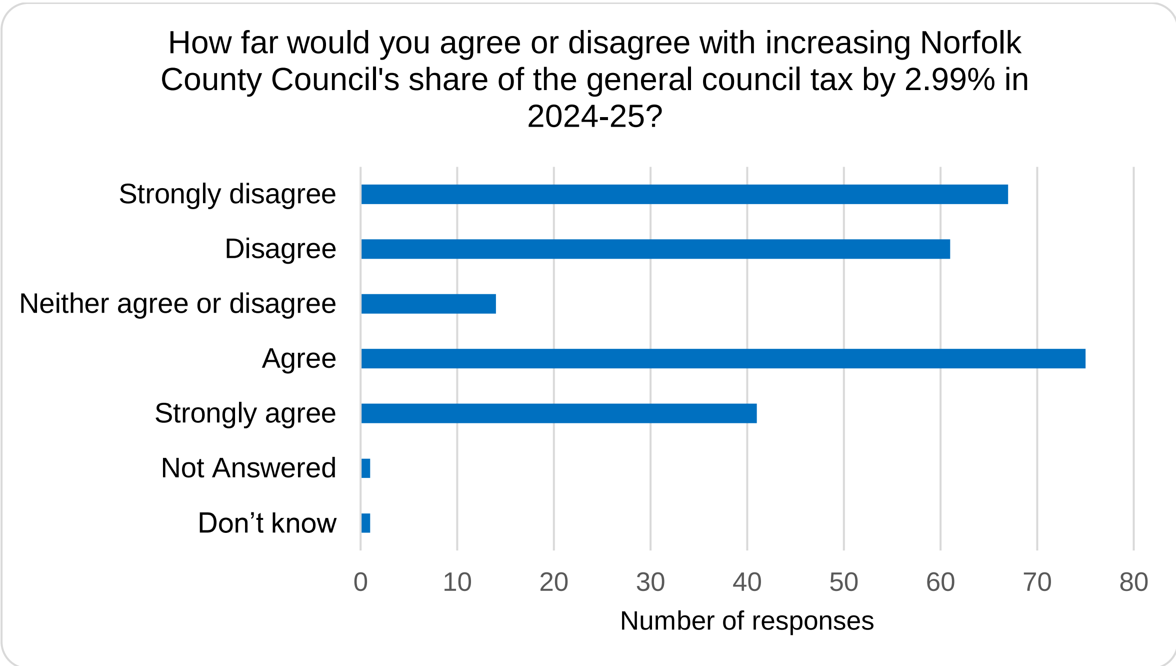
"The cost the council face for social care are largely unavoidable, and with government support being limited, there may be no other options."

5. Results

For each open question, themes are shown in a table in a summary of findings. A sample of quotations (reported as written by the respondent) is included in the table. In total there were 260 responses to the consultation.

Q2: (Q*1: was about confidentiality)* How far would you agree or disagree with increasing Norfolk County Council's share of the general council tax by 2.99% in 2024-25?

There were **259** responses to this question. Slightly more people disagreed or strongly disagreed (128/49.23%) than agreed or strongly agreed (116/44.02%) with the proposal.



Option	Total	Percent
Strongly agree	41	15.77%
Agree	75	28.85%
Neither agree or disagree	14	5.38%
Disagree	61	23.46%
Strongly disagree	67	25.77%
Don't know	1	0.38%
Not Answered	1	0.38%

Q3: Why do you say that?

There were **214** responses to this question, please refer to Evidence Table 1 for comments. People told us:

- The cost of living is already high, and people are struggling financially – paying more would be difficult. (55 comments)
- NCC needs to manage its resources more efficiently before, or in addition to, increasing council tax. (37 comments)
- Council services are important or vital (especially for vulnerable people) and should be maintained. (37 comments)
- The cost to NCC of providing and investing in services has risen and needs to be paid for. (37 comments)

Q3: Evidence Table 1		
Theme	**No. of comments**	**Illustrative quotes (verbatim)**
The high cost of living means people are struggling financially and can't afford to pay more.	55	The cost of living continues to rise and wages have not risen to reflect this in many sectors. People will be paying more for their energy this year, use of foodbanks is rising and asking for more money from residents will increase their hardship/debt burden. The increase of council tax would be another strain on already tight household budgets, in a time where many are living paycheque to paycheque. We are in the middle of a cost of living crisis and people simply cannot afford to pay more for everything. People on lower incomes are receiving assistance and government payouts whereas those in the middle are being squeezed by all measures.
NCC needs to manage its resources more efficiently before, or in addition to, increasing council tax.	37	NCC, still wastes a lot of the money it receives. Whether through procurement, contracts or road building. You spend far too much money on unnecessary things, employ too many staff, have too many councillors and are far too inefficient. Significant restructuring of local government at county and district level is required in order to achieve very significant reduction in expenditure The County Council need to strive to be more efficient with their current resources, at a time when everyone is facing cost of living challenges it is unfair for general population to pay for council on efficiencies and top level management.

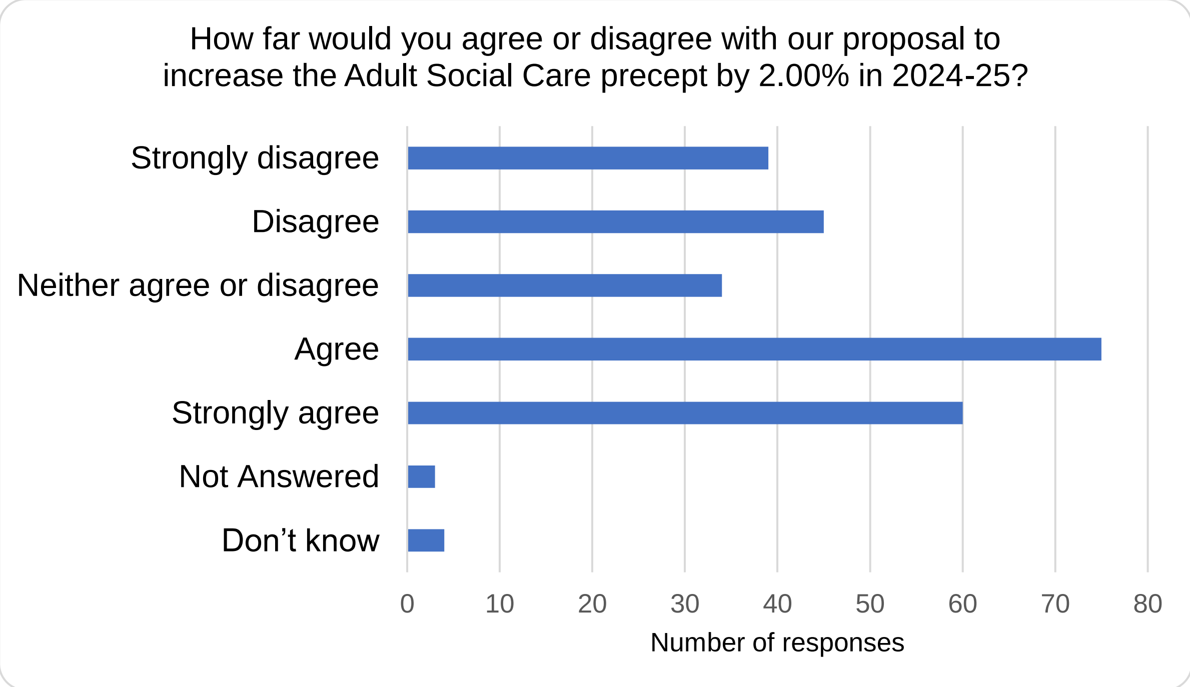
Council services are important or vital (especially for vulnerable people) and should be maintained.	37	Need to provide vital services to people. High quality and easily available services are more valuable than ever with so many people struggling financially and mentally. We need to protect services for the most vulnerable.
Acceptance that the cost to NCC of providing and investing in services has risen.	37	Accept the need for increase due to inflation & other worldwide factors. Services are costing more to provide. If residents want those services to continue, the only way to do this is increase taxes. With the cost of living crisis most people would struggle to pay the extra but I'm only disagree as I also acknowledge that the council's costs have increased.

Theme	No. of comments	Illustrative quotes (verbatim)
Issues about real or perceived 'value for money': not using services paid for through council tax or paying more while receiving less (fewer or reduced services).	26	As a village resident we have no street lights, no traffic control, no school, doctor or other facilities. We already pay a high rate of council tax, for very little return to our community and I don't see why we should be expected to pay more for less services than other areas of the county. It's already far too expensive, and we get virtually no services where we live.
Proposed increase is too much - percentage or amount should be smaller, or current council tax is too much/should be reduced.	17	As part of an overall increase of almost 5% this is an unwelcoming constant trend of large increases each year. Too expensive already.
NCC needs to generate more income (eg. by seeking central government support, charging for services, or means-testing).	12	Norfolk County Council must also continue to lobby the Government for a better settlement for local authorities that reflects that many people in the country are currently experiencing financial hardship and cannot afford to pay an increase in their council tax. In addition, this hardship will increase the demand on local authority services. The Council must also pursue the County Deal

		to ensure that funding is realised to further lessen the burden on residents. Those of us who are able to should pay towards the services you provide as they are woefully underfunded now.
Comments with a caveat.	12	I don't think council tax should need to be raised this much year-on-year (looking at the pretty shocking graph on the previous page in particular). However, also aware that councils are massively underfunded and we're footing the bill. So it's a reluctant 'agree' because the current government are never going to provide more central funding.
NCC should provide fewer or different services, cease ‘vanity’ projects or use existing income more wisely.	11	If Norfolk County Council need to make savings they should scrap plans for the Western Link road which will cause environmental damage and destroy precious wildlife. Instead of increasing council tax, it would be better to cut back on the unnecessary changes you are making to our City and road networks..At this rate we won't be able to afford to visit the former or use the latter.
Proposed rise is fair or reasonable	11	There is usually an increase each year, so the percentage proposed is reasonable
Acceptance that demand on NCC for services is growing.	11	We need more funds to effectively deliver social care for the people of Norfolk's increasing needs (ageing population, increase in people with chronic mental health difficulties etc)
Alternative suggestions for what council tax should be spent on	10	The councils should concentrate on core responsibilities like education, rubbish collection, social care and highway maintenance, NOT wishy washy politically correct schemes.
Comments about principles of taxation.	10	Because this would adversely affect the poor in the county. You should be looking at more ways of taxing those who have all the money.
Please note: comments which were raised fewer than ten times are not reported in this and subsequent evidence tables.		

Q4: How far would you agree or disagree with our proposal to increase the Adult Social Care precept by 2.00% in 2024-25?

There were **257** responses to this question. Just over half of respondents agreed or strongly agreed (135/51.93%) and almost a third (84/32.31%) disagreed or strongly disagreed with the proposal.



Option	Total	Percent
Strongly agree	60	23.08%
Agree	75	28.85%
Neither agree or disagree	34	13.08%
Disagree	45	17.31%
Strongly disagree	39	15.00%
Don’t know	4	1.54%
Not Answered	3	1.15%

Q5: Why do you say that?

There were **190** responses to this question, please refer to Evidence Table 2 for comments. People told us:

- Council services are important or vital (especially for vulnerable people) and should be maintained (34 comments)

- The cost to NCC of providing and investing in services has risen and needs to be paid for. (27 comments)

- NCC needs to manage its resources more efficiently before, or in addition to, increasing the Adult Social Care precept. (24 comments)

Q5: Evidence Table 2		
Theme	**Number of comments**	**Illustrative quotes (verbatim)**
Council services are important or vital (especially for vulnerable people) and should be maintained.	34	Because as a local authority its important to have the funding available to provide these essential services, and be able to show where the money has been spent. Maintain level of services to vulnerable people. Key service protect it.
Acceptance that the cost to NCC of providing and investing in services has risen.	27	The costs the council face for social care are largely unavoidable, and with government support being limited, there may be no other option. Again, costs are rising so we need to try and keep up, otherwise service is reduced.
NCC needs to manage its resources more efficiently before, or in addition to, increasing council tax.	24	Too much money is still be wasted by the council within the Adult Social care area, so until the wastes have been stopped then there should be no overall precept. Reduce waste and improve efficiency before simply charging more.
The high cost of living means people are struggling financially and can't afford to pay more.	21	Money should be found from cuts in other areas rather than put the cost on the public, many of whom are already struggling with the cost of living increases. We are struggling with paying all bills including heat and food.
Acceptance that demand on NCC for services is growing.	21	Increase in demand from the oldest population in the country. The demand for adult social care is increasing in Norfolk, and the Council needs more money to deliver the services that residents with social care needs need.
Caring for people is the morally 'right thing to do'.	20	Looking after vulnerable people is a must for a caring society. Appropriate care in its many forms is a fundamental right and services in this area should not be eroded.
Comments with a caveat.	14	I agree in principle but.. There are always increases and never improvements - vulnerable

		neglected, social workers with ridiculous case loads and failing to return calls and complete the basic of tasks. Be happy to see this increase if we could see where the money is spent and if spent wisely - Transparency!
NCC needs to generate more income (eg. by seeking central government support, charging for services, or means-testing).	13	Used to work in care and manage fees for care homes and had meetings with Norfolk CC in regards but large companies make large profits so put some of this back in to care homes rather than share holders. Social Care is necessary to people who are unable to take care of themselves in some way. This is ALWAYS worth paying for. However, I believe those people who use the services should contribute a reasonable, means-tested amount from their own disability benefits. Paying for care it what disability benefits are for.

Theme	Number of comments	Illustrative quotes (verbatim)
Issues about real or perceived 'value for money': not using services or paying more while receiving less (fewer or reduced services).	10	Adult social pain never improves in this country you put the council tax up every year for it and we don't see any improvement.
Proposed increase is insufficient to meet need/increase should be bigger.	10	I think it should be more, given that this may only increase and with current levels its only just functioning.

Q6: Do you have any comments about our budget approach?

There were **131** responses to this question, please refer to Evidence Tables 3 and 4 for comments. People told us:

- NCC needs to manage its resources more efficiently before, or in addition to, increasing tax. (30 comments)
- NCC should consider ceasing some projects to save money; the Norwich Western Link project was mentioned seven times. (10 comments)

Q6: Evidence Table 3		
Theme	**Number of comments**	**Illustrative quotes (verbatim)**
NCC needs to manage its resources more efficiently before, or in addition to, increasing tax.	30	Increased efficiencies could be made by reducing bureaucracy and greater use of video assessments etc I.e. virtual to cut travelling time, thus cutting the waiting list and preventing cases from reaching crisis point which costs more money. More needs to be done to increase efficiency. There should be fewer managers and more staff. Currently managers are being paid a lot of money to do basic admin tasks, such as dealing with low level HR issues.
Comments about services NCC should or could cease to deliver.	10	Significant savings could be realised by terminating work on the unnecessary Western Link Project.

Proposals by department

Comments about each department's (Adult Social Care, Children's Services, Community and Environmental Services, Strategy and Transformation, and Finance) broad approach and specific proposals are shown in Evidence Tables 4i-v below.

Adult Social Care proposals

Q6: Evidence Table 4i – ASS proposals
ASS proposals - general comments
I am just beyond bored why there are increases, where the cuts are coming from and still NCC fails the community, children's adult and social care - social workers do not follow up calls to customer service - why are unqualified the first port of call for these delicate calls - ridiculous and dangerous. You offer no actual solutions! e.g. Review contracts providing respite for adults with learning disabilities and identify a more cost effective and efficient way of delivering this service'. So what is likely to happen is you review the contracts (ie reduce the number and amount of money presumably(but then don't find a way of delivering the service so you actually end up with no service. Don't suggest cuts without having the solution already in place. Shifting our payments for 1:1 care in Residential Care to being based on actual delivery rather than commitment basis. - This is just jargon and in effect means nothing. Exactly what do you mean and WHAT are you going to do? The plans to build more units sound as if you are providing a solution. Hopefully we see those, but time will tell. Next we need to see a more solid proposal for that - e.g. when and where. ASS; As there is a greater demand for this cutting the budget by nearly 16m will cause great harm to the most vulnerable.

Increased efficiencies could be made by reducing bureaucracy and greater use of video assessments etc I.e. virtual to cut travelling time, thus cutting the waiting list and preventing cases from reaching crisis point which costs more money.

I am appalled that so much is being cut from the overall social care budget, how are these people going to manage?

More also needs to be done to stop time being spent on calls that do not meet the social care criteria.

Over recent years I have understood that the way forward for care was to concentrate of keeping people in their own homes. That now seems to be abandoned in preference for building new units? As someone whose partner hasn't been able to enjoy the simple pleasure of a shower for three years because we don't have the money to pay for a suitable extention to her home and suitable grants for privately owned homes are not available (she's bedbound downstairs and her bathroom is upstairs). There needs to be more help for those in absolute need but who simply do not qualify for help (by just a small amount because of means testing).

Children's and Adult's services should be protected more than they appear to be. The level of detail provided is insufficient to enable a comment whether budget items should be supported or not.

ASS proposals – comments citing a specific proposal	
ASS001: Review contracts providing respite for adults with learning disabilities and identify a more cost effective and efficient way of delivering this service.	S2425ASS001 - will require asking service users too. No good if respite service offers respite at useless times. Identify why respite beds are blocked by those needing emergency respite.
ASS002: Shifting our payments for 1:1 care in Residential Care to being based on actual delivery rather than commitment basis.	2425ASS002 will this make it difficult for residential care facilities to plan their own budgets?
ASS003: Reduction in budget for a historic pension scheme based on people exiting the scheme over time.	Re: "S2425ASS003 Reduction in budget for a historic pension scheme based on people exiting the scheme over time" ... As an existing NCC pensioner, with a partial "historic pension scheme", I assume you mean after someone dies. I don't think you can reduce a living NCC pensioner's "historic pension scheme" because it is based on the scheme we are entitled to received when we retired.

ASS proposals – comments citing a specific proposal	
ASS004: One-off release of reserves to offset budget pressures.	S2425ASS004 - Releasing reserves will only postpone the inevitable shortfall in funds until the next budget year. Savings proposals need to be revisited to address this.
ASS006: Plans to provide 183 units of supported housing for	S2425ASS006 - delays delays delays. I hope contracts are realistic with regard to completion

young adults. This proposal is aimed at increasing independence and making savings by reducing demand for residential care.	times, sourcing building materials and quality of build - buying cheap costs more. No-one wants residential care anyway - there is an increased demand for supported living as it offers a greater degree of independence. S2425ASS006 - I'm in support of this and any schemes that save money by meeting needs earlier on and avoiding high-cost, often less than ideal placements further away from family.
ASS008: Reduce purchasing of short-term residential care, by focusing on more independent outcomes following hospital discharge.	S2425ASS008 Reduce purchasing of short-term residential care, by focusing on more independent outcomes following hospital discharge. - How will this be funded - vulnerable people at risk - families on the edge as they cannot support. S2425ASS008 - as long as support is in place to ensure independent living.
ASS009: A programme of work based on data designed to support people earlier and connect them to services and support in their communities. The saving would be from prevention and early intervention (Connecting Communities additionality).	Your biggest single saving S2425ASS009 Looks like gobbledegook! The accounts team need to sit down with each department and clarify exactly what these savings mean
ASS011: Investment in additional staffing to promote earlier intervention and maximise independence amongst young people with additional needs.	S2425ASS011 - strongly agree - investment in the right places can save money further down the line.
ASS014: Use digital technology to streamline services and make productivity and efficiency savings across priority areas for Adult Social Care.	S2425ASS014 Use of digital technology to streamline services and make productivity and efficiency savings across priority areas for Adult Social Care, this is great however there are many people that are not digitally enabled and much prefer to speak to a person rather than a chat bot, or try to find things themselves online, using my mother as an example she does not use the internet and does not wish to learn these skills she prefers using the telephone to get/update information, it is not easy for everyone, too use technology and not everyone has the want to learn, so services where people interact with people need to be maintained, despite the use of tech.

Children's Services proposals

Q6: Evidence Table 4ii – CS proposals	
CS proposals - general comments	
I have focused mainly on the Children's Services section as that is central to our lives at the moment - I believe that early intervention is vital and needs to be prioritised. Support for neurodiverse children to stay in their families is an area that is really struggling and prioritising this should be one of the areas worked on (pay now to save money longer term).Exploring how to save money on transport is a good way to help with climate change as well as to save budget money and is a good area to explore. Early Intervention and Prevention is absolutely vital. I am just beyond bored why there are increases, where the cuts are coming from and still NCC fails the community, children's adult and social care - social workers do not follow up calls to customer service - why are unqualified the first port of call for these delicate calls - ridiculous and dangerous. It concerns me that there are cuts to early intervention programmes in Children's Services. Spotting issues early invariably costs less in the long run, as appropriate support can be accessed before major issues occur. The inefficiency and lack of joined up working within Childrens Services when it comes to placement of children in care/ICO etc is terrible and is a big drain on resources. Children's Services cannot sustain any more cuts. I believe that the council knows better, but would be good to see the % cut as in this way is difficult to appreciate the extent of the cut for each area. Nevertheless, I do not like to see all those cuts to children services. CSS; is also being cut so again it seems the CC has no interest in the future of our children. I like that this includes lots of prevention. I think the decision to create school places in Norfolk for kids currently being educated out of county is needed but; it's important the quality of their education isn't reduced. The savings in children services will not be realised as looked after children numbers have gone up not down as the new services have not worked and are costly the public sector would do a far better job than the continuing belief that in house is somehow better. Children's and Adult's services should be protected more than they appear to be. The level of detail provided is insufficient to enable a comment whether budget items should be supported or not.	
CS proposals – comments citing a specific proposal	
CS001: Prevention, early intervention, and effective social care - helping families	The proposed savings within Children's Services budgets will harm children and young people living in Norfolk. In particular, savings under reference

stay together and ensuring fewer children in care: Reducing demand for social care intervention through earlier help and prevention.	number S2425CS001 relating to early help and prevention are significant. Early help and support are designed to address and prevent issues emerging which, if not dealt with, will require long-term intervention. Investing in early prevention is so much more cost-effective than the price of dealing with entrenched long-term solutions and social care for children when their needs become too complex.
CS005 - Inclusion: More primary aged children with SEND can travel independently by adapting the Travel Independence Travel Across Nation (TITAN) programme.	This seems a small change when looked at alongside the need to make savings in excess of £46 million and is dependent on many external factors including availability of land, effective management of new projects and realism e.g. S2425CS005 - £0.5m saving on a current overspend of 10's of millions.

CS proposals – comments citing a specific proposal	
CS008: Local First Inclusion: More children supported in mainstream schools preventing the need to travel to specialist schools.	S2425CS008 Local First Inclusion: More children supported in mainstream schools preventing the need to travel to specialist schools.- How - again it still costs - the issue is in mainstream unqualified people will be supporting children with challenges, how will this benefit anyone. Schools take the funding and don't recruit accordingly - I know as my son is being used to do just this - putting the SEN child and my son at risk - so think on before you do this. Trying to educate children with special needs within a mainstream school rather than a specialist school is subjecting those children to failure. Speaking from first hand experience, our son failed in mainstream education but following a fantastic education in a special school, with small class sizes and with specially trained staff, our son learnt to read and write and his potential in all areas was realized. It is a false economy to put children with SEN in local mainstream schools.
CS011: Reshaping our system support for learning and education aligned to the evolving role of the local authority and creation of a self-improving education system.	S2425CS011 - as long as this does not have an adverse impact on quality through lack of external challenge and wider perspectives.
Incorrect proposal number, possibly CS001?	S2425CS00 it is a mistake to reduce funding in this area-family break up leads to demand for accommodation, increased SEND provision etc.

Community and Environmental Services proposals

Q6: Evidence Table 4iii – CES proposals
CES proposals - general comments
I can see that there is considerable detail across a range of projects. However there appears to be little in the way from Highways. I would want to see a complete stop to projects that change the roads, roundabouts, make wider lanes and cycle and bus lanes that shave seconds off a journey time. You should be using what you have and cutting cloth. Most of the work is controversial, not exactly welcome and in many quarters and as an example the Heartsease roundabout, ludicrously long timescales means that businesses are detrimentally affected. Following Covid this is disastrous for them and the local economy. I am sure the general population would welcome an outright stop to it and understand that cost cutting exercises have to occur. You could then use a fraction of the savings to sort out the potholes. Some services, such as Highways, cannot be provided by the individual. Others can be and these should be the focus of budget savings. Highway expenditure should be aimed at helping the motorist not making life difficult for them. You are not using the building to it's full potential, by reports it is like a ghost town most days... Either sell it (or the land) to raise capital or start using the space, rent it out or something. Or share space with the other councils.

CES proposals - general comments
Community environmental services, libraries are heavily managed. The upper levels of management from area managers and above need looking at. Many year's ago a report was done and it found libraries had to many managers at higher level. Still nothing has been done to reduce them. You are closing Kings Lynn library a building you own into an empty shop within the town. More money wasted. You need to get a grip on what is happening, a new road that you really can't afford but as it's someone's pet project you will still go ahead with it. There are many areas in which you could increase revenue, but by cutting staff, services etc. this hinders or prevents development of these areas to increase income. Such as Norfolk Record Officer, Museum Service (I wanted to visit the Museum of Norwich on a day when i was free (a sunday due to working in week) unable to attend due to it being closed, again loss of revenue and not undertanding the market place for leisure activites which can generate income. Cutting services doesn't always bring the benefits you think and occassionaly these are only one-off benefits. If you really want to save money and why not close museums for a whole year.. will save money on your budgets, but will cost a considerable amout more to get them back online and to get the public to reengage, visit and bring in income. there is a risk that targeting motorists will have costs as the public reacts as in other locations around the country.

CES proposals – comments citing a specific proposal	
CES006: To capitalise a portion of the Executive Director post salary - 20% (to be funded from existing capital allocation).	S2425CES006 surely salary is revenue not capital? S2425CES006 - capitalising a portion of pay isn’t a saving, it just spreads the cost over future years and it is not clear what asset value will benefit from the salary. If 20% is £40k, better to look at significantly reducing salaries of senior staff across the authority. S2425CES006 - Does the Executive Director really earn £200k p.a.?
CES016: Waste and recycling levels have reduced following the increase during Covid 19 due to the effects of behaviour change. A slow down in growth has been observed from Q3 2021-22 which has continued.	S2425CES016 - further investment should be put into waste reduction and increased recycling, even if this increases budget. Households should have an easy option for recycling all domestic waste.
CES019: Increased income generated from reuse items sold at recycling centres.	S2425CES019 how is this going to be delivered - it seems highly speculative.
CES023: Introduce charging to internal and external customers for	S2425CES023 -Introduce charging to internal and external customers for all aspects of Lead Local Flood Authorities advice - Disagree. If

all aspects of Lead Local Flood Authorities advice.	anything this service should be expanded and comments made on all developments. Flooding is on the increase and only by getting development right can we reduce the impacts in the future.
CES025: Explore with South Norfolk District Council and Broadland District Council on whether their restrictions on roundabout sponsorship can be lifted to generate additional income	S2425CES025 will this result in more signs that might impede visibility for drivers at roundabouts?
CES038: Defer Environmental Policy revenue budget uplift to 2024-25. Working closely with Suffolk CC on this important programme to enable efficiencies.	S2425CES038: Strongly disagree with deferring Environmental Policy revenue budget uplift - we are in a climate emergency and environment is a top priority.
CES proposals – comments citing a specific proposal	
CES039: Arts Service - further reduction of the Council's strategic arts grants (Reduction on the Council's ability to lever in substantial external funding).	S2425CES039: Strongly disagree with any further reductions to the Arts Service strategic arts grants - an already small pot of money that generates much more income by leveraging in external funding, as evidenced every year.
CES044: Holding of vacant posts and delayed recruitment to generate one-off saving within staff costs.	S2425CES044 - delaying recruitment helps no one, not even yourselves. All it does is piles more pressure on your existing staff (which will probably result in a good few of them leaving) and continue to make it harder for people to get jobs if you are not recruiting for people you need. S2425CES044: I don't believe a blanket approach to delaying recruitment is good value for money - this has real impacts on service delivery which I think often have the opposite effect of what is intended here.
CES046: Reduce staff learning and development budget across the department.	S2425CES046 - i don't agree with the reduction of staff learning budgets. We will lose good staff to companies that invest in people and the expense of recruitment / retention will outweigh that of any savings.
CES047: One-off reversal of business as usual budget growth across the Communities, Information and Learning service.	S2425CES047: This isn't clear enough - what is meant by this.
CES056: Civil Parking Enforcement - Further increased income and reprofiling as more	S2425CES056 Civil Parking Enforcement - Further increased income and reprofiling as more on-street parking schemes are rolled out -

on-street parking schemes are rolled out.	Disagree. Parking should not be seen as an income generator. Many on-street parking schemes just move the issue elsewhere. This is totally against current government thinking

Strategy and Transformation proposals

Q6: Evidence Table 4iv – S&T proposals	
S&T proposals - general comments	
No S&T general comments.	
S&T proposals – comments citing a specific proposal	
S&T002: Insight & Analytics team Strategic Review efficiency savings from restructure.	S2425S&T002 - This is short sighted as more investment is needed in data and analytics in order to make savings across the whole business through transformation and better ways of working with technology. Gartner predict an 8% increase in IT spend worldwide with data centre and systems spend increasing by twice the amount it increased this year.

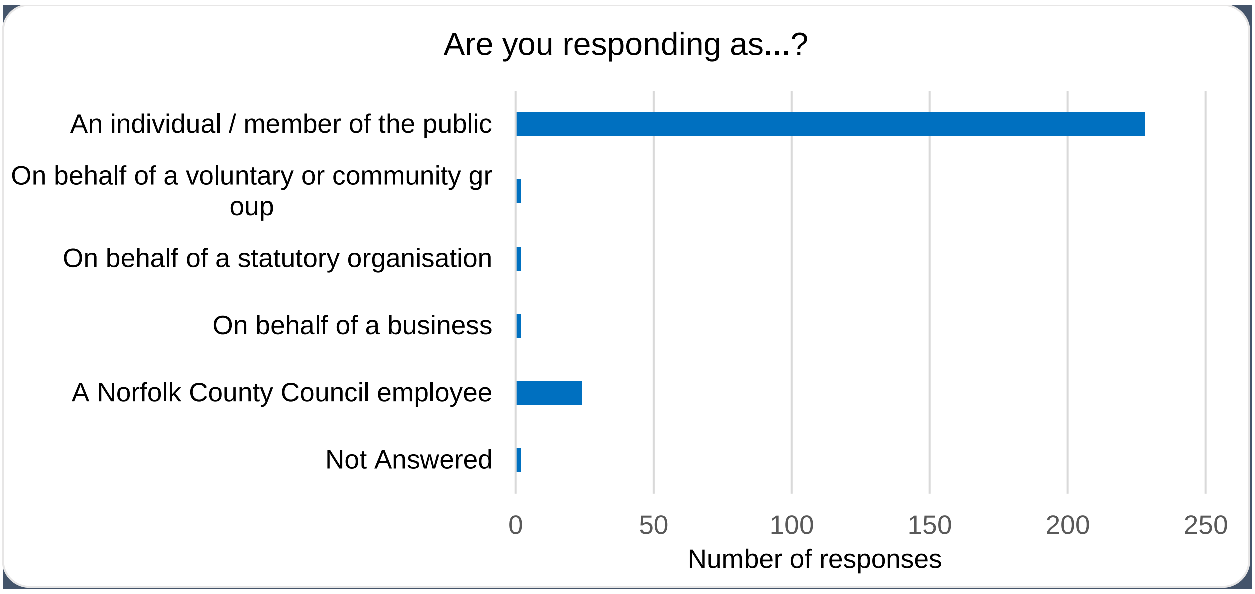
Finance proposal

Q6: Evidence Table 4v - FIN proposal	
FIN proposals - general comments	
Finance has little to find, yet over £18million was spent on a new finance system to generate efficiencies - so that in the real world should equate to jobs as if it is efficient you don't need so many people. Well we are all aware of the press coverage of the system that is not fit for purpose, but thus those that sourced the system should be sacrificed and savings made.	
FIN proposal – comments citing a specific proposal	
No proposal specific comments.	

6. About you

To make sure we are learning from a wide range of people we asked questions about individuals. These questions were optional, and this information is helpful for us to understand who has responded to this consultation.

Q7: Are you responding as? (258 responses)



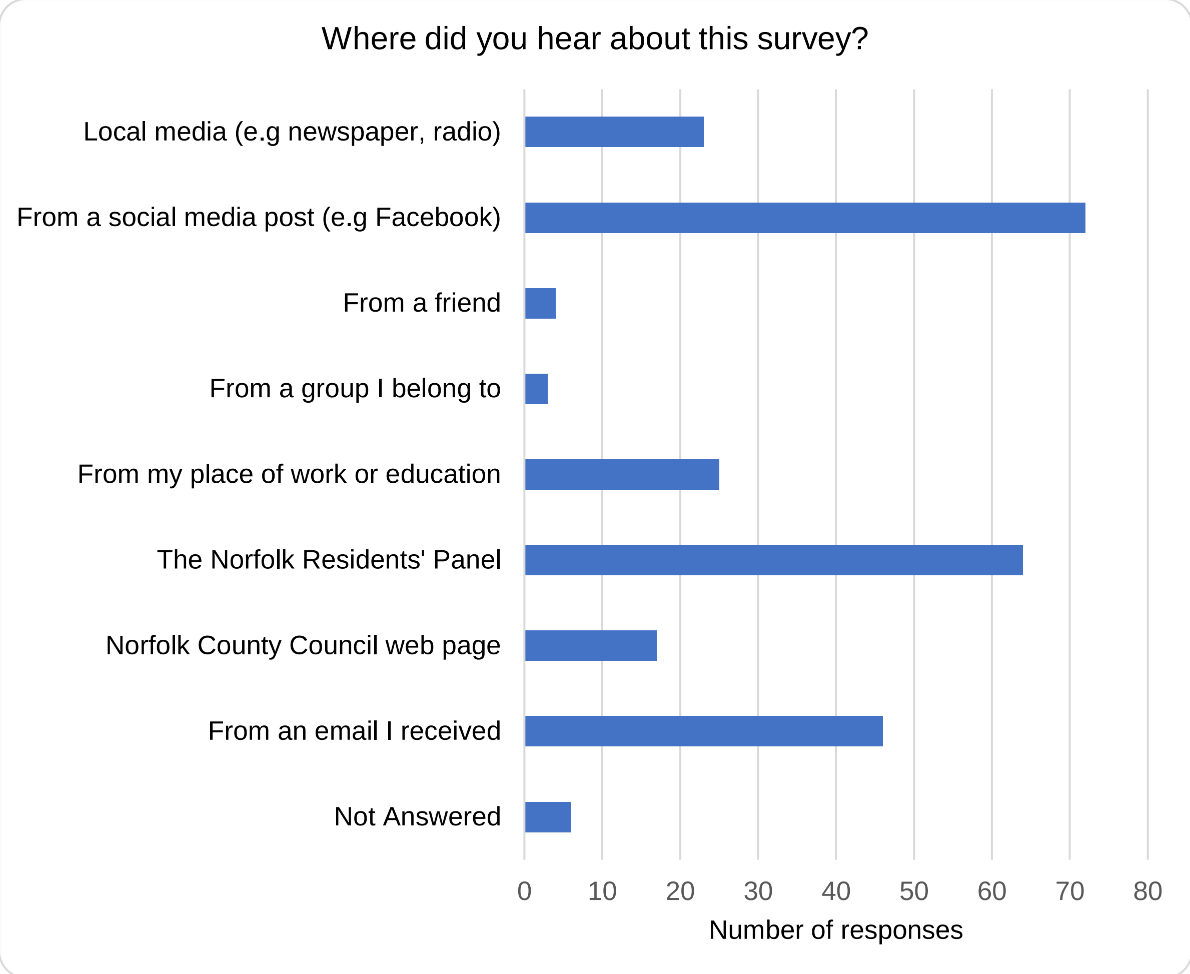
Option	Total	Percent
An individual / member of the public	228	87.69%
On behalf of a voluntary or community group	2	0.77%
On behalf of a statutory organisation	2	0.77%
On behalf of a business	2	0.77%
A Norfolk County Councillor	0	0.00%
A district or borough councillor	0	0.00%
A town or parish councillor	0	0.00%
A Norfolk County Council employee	24	9.23%
Not Answered	2	0.77%

Q8: If you are responding on behalf of another organisation, what is the name of the organisation, group or business?

3 answers were given to this question. The organisations mentioned were:

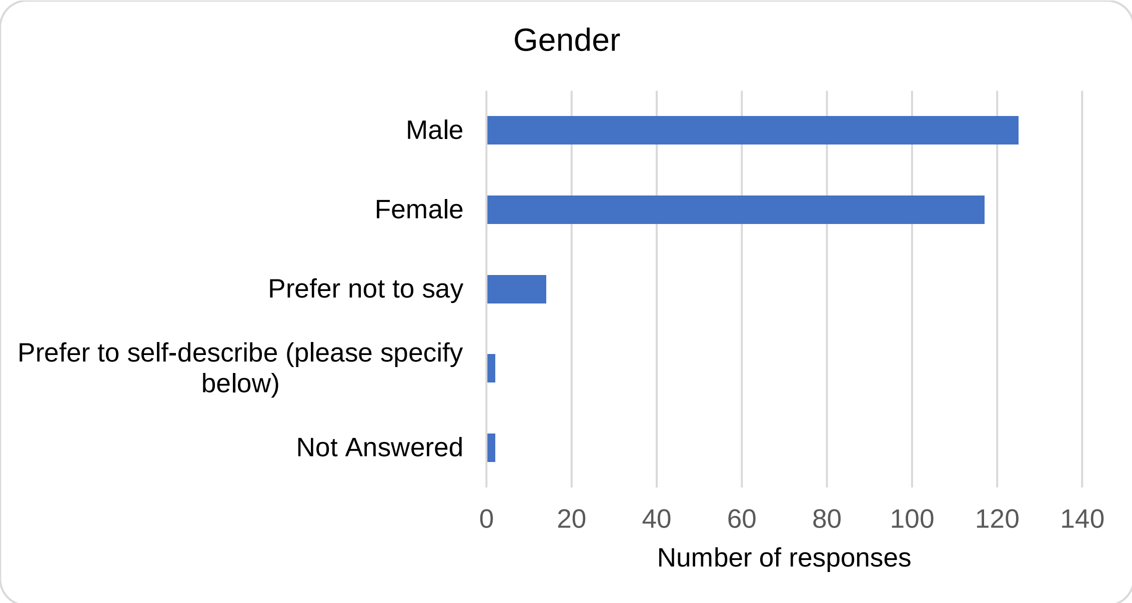
- ‘Norfolk School’
- ‘Healthwatch Norfolk’
- ‘Norfolk Black History Month’

Q9: How did you hear about this consultation? (254 responses)



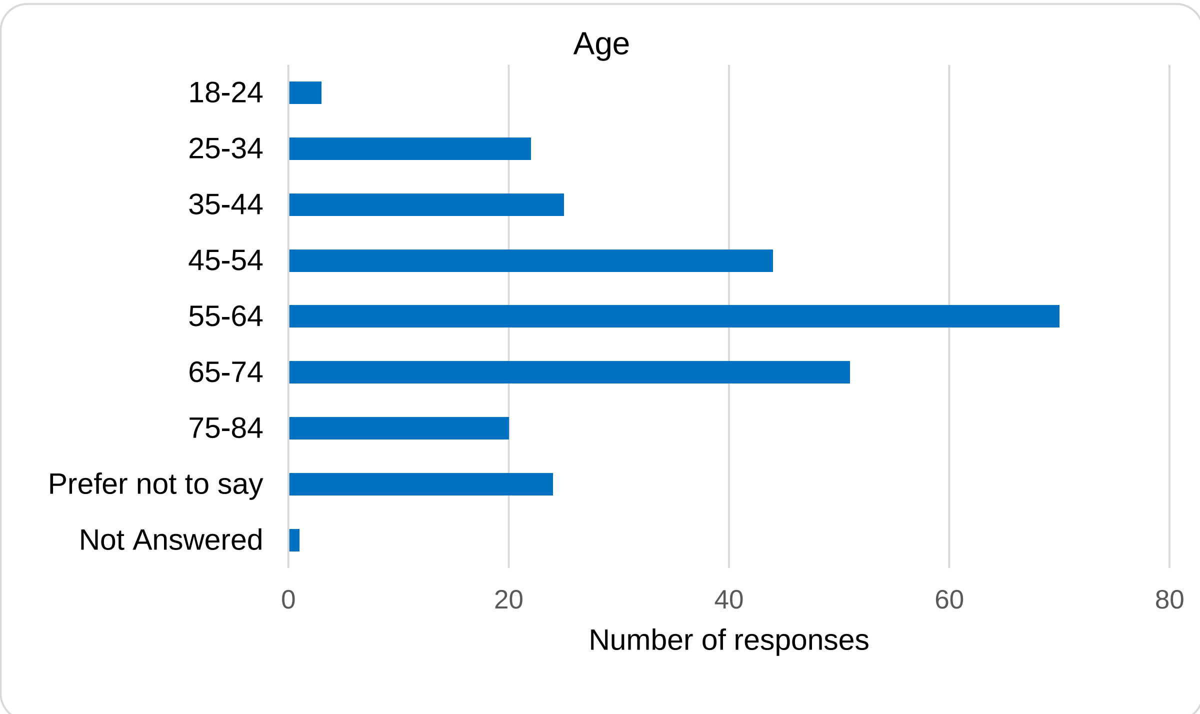
Option	Total	Percent
Local media (e.g newspaper, radio)	23	8.85%
From a social media post (e.g Facebook)	72	27.69%
From a friend	4	1.54%
From a group I belong to	3	1.15%
From my place of work or education	25	9.62%
The Norfolk Residents' Panel	64	24.62%
District Council web page	0	0.00%
Norfolk County Council web page	17	6.54%
My Parish Council	0	0.00%
From an email I received	46	17.69%
Not Answered	6	2.31%

Q10: Are you? (258 responses)



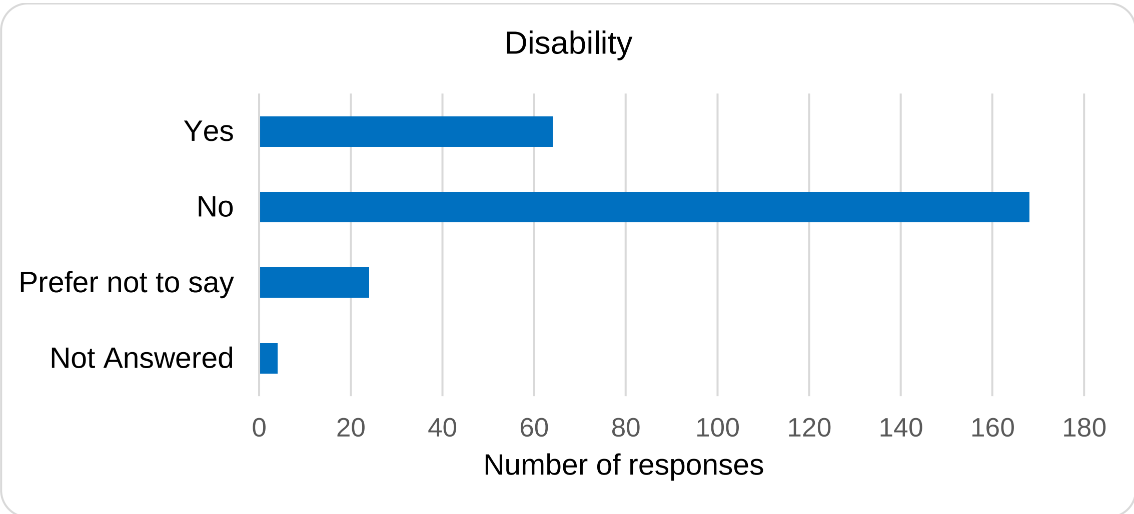
Option	Total	Percent
Male	125	48.08%
Female	117	45.00%
Prefer not to say	14	5.38%
Prefer to self-describe (please specify below)	2	0.77%
Not Answered	2	0.77%

Q11: How old are you? (259 responses)



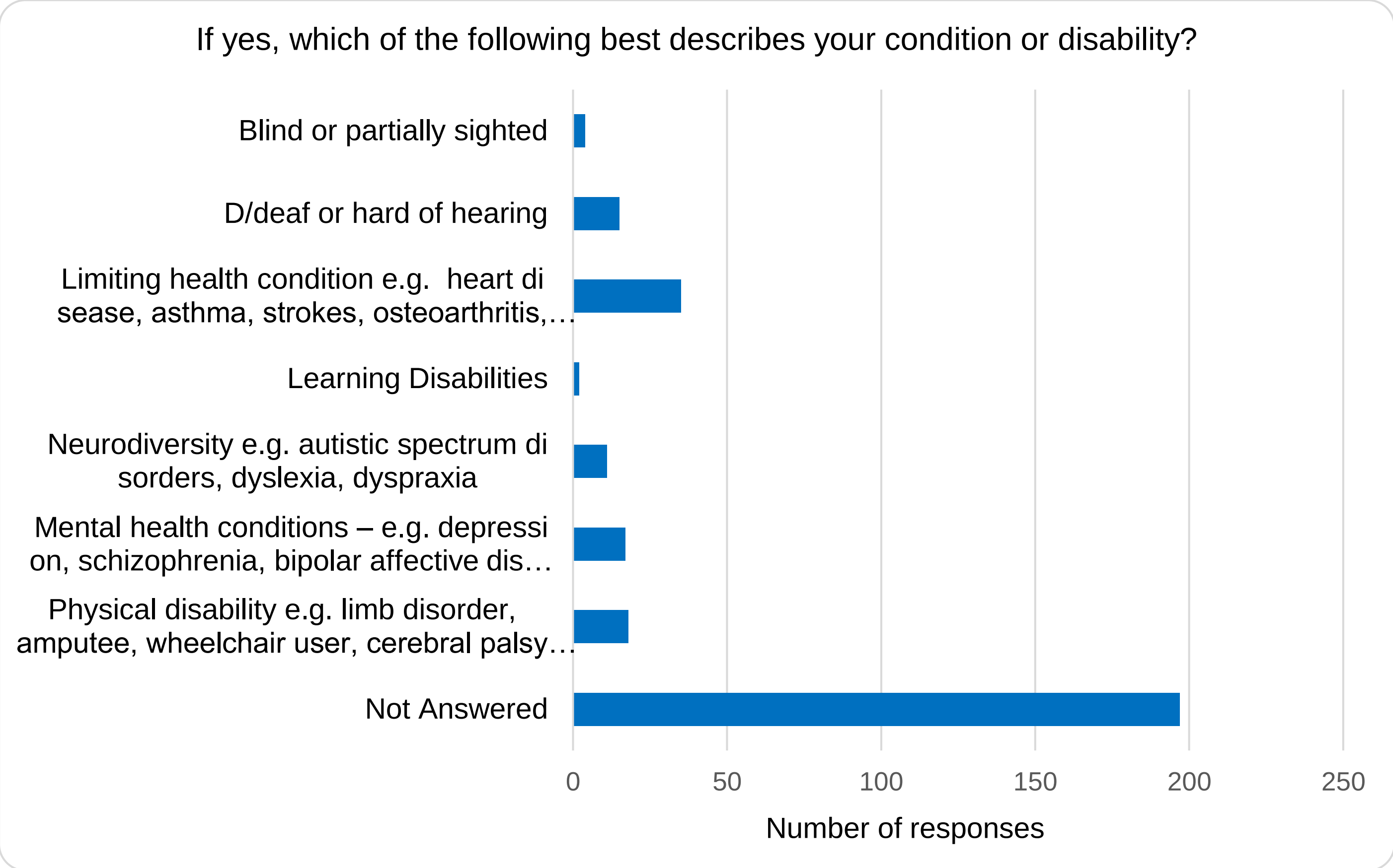
Option	Total	Percent
Under 18	0	0.00%
18-24	3	1.15%
25-34	22	8.46%
35-44	25	9.62%
45-54	44	16.92%
55-64	70	26.92%
65-74	51	19.62%
75-84	20	7.69%
85 or older	0	0.00%
Prefer not to say	24	9.23%
Not Answered	1	0.38%

Q12: Do you have any long-term illness, disability or health problem that limits your daily activities or the work you can do? (256 responses)



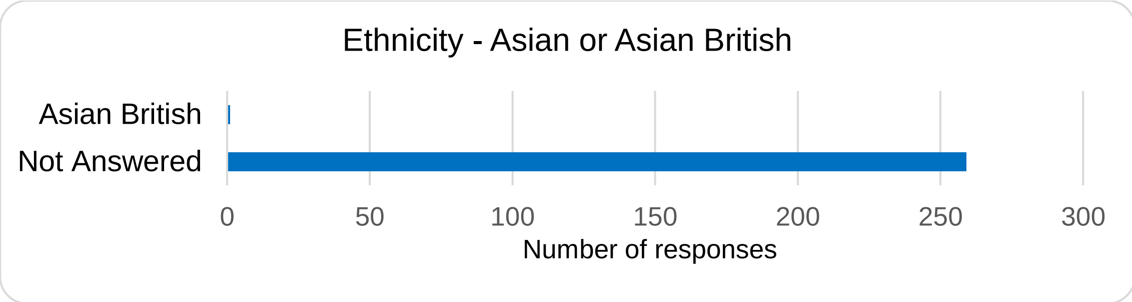
Option	Total	Percent
Yes	**64**	**24.62%**
No	**168**	**64.62%**
Prefer not to say	**24**	**9.23%**
Not Answered	**4**	**1.54%**

Q13: If yes which of the following best describes your condition or disability? (63 responses)



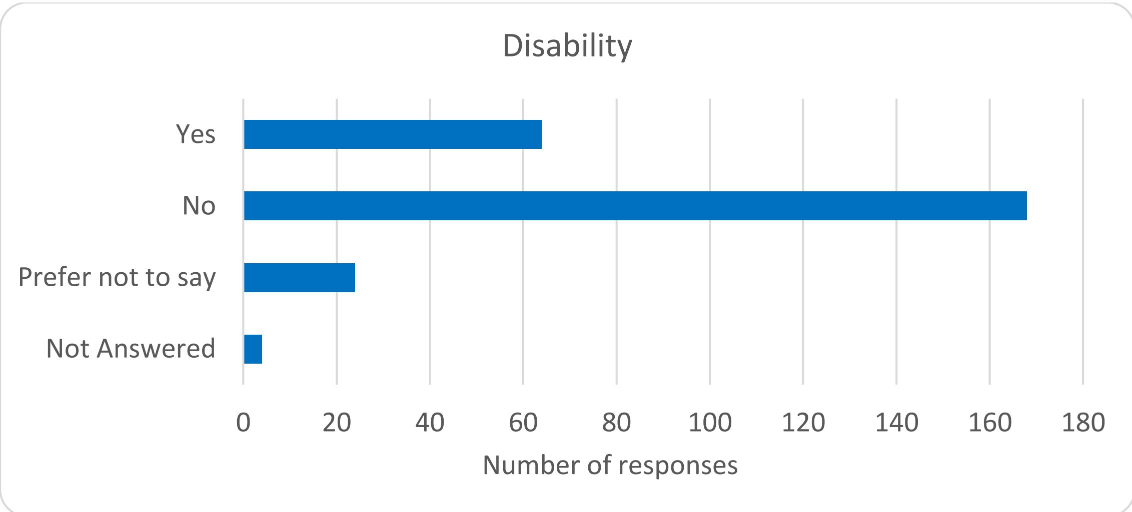
Option	Total	Percent
Blind or partially sighted	4	1.54%
D/deaf or hard of hearing	15	5.77%
Limiting health condition e.g. heart disease, asthma, strokes, osteoarthritis, rheumatoid arthritis, fibromyalgia and myalgic encephalomyelitis (ME) etc.	35	13.46%
Learning Disabilities	2	0.77%
Neurodiversity e.g. autistic spectrum disorders, dyslexia, dyspraxia	11	4.23%
Mental health conditions – e.g. depression, schizophrenia, bipolar affective disorders, eating disorders, obsessive compulsive disorder	17	6.54%
Physical disability e.g. limb disorder, amputee, wheelchair user, cerebral palsy, motor neurone disease, muscular dystrophy	18	6.92%
Not Answered	197	75.77%

Q14: How would you describe your ethnic background? (234 responses)



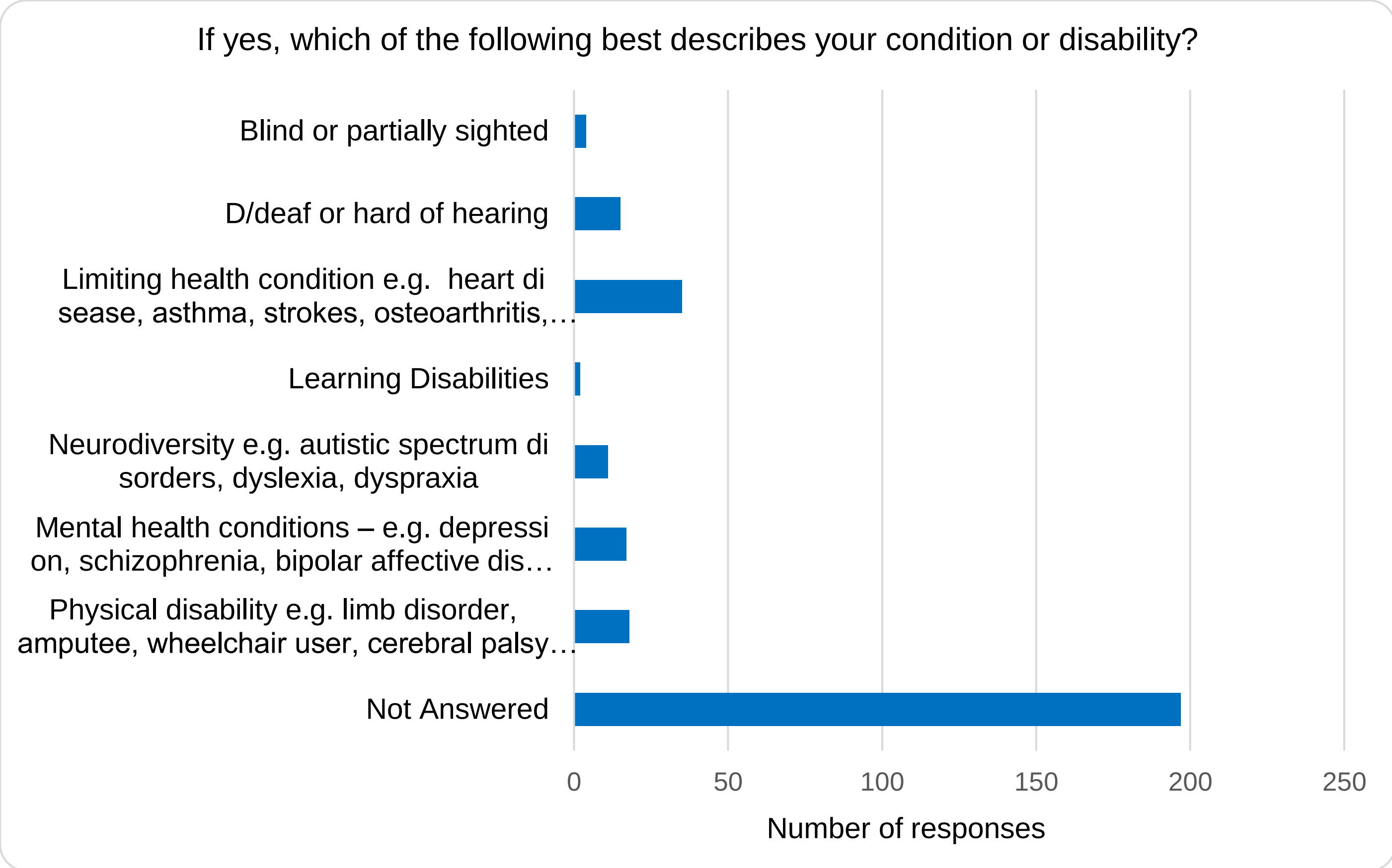
Option	Total	Percent
Asian British	1	0.38%
Indian	0	0.00%
Pakistani	0	0.00%
Bangladeshi	0	0.00%
Chinese	0	0.00%
Not Answered	259	99.62%

Q12: Do you have any long-term illness, disability or health problem that limits your daily activities or the work you can do? (256 responses)



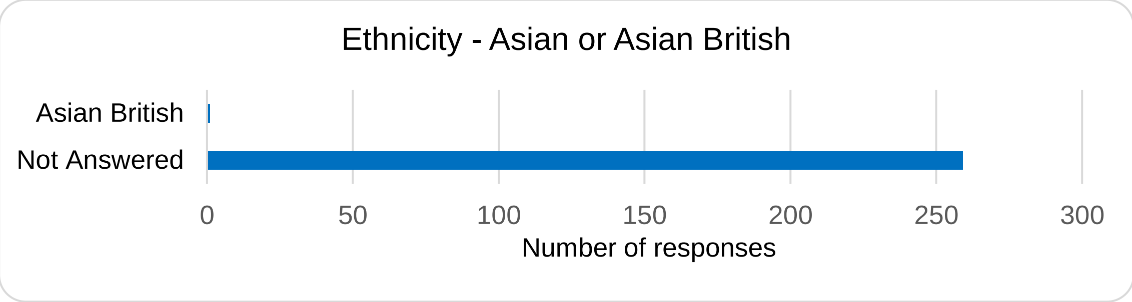
Option	Total	Percent
Yes	**64**	**24.62%**
No	**168**	**64.62%**
Prefer not to say	**24**	**9.23%**
Not Answered	**4**	**1.54%**

Q13: If yes which of the following best describes your condition or disability? (63 responses)



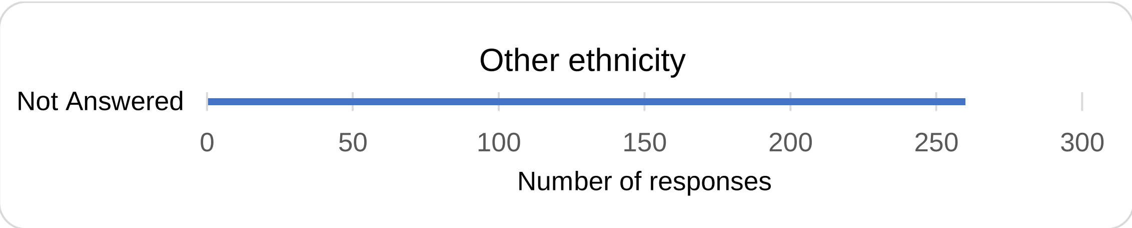
Option	Total	Percent
Blind or partially sighted	4	1.54%
D/deaf or hard of hearing	15	5.77%
Limiting health condition e.g. heart disease, asthma, strokes, osteoarthritis, rheumatoid arthritis, fibromyalgia and myalgic encephalomyelitis (ME) etc.	35	13.46%
Learning Disabilities	2	0.77%
Neurodiversity e.g. autistic spectrum disorders, dyslexia, dyspraxia	11	4.23%
Mental health conditions – e.g. depression, schizophrenia, bipolar affective disorders, eating disorders, obsessive compulsive disorder	17	6.54%
Physical disability e.g. limb disorder, amputee, wheelchair user, cerebral palsy, motor neurone disease, muscular dystrophy	18	6.92%
Not Answered	197	75.77%

Q14: How would you describe your ethnic background? (234 responses)



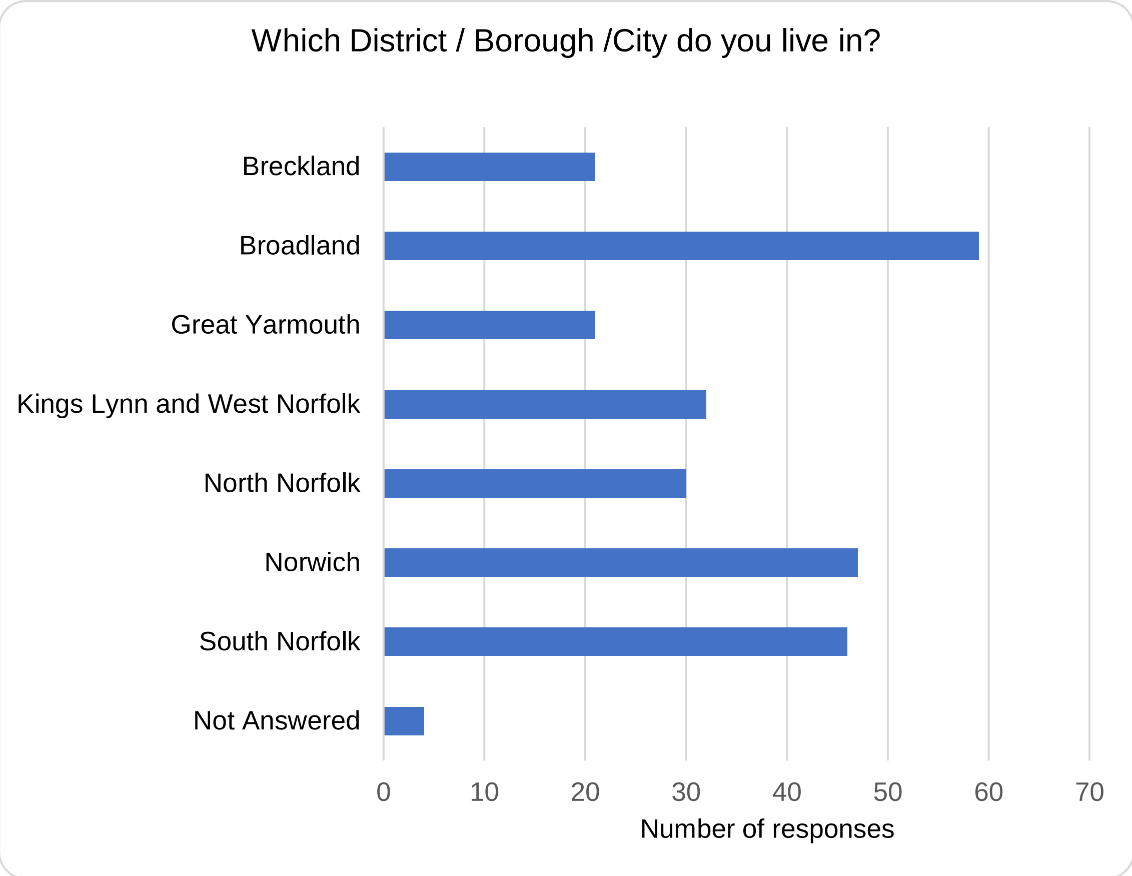
Option	Total	Percent
Asian British	1	0.38%
Indian	0	0.00%
Pakistani	0	0.00%
Bangladeshi	0	0.00%
Chinese	0	0.00%
Not Answered	259	99.62%

Any other ethnic group



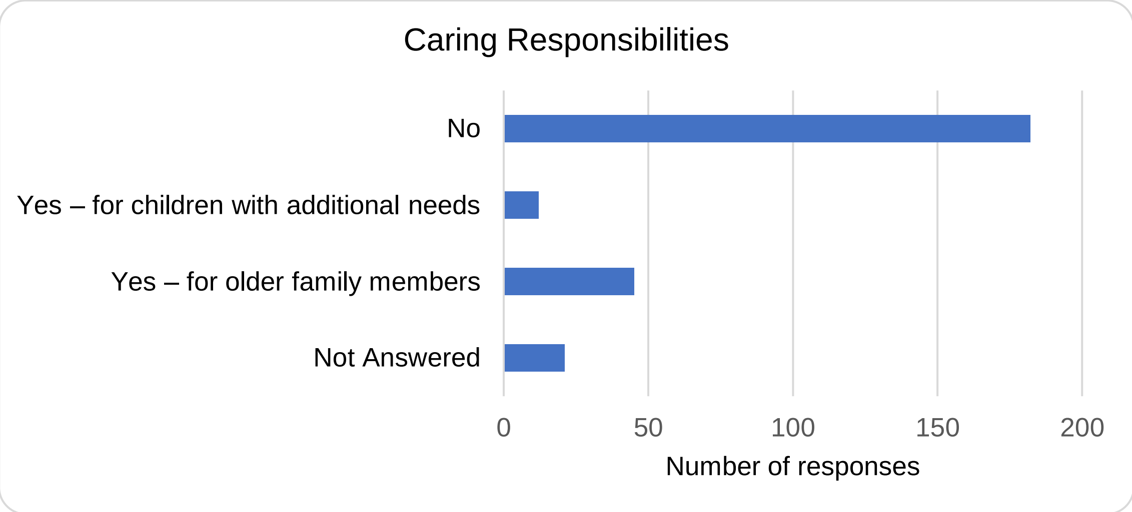
Option	Total	Percent
Arab	0	0.00%
Not Answered	260	100.00%

Q15: Which district/borough/city do you live in? (256 responses)



Option	Total	Percent
Breckland	21	8.08%
Broadland	59	22.69%
Great Yarmouth	21	8.08%
Kings Lynn and West Norfolk	32	12.31%
North Norfolk	30	11.54%
Norwich	47	18.08%
South Norfolk	46	17.69%
Not Answered	4	1.54%

Q16: Do you have caring responsibilities? (239 responses)



Option	Total	Percent
No	182	70.00%
Yes – for children with additional needs	12	4.62%
Yes – for older family members	45	17.31%
Not Answered	21	8.08%

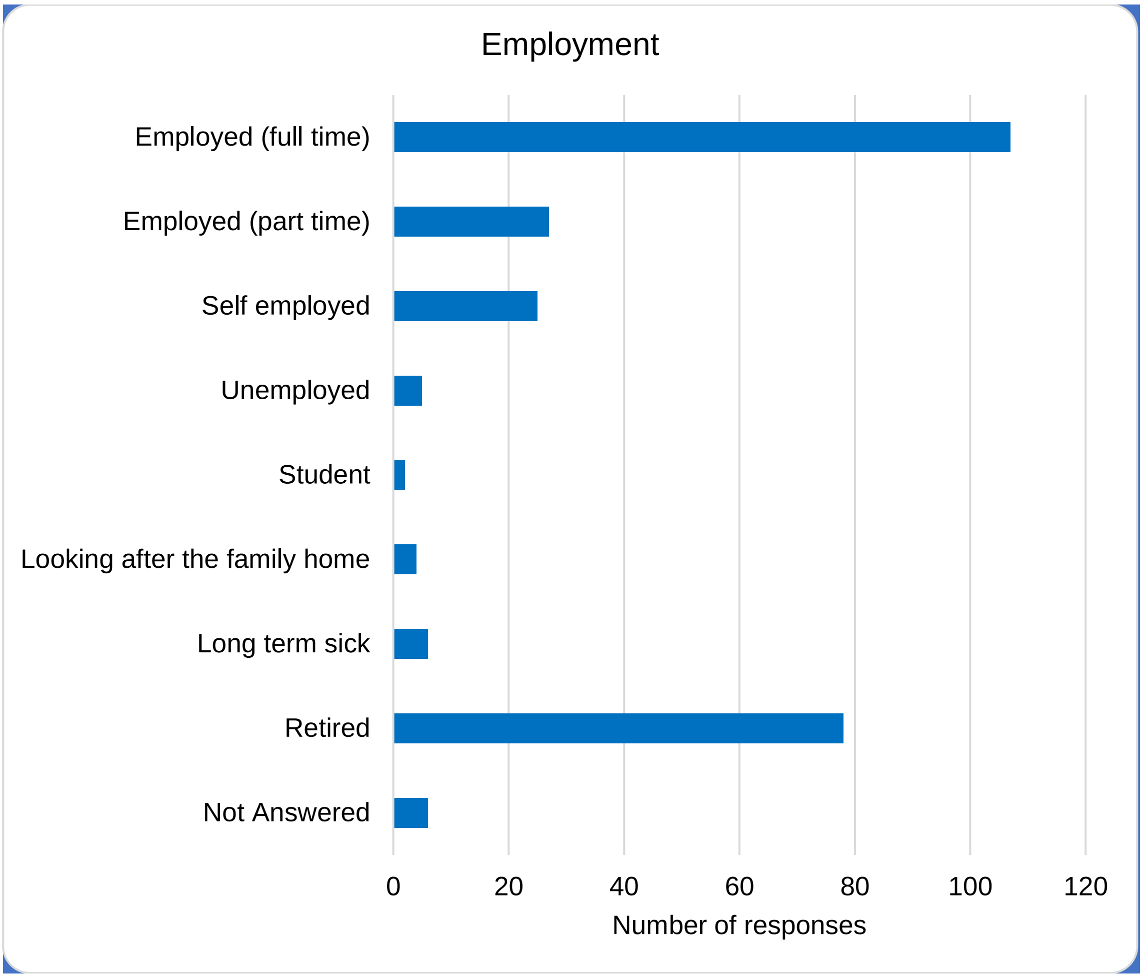
Other, please write here:

There were 19 answers to this question:

- ‘caring responsibilities for partner’
- ‘Family member who is younger than myself and is disabled’
- ‘Looking after my disabled wife’
- ‘adult downs syndrome son’
- ‘For my partner’
- ‘I have a disabled daughter’
- ‘I have elderly parents that need help when necessary.’
- ‘Husband and older family members’
- ‘Volunteering’
- ‘My wife’
- ‘Wife’
- ‘For adult with profound learning difficulties’
- ‘I have a young toddler and a child on the way. I still work full time and pay my taxes’
- ‘disabled son living in care home comes to my home one day a week’
- ‘I do the night shift care for my partner (who just happens to be my junior by 28 years) rarely getting to be before 03.00 (we have care provided between 08.30 and 16.30 daily).’
- ‘Older family members and children’

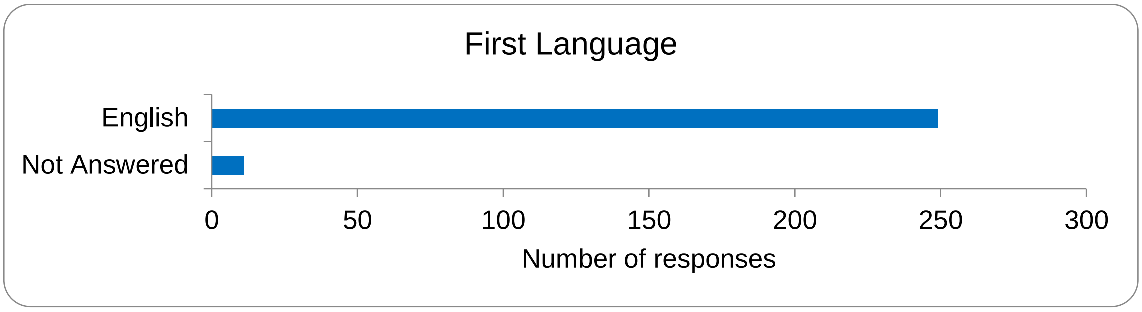
- ‘for my wife’
- ‘For young adults with additional needs.’
- ‘Four people with ASC’

Q17: Which of the following best describes you? (254 responses)



Option	Total	Percent
Employed (full time)	107	41.15%
Employed (part time)	27	10.38%
Self employed	25	9.62%
Unemployed	5	1.92%
Student	2	0.77%
Looking after the family home	4	1.54%
Long term sick	6	2.31%
Retired	78	30.00%
Not Answered	6	2.31%

Q18: What is your first language? (249 responses)



Other languages spoken:

There were 4 responses to this part of the question.[57]

- ‘Italian’
- ‘French’
- ‘Portuguese’
- ‘Ukrainian’

7. EQIA Evidence

Information about the possible impact of a proposal on people with protected characteristics is analysed to inform NCC’s equality, diversity and inclusion strategy. Comments are collected under the code #eqia and presented in the table below.

EQIA Comments		
Q	**Number of comments**	**Illustrative quotes (verbatim)**
3	0	
5	3	Adult social care is extremely poorly run and does not support disabled people. Unless you can show me you can do it more efficiently. I don’t see why I should pay any more money. As a 75+ single person with a severely disabled adult son already in a care home run by a charity I am all too aware of the year on year decrease in funding and resulting difficulties this is causing in recruiting and retaining staff. Until the Government funds social care on the same basis as they fund the NHS I despair for my own and my son's future. My son is now a severely disabled adult and needs high quality life long care in a place that values him and gives him life long opportunities and a sense of community

[57] Some responses have not been included as they were not relevant to the question.

<table>
<tr><th>Q</th><th>Number of comments</th><th>Illustrative quotes (verbatim)</th></tr>
<tr><td>6</td><td>4</td><td>S2425ASS008 Reduce purchasing of short-term residential care, by focusing on more independent outcomes following hospital discharge. - How will this be funded - vulnerable people at risk - families on the edge as they cannot support

S2425CS008 Local First Inclusion: More children supported in mainstream schools preventing the need to travel to specialist schools.- How - again it still costs - the issue is in mainstream unqualified people will be supporting children with challenges, how will this benefit anyone. Schools take the funding and don't recruit accordingly - I know as my son is being used to do just this - putting the SEN child and my son at risk - so think on before you do this.

I can't read the table as I am blind and use a screen reader so the information is not accessible to me. I can't read braille either so there would be no use in my asking for this in braille. If the information was put in a plain text format rather a pdf table that would be accessible to me.

The aim to provide more foster carers is right, but it is biased against Christians which is wrong and it also makes it harder for the Council to fulfil its aims.</td></tr>
<tr><td colspan="3">A respondent made the following point in q10 (identity) which has been included in this EqIA section and also referred to the Consultation team for consideration in future consultations.

N/A, but please note these questions aren't clear whether they're referring to sex or gender (should be able to identify both), and the trans community often prefer to see 'transgender man, transgender woman, non-binary' and then a 'other/prefer to describe' option. You might not get the correct results asking the question in this way.</td></tr>
</table>

Appendix B

Report to Cabinet

Item No.

Report Title: Capital Strategy and Programme 2024-25

Date of Meeting: 29 January 2024

Responsible Cabinet Member: Cllr Andrew Jamieson (Deputy Leader of the Cabinet**)**

Responsible Director: Harvey Bullen (Director of Strategic Finance)

Is this a Key Decision? Yes

If this is a Key Decision, date added to the Forward Plan of Key Decisions: 2 March 2023

Introduction from Cabinet Member

This report presents the proposed capital strategy and programme and includes information on the funding available to supp
ort that programme. The capital programme remains central to the continued development of key services:

- Development and maintenance of Norfolk's roads and highways
- Supporting the delivery of sufficient school places for Norfolk's young people
- Enabling the transformation of social services to meet growing need,
- Promoting regeneration and sustainable development,
- Enabling the development of carbon reduction initiatives,
- Generating efficiencies using information technology and
- Making provision for the continuation of development of our libraries into local multi-service hubs.

The papers summarise the development of the proposed capital programme, including proposed new schemes, and a summary of forecast capital receipts.

Executive Summary

The proposed programme is based on the capital strategy (Appendix A) and consists of two main elements – schemes included in the current programme and new schemes to be funded through borrowing, capital receipts or grants and other anticipated contributions from third parties.

The new schemes to be added to the 2024-28 programme total £39.820m, including the following:

- Highways budgets uplifted for new Road Resurfacing Fund grant announced by the Department of Transport (£22.55m)
- County Farms various schemes for improvements to Agricultural buildings and Farm Houses, including the replacement of fossil fuel heating systems (£3.25m)

- Norfolk Fire and Rescue Service schemes, including Gender Compliance adaptations and carcinogenic reduction work to fire stations (£2m), funded for 24-25 from internal reallocation of budgets,
- Norfolk Fire and Rescue Services upgrading of heating systems (£1.470m)
- Relocation of Havenbridge Library to Great Yarmouth (£0.350m)
- Norse Group Capital Loan (£10m)
- County Hall Soffits Repairs (£0.2m)

In addition, the proposed programme seeks to extend the following schemes within the current 2023-24 Capital Programme by £17.002m into future years:

- Extension of staff capitalisation across the following service areas – Planning and Advice (£1.316m), HES Advice and Information (£0.104), Greenways to Greenspaces (£3.394m) and Museum's Collections (£2.096m)
- Adult Social Services Assistive Technology Equipment and Integrated Care Equipment (£3.268m)
- Replenishment of Libraries Services stock (£2.615m)
- and Environmental improvement schemes including Tree Safety schemes (£1.654m) and statutory maintenance and improvements to Norfolk's National Trails (£2.555m)

In addition, the Council is adopting International Financial Reporting Standard 16 (IFRS16) for Leases which requires the recognition of "Right of Use" Assets arising from the lease contracts undertaken by the Council. The estimated net present value of current lease contracts at 1 April 2024 is £18.915m. The Capital strategy includes an estimate of rolling renewals of lease contracts over the course of the MTFS at £1.892m per annum, making the total IFRS16 uplift £24.590m.

When proposed new schemes are added to the existing £1,306.569m programme for future years, the capital programme totals £1,387.982m. However, the Council recognises the complexities surrounding the delivery of capital schemes and has modelled a planned slippage over the 2024-2028 of £253.0m, bringing the capital programme down to £1,134.982m for the 2024-28 period.

Recommendations:
Cabinet is asked:

1. **To agree the Capital Strategy at Appendix A as a framework for the prioritisation and continued development of the Council's capital programme;**

2. **To agree the proposed 2023-28+ capital programme of £1,134.982m, subject to the planned slippage of £253.0m and additional amounts for schemes yet to be re-profiled from 2023-24;**

3. **To agree to recommend the programme to the County Council for approval, including the new and extended capital schemes outlined in Appendix D;**

4. **To agree to recommend to County Council the Council's Flexible Use of Capital Receipts Strategy for 2024-25 as set out in Section 5;**

5. **To note known grant settlements as summarised in Section 3 and agree that future capital grants will be added to the programme when confirmed;**
6. **To note the forecast of estimated capital receipts to be generated to achieve the target of £21.37m, subject to market conditions, over the next four years to support schemes not funded from other sources, as set out in Table 8.**

1. Background and Purpose

1.1. The Council needs to set a capital programme prior to the beginning of each financial year and to commit the revenue and capital resources required to deliver the programme.

1.2. Historically, most schemes are prioritised within the two major capital programme areas of Highways Infrastructure and Schools, with Corporate Property, Adult Social Care, Fire & Rescue Services, IT and loans to subsidiary companies also important themes.

1.3. Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning and delivers on the council's core priorities, with revenue implications considered. Highways schemes are prioritised within CES. Schools' schemes are prioritised through the member-led Children's Services Capital Priorities Group. Large property sales and purchases are co-ordinated through the Council's Corporate Property team and are reported through Cabinet.

1.4. Schemes not covered by the major headings above are developed by the relevant Executive Director, and where corporate funding is required are considered by the Director of Strategic Finance, who reviews and ensures the overall affordability of the programme.

1.5. The Council's overall capital programme is formed by combining service capital programmes, and ensuring that sufficient funding is available before seeking Council approval.

1.6. This report sets out the proposed capital programme for 2024-28+. It is supported by a strategy aimed at securing a structured, affordable, and prioritised approach for the development of future years' capital programmes.

2. Proposals

2.1. The attached report introduces the proposed capital programme for 2024-28+.

2.2. The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts or grants and other anticipated contributions from third parties.

2.3. The programme is supported by a prioritisation model to help guide the best use of resources.

2.4. The size of the capital programme reflects capital grant settlements, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out in the attached Annex.

2.5. The Council's ability to prudentially borrow to fund future schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing for new schemes is provided in Section 6.

3. Impact of the Proposal

3.1. The recommendations set out in this report are intended to enable Full Council to approve a capital programme for 2024-25+ and provide a basis for the longer -term programme.

3.2. The proposals will impact upon the nature and type of services and facilities provided by the council, as well as delivering transformation to underlying council structures and operating models. Examples of high-profile transport projects in the programme include the Great Yarmouth Third River Crossing, the West Winch Bypass, Norwich Western Link and the Long Stratton bypass. Transformational projects include an ambitious programme to improve SEND school provision, the Castle Keep Museum, Great Yarmouth's Operations and Maintenance Campus, the Kings Lynn Library and Community Hub and funding for greenways, natural capital and improvements to the national and Norfolk Trails network as well as Active Travel schemes.

4. Evidence and Reasons for Decision

4.1. The attached Annex summarises the development of the proposed capital programme, including proposed new schemes, and a summary of forecast capital receipts.

5. Alternative Options

5.1. The papers appended to this report represent the culmination of the process to develop capital schemes to be recommended to Full Council which will improve services, promote efficiencies, and address deficiencies. However, at this stage it remains the case that new capital proposals have not been agreed and could be removed from the proposed capital programme.

6. Financial Implications

6.1. The financial impacts of the proposed capital programme including expenditure, funding, financing and the impact on future revenue budgets are dealt with in detail within Sections 3 to 6 of the attached Annex.

7. Resource Implications

7.1. **Staff:** A number of the schemes included in the proposed capital programme are necessary to enable staff to provide services in an efficient and effective way, and in safe and well-maintained premises.

7.2. **Property:** Several schemes included in the proposed capital programme support the development and improvement of the school's estate, and the exploitation, enhancement and consolidation of the Council's operational and office property. Saving plans include activities linked to property budgets, and assumptions around levels of capital receipts to be achieved.

7.3. **IT:** A number of the schemes included in the proposed capital programme support IT projects and initiatives, including the development, implementation and exploitation of new systems and approaches. Existing savings plans include activities linked to IMT budgets.

8. Other Implications

8.1. **Legal Implications**
None identified.

8.2. **Human Rights implications**
None identified.

8.3. **Equality Impact Assessment (EqIA)**
A public consultation process on the 2024-25 Budget has been undertaken. As in previous years, this public consultation has informed an equality impact assessment in respect of both new 2024-25 Budget proposals and the Council's Budget as a whole, which includes the revenue impact of capital spending decisions. In addition, councillors have considered the impact of proposals on rural areas.
The proposed capital programme includes a recurring capital budget specifically to resolve access and other Equality Act issues.

8.4. **Health and Safety implications**
The proposed capital programme includes capital budgets specifically to address health and safety issues, including funding for fire safety related projects, asbestos removals, and a minor works budget to address works needed after health and safety audits.

8.5. **Sustainability implications**
The proposed capital programme recognises the Council's strategic aim to reduce carbon emissions and ensure that the capital programme is environmentally and ecologically sustainable.

The programme includes various decarbonisation studies of Council sites, the replacement of fossil fuel heating systems, the introduction of electric vehicles and electric charging points, the consolidation and flexible use of community property assets, and highways schemes intended to support active travel.

8.6. **Any other implications**
Significant issues, risks, assumptions and implications have been set out throughout the papers appended to this report.

8.7 **Data Protection Impact Assessments (DPIA)**

DPIA is not required as the data reported in this paper does not drill down to the personal data level.

9. Risk Implications/Assessment

9.1. There is a long-term risk to the Council's ability to deliver services without sufficient investment in maintaining its assets. To mitigate this, the capital programme is aligned to the Council's asset management plans and property client function ensuring that assets are well-maintained or disposed of if surplus to requirements.

9.2. The programme requires regular monitoring, management and budgetary control to deliver schemes on time and within budget. This is addressed through regular capital finance monitoring reports which are reported to Cabinet.

9.3. The capital programme is set on the basis of best estimates of cost. Through good procurement practice, the Council will continue where possible to manage down the costs of capital schemes, and to minimise the need to borrow.

9.4. There is a risk that anticipated grants and other third-party contributions will not be received for reasons out of the authority's control. In these circumstances, the programme will be amended to reflect the reduced funding.

10. Select Committee comments

10.1. None.

11. Recommendations

11.1. Recommendations are set out in the introduction to this report.

12. Background Papers

12.1. County Deal for Norfolk - Link
Better Together, For Norfolk – 2021-2025: Link
Together for our Future - Link
Corporate Delivery Plan 2023-24 - Link
Norfolk County Council Environmental Policy - Link
Climate Strategy – Link
Local Transport Plan and Norwich Area Transport Strategy - Link
County Council Budget 2024-25, (on this agenda)
Finance Monitoring Report 2023-24 (on this agenda)
Annual Investment and Treasury Strategy 2024-25 (on this agenda)

Officer Contact

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

Name	Telephone Number	Email address

Harvey Bullen 01603 223330 harvey.bullen@norfolk.gov.uk
Joanne Fernandez Graham 01603 306228 j.fernandezgraham@norfolk.gov.uk

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Annex 1

Norfolk County Council

Capital strategy and programme 2024-25

Report by the Director of Strategic Finance

1. Background and introduction

1.1. Introduction

1.1.1. This report introduces the proposed overall capital programme for 2024-25 and following years.

1.1.2. The proposed programme consists of two elements – schemes included in the current programme funded through borrowing, capital receipts when available, or grants and contributions from third parties, and new schemes requiring additional prudential borrowing.

1.1.3. The size of the capital programme reflects capital grant settlements that have been announced by central government, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out in this report.

1.1.4. The Council pays from future revenue budgets the interest costs of borrowing undertaken for capital expenditure purposes. In addition, in accordance with its Minimum Revenue Provision (MRP) policy, the Council will set aside an amount from each future revenue budget to re-pay its borrowing.

1.2. Government spending plans

- **Norfolk Devolution Deal:** The Department of Levelling Up Housing and Communities (DLUHC) published its policy paper on the County Deal on 8 December 2022 setting out the transfer of new powers and £240 million in capital funding over 30 years to the Council as part of the Norfolk Investment Fund. The deal includes £6.98 million investment in brownfield funding and £5.9m to support the delivery of housing, regeneration and development priorities in Norfolk. The deal received mostly positive feedback in its public consultation in 2023. In December 2023 the Council agreed to a level 3 deal with an election for the Council Leader in May 2025.

- This deal adds to the collaborative interventions and investment undertaken by the Council and central government to promote growth, skills, infrastructure upgrades and net zero carbon solutions including:

  - £65.4 million in Town Fund, Future High Streets Fund and Community Renewal Fund

  - £271 million shared with Suffolk through Getting Building Fund, Growth Deal and Growing Places Fund

  - 6 Enterprise Zones that combined with Suffolk zones have created over 4400 jobs through to 2021.

    - The deal also incorporates an integrated transport settlement starting in 2024-25

- **Autumn Budget 2023**: The Chancellor of the Exchequer presented the Autumn Statement for 2023 on 21 November 2023, which set out the government's top five priorities: reducing debt, cutting tax and rewarding hard work, backing British business, building domestic and sustainable energy and delivering world-class education. The Autumn Statement reaffirms the commitments made at Autumn Statement 2022 to make available up to £14.1 billion for the NHS and adult social care and provide an additional £2 billion for schools in both 2023-24 and 2024-25. Total departmental spending will be £85 billion higher in real terms by 2028-29 than at the start of this elected Parliament (2019-20). The government has set out its intention to back the growth sectors of the future and is announcing further targeted support for digital technology, green industries, life sciences, advanced manufacturing and creative industries. This includes making available £4.5 billion to unlock investment in strategic manufacturing sectors – auto, aerospace, life sciences and clean energy – which are developing cutting edge technology and driving the country's transition to net zero.

- The Autumn statement also reaffirms the commitments made in Strategic Review 2021 (SR21) which included:

    - Additional funding for the NHS and Adult Social Care to improve emergency, elective and primary care performance back to pre-pandemic levels and support adult social care and discharge

    - Increased investment in schools

    - Increase public R&D and innovation to £20 billion a year by 24-25

    - Acceleration of infrastructure projects for transport, railways, energy and water resources

    - Project Gigabit; aiming for at least 85% Broadband coverage by 2025 and full nationwide coverage by 2030

    - The Net Zero strategies including reduction in carbon emissions and decarbonisation of the power system by 2050

- **UK Shared Prosperity Fund**: On 5 December 2022 the UK government approved local spending plans for the UK Shared Prosperity Fund (UKSPF) worth £2.6 billion over the next three years and rising to £1.5 billion by 2024-25. The fund aims to "help people access new opportunities in places of need" with a strong emphasis on improving community facilities, supporting local businesses and skills development and job creation. As part of the County Deal, NCC will plan and deliver the UKSPF from 2025-26. The Norfolk UKSPF allocation is set to rise to £6.63 million in 2024-25 and will be subject to a future Spending Review and reconfirmation of overall UKSPF policy and delivery arrangements from 2025-26.

- **UK Community Renewal Fund (CRF):** In March 2021 the government announced £220 million of government funding through the UK Community Renewal Fund (CRF) to help local areas prepare for the launch of the UK

Shared Prosperity Fund (UKSPF). The fund aims to support people and communities most in need across the UK to pilot programmes and new approaches and invest in skills and supporting people into employment. On 3 November 2021 the successful bids were announced, and the County Council secured £6.558m funding for 14 projects encompassing Net Zero Carbon initiatives, Youth Enterprise schemes and skills development.

- **Transforming Cities Fund**: On 25 September 2020, the government announced just over £32 million of government funding for Norfolk from the Transforming Cities Fund (TCF) to overhaul local transport links in Norwich, including a new bus interchange at Norfolk and Norwich University Hospital, improvements to cycle and pedestrian crossing facilities, and a junction redesign at Heartsease in Norwich.

- **Active Travel:** In May 2020 the government announced final funding allocations of the active travel fund to support local transport authorities develop cycling and walking facilities. Tranche 1 enabled the installation of temporary projects related to the COVID-19 pandemic and Tranche 2 is for longer-term projects with Norfolk allocated approximately £1.2m for capital projects. This has been expanded further with £0.285 million funding to promote e-cycles across Norfolk via the Pushing Ahead Access Fund.

- **Road Resurfacing Fund:** On 29 November 2023 the Department of Transport issued the details of the additional £8.3bn funding for local highway maintenance for the next 10 years from 2023 to 2034. Norfolk County Council's share of this additional funding from the Road Resurfacing Fund amounts to £4.510m in 2023-24 and again in 2024-25. Over the course of the next 10 years the Council is set to receive an additional £141.2m. For now, the capital programme for 2024-28 has been uplifted by £4.51m per annum to reflect the cabinet member decision to agree to this new grant.

- **Public Works Loan Board**: Local authorities invest billions of pounds of capital finance every year in their communities and the government supports this activity, in part, by offering low-cost loans through the Public Works Loan Board (PWLB).

1.3. Local joint working

- Norfolk County Council works with several other authorities and bodies in the development of capital and infrastructure projects and investments.

- Examples of current joint working include:

- **Local plans:** The Council's various initiatives to promote sustainable growth and infrastructure are captured within the Norfolk Strategic Planning Framework. The Framework is overseen by the Council and its partners. It pulls together information on the key infrastructure needed to deliver economic growth in Norfolk. As well as transport and housing, it covers digital connectivity, education and the Offshore Transmission Network, and it lists a number of major projects in which the Council and its partners have control or a significant interest, covering road, rail, utility, sustainability, education and regeneration projects.

- Further details of major transport project and improvement plans in Norfolk can be found at [Major projects and improvement plans - Norfolk County Council](). A Highways Capital Programme and Transport Asset Management Plan will be presented to Cabinet in March 2024.

- **One Public Estate**: Together with the district councils in Norfolk, the County Council is closely involved in the “One Public Estate” programme. The aim of this programme is to use public assets more effectively to deliver programmes of major service transformation and local economic growth.

- The Council works closely with the **New Anglia LEP**, which has resulted in the LEP’s direct financial support for a number of infrastructure projects as well as direct support to businesses in Norfolk. This close working relationship will develop further under the auspices of the County Deal over the next financial year as the current LEP is integrated into the Council’s structure,

- The **Norfolk Joint Museums Committee** consists of representatives from district councils and the County Council. The Norfolk Museums Service is run by Norfolk County Council with capital schemes managed and reported as part of the Council’s financial monitoring. The Norwich Castle Keep “Gateway to Medieval England” project is a nationally significant scheme which will see the Keep reimagined and reinterpreted.

- Having been awarded just over £6.1m in 2019 for schemes to transform travel in Greater Norwich, Norfolk County Council, in partnership with Norwich, Broadland and South Norfolk submitted a revised proposal for additional **Transforming Cities** funding (details above).

- **Zero Emissions Buses Regional Area (ZEBRA):** In March 2022 the Transport Secretary announced a £198.3m boost to the ZEBRA scheme to deliver 4000 zero-emission buses across the country helping to drive forward the government’s net zero ambitions and rebuild the vital connections across the country. The Council has worked closely with First Buses on the first tranche of this scheme and received £15m from the Department of Transport. This funding along with the £21m contributed by First Buses has funded 70 new zero emissions buses for Norwich. The Council is now working on the bid for the 2nd tranche with First Buses.

- Norfolk’s councils set up the Norfolk Climate Change Partnership (NCCP) in January 2020 to work on climate change issues by decarbonising local authority assets and supporting Norfolk’s aspirations to expand its clean renewable energy production, particularly with the acceleration of offshore wind deployment.

2. The Proposed Capital Programme 2024-28+

2.1. Background

- The capital programme for 2023-24 was agreed by the County Council in February 2023. This was prepared based on schemes brought forward, information from the Government on known and forecast funding levels available at that time, plus new schemes requiring additional prudential borrowing approved at the time.

- The capital programme has been updated through the year to include the latest estimates of capital funding available to the Council and schemes added to the programme during the year as approved by Cabinet and County Council. Further information on external funding is included in Section 3.

- The proposed capital programme is underpinned by a Capital Strategy (Appendix A to this report) which is being recommended to Cabinet for endorsement on 29 January 2024. Schemes are scored against priorities reviewed by the Capital Quarterly Review Board and included in Appendix B for the approval of Cabinet.

- The Capital Programme Quarterly Review Board reviews, prioritises and provide oversight of the Council's overall programme. Including the Deputy Leader of the Cabinet, the board provides a forum for officers from all services to review the progress of existing schemes and discuss new schemes to be added to the programme.

- The 2024-28+ programme reflects all amounts re-profiled up to and including month 9 (December 23). Re-profiling of schemes between years to reflect the revised timing of project delivery is reported at monthly Cabinet meetings.

- The 2024-25 capital programme reflects known government grant settlements for 2023-24 and beyond. The programme also sets out the necessary borrowing to be approved in order to provide sufficient funding for agreed schemes.

- A schedule of existing schemes included in the on-going capital programme is attached at Appendix C to this Annex, with new schemes listed in Appendix D.

- Particular attention should be given to those schemes which are to be funded from borrowing and capital receipts. The capital strategy provides for the direct use of capital receipts to support the funding of new capital expenditure and the repayment of borrowing financed by 3rd parties. An analysis of receipts and their proposed use is included in Section 4.

2.2. The Existing Programme

The current capital programme below is based on period 9 budgets as at 31 December 2023. This position will vary through to 1 April 2024 as schemes are reprofiled, with all movements reported to Cabinet.

Table 1: Existing programme, excluding proposed new schemes

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Adult Social Care	17.267	16.547	24.728	17.296	0.000	75.838
Children's Services	36.955	86.990	48.743	31.657	53.334	257.679
CES Highways	158.130	161.037	145.150	143.143	120.138	727.599
CES Other	37.357	53.578	29.791	10.346	4.403	135.475
Finance	2.401	6.303	6.313	10.750	0.000	25.767
Strategy and Governance	29.200	24.987	11.347	11.378	0.000	76.912
Total	**281.310**	**349.441**	**266.073**	**224.570**	**177.875**	**1,299.269**

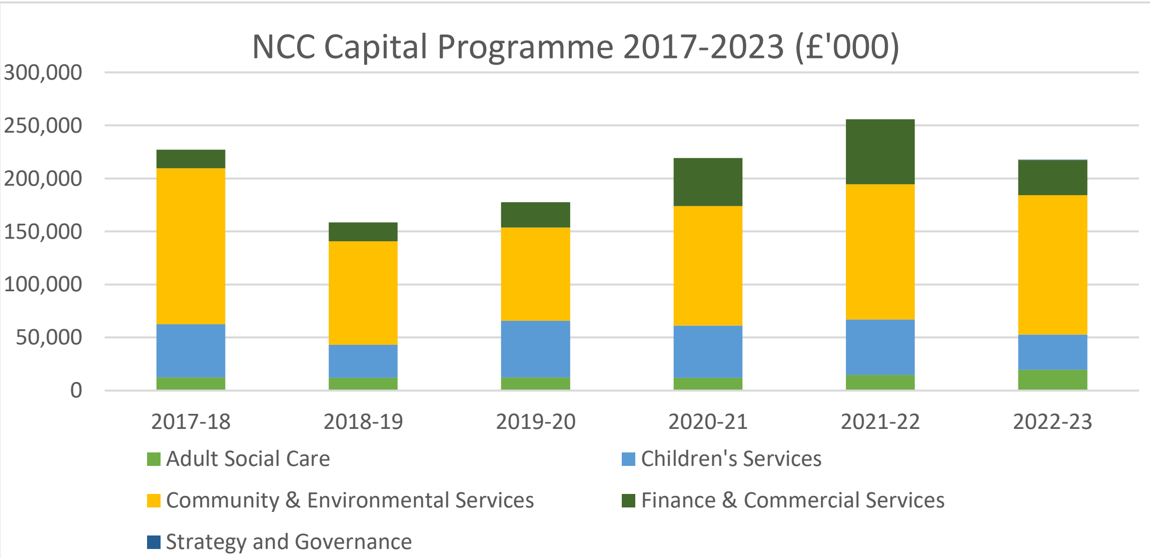
Note: this table contains rounding differences

2.3. Existing Schemes reprofiled

The Capital Review Board undertook a detailed review of the 2023-24 capital forecast of existing projects across the services with the relevant officers. This review identified £201.455m slippage in the 2023-24 capital plan which has been transferred to future years, leaving £281.310m planned expenditure for 2023-24 and £1,017.959m for future years. Whilst some reprofiling of schemes is noted in 2.4 below, further reprofiling for capital slippage in quarter 4 of the 2023-24 financial year will be reported to Cabinet in June 2024.

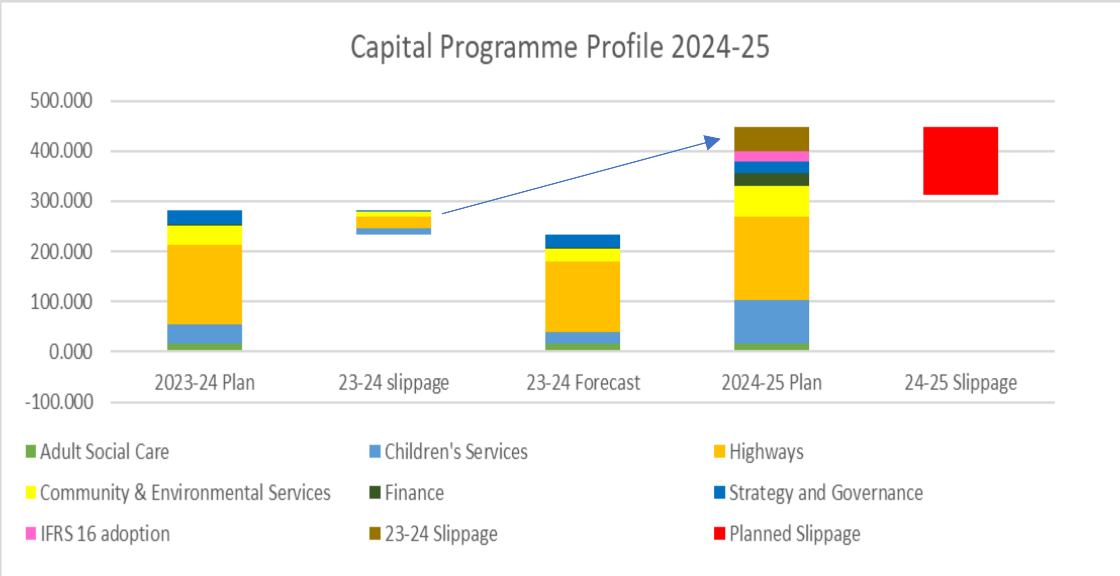
The P9 forecast for 2023-24 is £233.611m, indicating that a further £49.375m is expected to slip into future years, making the total anticipated slippage from the current year around £249m. This is a significant amount of slippage for one financial year, but brings the 2023-24 Capital Programme forecast more in line with the Council's historical performance – as set out in Chart 1 below:

Chart 1: NCC Capital Expenditure 2017-2023



Further slippage from 2023-24 into 2024-25 will increase the 2024-25 Capital Programme to around £447.493m as set out in Chart 2. The Capital Review Board has been working with services to critically review the prioritisation and timing of schemes in 2024-25 and anticipates a further £135m will slip from 2024-25 into future years. The planned slippage has been modelled into Chart 2 below and in Table 4 on paragraph 2.6.

Chart 2: Impact of 23-24 slippage on 2024-25



Given the scale of slippage planned across the current Capital Programme, the Council has applied additional rigour to the review of new Capital schemes and is only proposing limited additions to the capital programme which are funded by borrowing – as set out in 2.5 and 2.6 below.

2.4. Reprofiles to existing schemes

The Council seeks to optimise the use of current capital budgets to enable the efficient delivery of schemes. The following adjustments reflect schemes previously approved by Council which were awaiting profile details prior to uplifting the budgets in the appropriate financial year:

- £1m increase in NFRS budgets for investment in Wildfire protective equipment and vehicles
- £8.3m for the remaining Norse Project One Loan facility split between £1m in 2023-24 and £7.3m in 2024-25
- a series of virements and reprofiling of various projects by the Highways team to release £2m of budget which has been earmarked to fund the new NFRS Gender Compliance adaptations and Carcinogen works bid as set out in the paper presented at Cabinet on 10th January.

Table 2: 2023-24 Reprofiling proposed

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Highways	-1.785	-1.516	6.640	-5.680	0.000	-2.342
Community & Environmental Services	-0.276	0.848	0.938	-0.168	0.000	1.342
Finance	1.000	7.300	0.000	0.000	0.000	8.300
Total	**-1.061**	**6.632**	**7.578**	**-5.848**	**0.000**	**7.300**

Note: this table contains rounding differences

This £7.3m net increase in budgets is added to the £1,299.269m from Table 1 to bring the current year programme total to £1,306.569m

2.5. Uplifts and Extensions to Existing schemes

The Councils officers also updated the forecasts for existing schemes taking into account recent developments in these schemes and ensuring consistency with the MTFS. This review identified £17.002m additions to future years as set out below. The full list of schemes included in this uplift is available in Appendix D of the Capital Strategy.

Table 3: Uplifts to existing schemes

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Adult Social Care	0.000	0.000	0.000	0.000	3.268	3.268
Highways	0.000	0.000	0.212	0.219	0.219	0.650
Community & Environmental Services	0.000	2.346	2.862	3.925	3.951	13.084
Total	**0.000**	**2.346**	**3.074**	**4.144**	**7.438**	**17.002**

Note: this table contains rounding differences

2.6. New schemes

Schemes not included in previous capital programmes will result in the following additions to the capital programme subject to approval:

Table 4: Proposed investment in new schemes

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
CES Highways	2.737	6.283	4.510	4.510	4.510	22.550
CES Other	0.000	4.500	1.720	1.050	0.000	7.270
Finance	0.000	10.000	0.000	0.000	0.000	10.000
Total	**2.737**	**20.783**	**6.230**	**5.560**	**4.510**	**39.820**

Note: this table contains rounding differences

Included in the £39.620m new schemes proposed is £22.550m new grant funding announced by the Department of Transport from the Road Resurfacing Fund. This leaves £17.27m to be funded from NCC Borrowing and Capital Receipts. A full list of the new schemes proposed is available in Appendix D.

2.7. IFRS16 – Right of Use Assets

The Council is adopting International Financial Reporting Standard 16 (IFRS16) for Leases which requires the recognition of "Right of Use" Assets arising from the lease contracts undertaken by the Council. The lease contracts that qualify for this accounting standard range from property leases to vehicle, plant and equipment leases that exceed £10,000 in value over the life of the lease. The estimated net present value of current lease contracts at 1 April 2024 is £18.915m and this represents an uplift to the Capital Programme each year. The associated outstanding lease liabilities are included in the Treasury Management Strategy (elsewhere on the agenda).

The Capital Strategy includes an initial estimate for new leases and renewals each year. Table 5 below sets out the impact of the adoption of IFRS16:

Table 5: IFRS16 Right of Use Assets

Lease types	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Property Leases		8.814	0.881	0.881	0.881	11.458
Property Leases - Peppercorn Rents		4.972	0.497	0.497	0.497	6.464
VPE Leases	0.000	5.130	0.513	0.513	0.513	6.669
Total IFRS 16 Assets	**0.000**	**18.915**	**1.892**	**1.892**	**1.892**	**24.590**

2.8. The Total Proposed Capital Programme (existing and new)

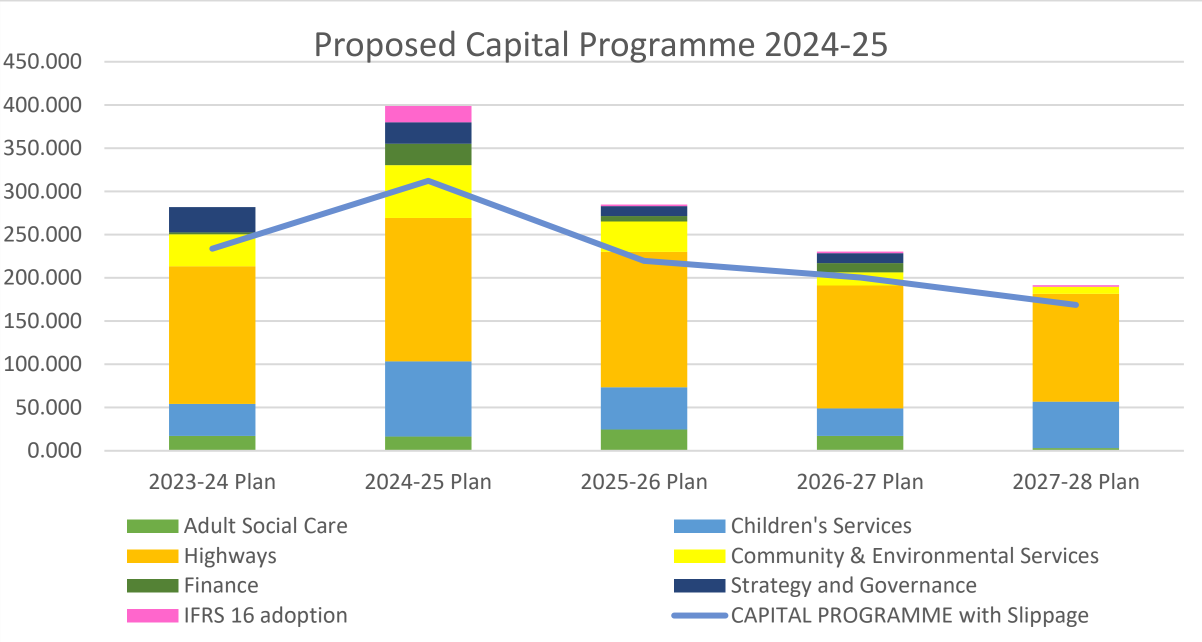
The full Capital Programme for 2023-29, combining existing and proposed schemes, is summarised in the following table.

Table 6: Proposed Total Capital Programme

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
Adult Social Care	17.267	16.547	24.728	17.296	3.268	79.106
Children's Services	36.955	86.990	48.743	31.657	53.334	257.679
CES Highways	159.082	165.804	156.511	142.192	124.867	748.457
CES Other	37.081	61.272	35.311	15.153	8.354	157.171
Finance	3.401	23.603	6.313	10.750	0.000	44.067
Strategy and Governance	29.200	24.987	11.347	11.378	0.000	76.912
IFRS 16 Right of Use Assets		18.915	1.892	1.892	1.892	24.590
Total	**282.986**	**398.118**	**284.846**	**230.317**	**191.714**	**1,387.982**
23-24 SLIPPAGE forecast	-49.375	49.375				0.000
SLIPPAGE PLANNED		-135.000	-65.000	-30.000	-23.000	-253.000
CAPITAL PROGRAMME with Slippage	**233.611**	**312.493**	**219.846**	**200.317**	**168.714**	**1,134.982**

Note: this table contains rounding differences

Chart 3: Proposed Capital Programme with Slippage



The chart above highlights the impact of slippage from the current financial year on 2024-25. The Capital Review Board will continue monitoring the timing and prioritisation of schemes in discussion with responsible officers to enable the management of the Capital Programme's planned slippage over the 2024-2029 financial years.

The existing programme includes on-going schemes, and new schemes approved in-year:

Major programmes and schemes, for example

- Schools basic need and capital maintenance
- SEND transformation programme to create 500 extra specialist school places
- Great Yarmouth Third River Crossing
- West Winch Bypass
- Long Stratton Bypass
- Highways Infrastructure maintenance
- Living Well - Homes for Norfolk: to develop extra care housing in Norfolk
- Norwich Western Link
- Estates Decarbonisation Programme
- Better Broadband for Norfolk

Where additional funding for existing capital schemes have been received during the current financial year, they have been added to the programme, with all changes reported to Cabinet. New schemes requiring borrowing have been approved by Cabinet and County Council.

New schemes approved during the 2023-24 financial year (to date) include

- County Farms various schemes for improvements to Agricultural buildings and Farm Houses, including the replacement of fossil fuel heating systems (£9.4m)

- Various Fire and Rescue Service schemes, including equipment, property capital maintenance and building improvements, and fire training facilities (£1.2m)
- Improvements to recycling facilities and reuse shops across Norfolk and replacement vehicles and new site equipment to enhance the waste disposal and recycling facilities (£0.5m) – thus improving the management of residual waste and reducing the environmental footprint
- Decarbonisation studies across the County's estate (£18.5m) – investment into the design and feasibility studies on carbon emissions reduction initiatives at Council properties.
- Scottow Enterprise Zone – refurbishment and improvements on site to increase the lettable office space (£8.6m)
- ICT rolling programme for infrastructure and devices (£8.2m)
- Kings Lynn Sustainable Transport and Regeneration Scheme uplift of NCC contribution by (£1.994m) to secure DfT funding for the scheme
- Uplift to the MyOracle Programme of (£1.632m) allowing for the full realisation of process efficiencies and savings potential available within Phase 2 and the quarterly upgrades of the Oracle Fusion system
- Extension of the Ash Die Back scheme (£0.5m)
- Extension of the Library Stock replenishment scheme (£2.1m)
- Kings Lynn Southgates Roundabout Study (£2.1m)
- Uplift to the Local Members Highways Schemes (£0.336m)
- Extension of the capital management recharges (£1.2m)
- Uplift in Great Yarmouth Operations and Manual Campus (£3.4m) to match updated the latest forecast
- West Winch Bypass (£73.300m) increase in DfT funding and a temporary uplift in NCC's contribution of (£3.8m) as set out in the outline business case
- Norwich Western Link uplift in budget to match the latest forecast following approval of the Outline Business Case (£22.9m)
- Norse Project One – Capital Loan (£10m)
- Castle Museum final phase funded by National Lottery Heritage Fund (£2.8m).

A full summary of schemes in the existing programme can be found in Appendix C.

In addition, the County Council approved the flexible use of £3m capital receipts to fund the Adult Social Services transformation work and Children's Services Demand Management & Prevention Strategy in 2023-24 and future years, as set out in 5.13 below.

2.9. New schemes proposed for addition to the capital programme include:

Examples of new and existing projects requiring borrowing or unallocated capital receipts:

- County Farms various schemes for health and safety statutory improvements to Agricultural buildings and Farm Houses (£3.25m)
- Norfolk Fire and Rescue Service schemes, including Gender Compliance adaptations and carcinogenic reduction work to fire stations (£2m) for phase 1, the upgrading of heating systems at fire stations (£1.47m) and Wildfire PPE equipment (£1m)
- Extension of staff capitalisation across the following service areas – Planning and Advice (£1.316m), HES Advice and Information (£0.104), Greenways to Greenspaces (£3.394m) and Museum's Collections (£2.096m)

- Environmental improvement schemes including Tree Safety schemes (£1.65m) and statutory maintenance and improvements to Norfolk's National Trails (£2.555m)
- Adult Social Services Assistive Equipment and technologies (£3.268m)
- Library Services Books and Media stock (£2.615m)
- County Hall Soffits Repairs (£0.2m)

New schemes (grant funded) not requiring additional borrowing

- Highways new DfT grants not already included in the programme are added as and when funding is secured, including the new Road Resurfacing Fund totalling £141.2m over the next 10 ten years, of which £22.55m has been included in the proposed programme over the next 5 years
- Schools basic need and capital maintenance grants from the DfE.

New schemes requiring additional borrowing which is funded by 3rd parties

- Capital Loans to Norse Group (£18.3m)

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

2.10. Major known funding sources (eg structural maintenance grants) are already in the programme for 2023-24 and future years. Other external funding will be added to the programme as and when secured.

2.11. The prioritisation system used to rank schemes has been developed in accordance with good practice and the Council's corporate priorities. It provided a firm basis for comparing unfunded/unsupported schemes and is summarised in Appendix B.

2.12. The Council continues to review its strategic priorities to meet the changing needs of Norfolk's residents and as such there is a pipeline of schemes being developed by officers which will be brought to Cabinet and Council for approval in due course in 2024-25. This includes the expansion of the Children's Homes scheme to meet the growing need for placements identified in the Children's Services specialist placement sufficiency plan.

3. Financing the Programme

3.1. The capital programme is financed through a number of sources – grants and contributions from third parties; contributions from revenue budgets and reserves; and external borrowing and capital receipts.

3.2. For the purpose of the table below, it is assumed that future capital receipts will be applied to the funding of short life assets, the direct re-payment of debt or the flexible use of capital receipts as set out in Table 8.

3.3. Proposed new schemes will result in an additional £41.572m of new borrowing over the 4 years of the programme, subject to alternative sources of funding becoming available. This will result in a total borrowing need of £516.243m to fund the capital programme. This amounts to a considerable investment on top of the £818.765m gross borrowing forecast for 31 March 2024 and reflects the Council's ambitions to invest in the county's infrastructure, the decreasing relative levels of central government capital grant, and increasing pressures on the revenue budget.

3.4. The funding of the proposed programme is set out in the table below:

Table 7: Funding of the Proposed Capital Programme £m

Service	**2023-24 £m**	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**	**Total £m**
External Funding	190.798	206.498	152.368	142.527	112.230	804.420
Revenue and Reserves	1.037	1.330	0.442	1.233	0.000	4.042
NCC Borrowing	71.980	168.375	119.129	82.165	74.593	516.243
Capital Receipts	19.171	3.000	11.016	2.500	3.000	38.687
IFRS16 Lease Assets		13.943	1.394	1.394	1.394	18.126
Donated Assets		4.972	0.497	0.497	0.497	6.464
TOTAL	**282.986**	**398.118**	**284.846**	**230.317**	**191.714**	**1,387.982**

This table may be subject to small rounding differences

Note: capital receipts will be allocated to fund the programme and reduce borrowing as and when they are not required for other purposes and have been secured.

3.5. The funding derived from Donated Assets represents the IFRS16 Right of Use Asset valuations of property leases with peppercorn rents occupied by the Council. The Council's continued usage of these sites at peppercorn rents of £1 or less confers on NCC a right to use these sites and the valuation of this right has been added to the 2024-25 Capital Programme as part of the adoption of IFRS16. This is purely an accounting adjustment with no cashflow implications.

3.6. The NCC Borrowing Need in Table 7 exceeds the £50m annual borrowing target assumed in the Treasury Management and Investment Strategy for 2024-25. Therefore, the Council will actively prioritise projects which are externally funded and look to delay projects funded by NCC Borrowing (where possible) to support the £253m planned slippage of capital schemes as set out in Table 6. It will do this by identifying schemes funded by NCC borrowing to reprofile into future years as set out in Table 8 below.

Table 8: Proposed profile of NCC Borrowing in the Capital Programme £m

Service	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Total £m
NCC Borrowing and Capital Receipts	91.151	171.375	130.145	84.665	77.593	554.930
NCC Borrowing on behalf of GNGB/Subsidiaries	7.309	19.500	11.022	10.450	0.000	48.281
Use of Capital receipts (per TM strategy & MTFS)	19.171	3.000	11.016	2.500	3.000	38.687
Net borrowing required	**64.671**	**148.875**	**108.107**	**71.715**	**74.593**	**467.961**
Borrowing Slippage planned		-100.000	-63.000	-21.000	-23.000	-207.000
Net Borrowing planned (consistent with TM Strategy)	**64.671**	**48.875**	**45.107**	**50.715**	**51.593**	**260.961**

This table may be subject to small rounding differences.

3.7. Grants and contributions funding the programme include grants received or announced in previous years, not yet spent. Non-government external funding is primarily from developer contributions relating to highways and schools schemes around new developments, Better Broadband rebates from BT Openreach, and the National Lottery Heritage fund in respect of the Norwich Castle Keep development. The largest external grants are received from the Government Departments for Transport and Education.

3.8. The Department for Education condition funding methodology was updated in April 2022. Norfolk's DfE Basic Need allocation for 2023-26 is £18.68m, (22-25: £27.292m), its High Needs Allocation was £10.364m for 2023-24 (2022-23: £19.321m) to support the provision of high needs places needed for the 2023 and 2024 academic years.

3.9. For schools capital maintenance, the DfE allocates devolved formula capital (DFC) for schools to spend on their own capital priorities, and a school condition allocation (SCA). In 2023-24 these amounted to £0.978m and £4.883m respectively. At the time of writing the 2024-25 allocation has not yet been announced.

3.10. Highways funding from the Department for Transport (DfT) for both Structural Maintenance and Integrated Transport Block grants has been based broadly on a 6-year formula which was extended to 2025-26 totalling £342.263 million and split as follow:

- Major Road Schemes - £247.81 million over 3 years
- Bus and Public Transport schemes - £41.332 million over 3 years
- Active Travel schemes - £12.162 million over 3 years
- Local Road and Safety schemes – £28.598 million over 3 years
- Structural, Routine and Bridge maintenance schemes - £132.24 million over 3 years

This summary is based on Appendix A of the Highways Capital Programme 2023/24/25/26 and Transport Asset Management Plan brought to Cabinet in March 2023.

3.11. The transport funding environment has become more complex and varied over the past few years with allocations “top-sliced” to allow councils to bid into one-off “challenge” and “incentive” pots. The Council continues to look towards alternative sources of funding such as the Transforming Cities Fund and the UKSPF22 (see section 1 above).

3.12. In the 2018 Autumn Budget, the Government announced a £98m grant for a new lifting bridge across the River Yare in Great Yarmouth (the Third River Crossing) as part of its Large Local Major Schemes Programme. On 25 November 2020 the final business plan was approved, and the funding unlocked. The project is expected to cost £121 million overall, with the remainder of funding coming from local sources. Construction began in early 2021 with the bridge aiming to open for use in early 2024.

3.13. The government has currently approved £26.2 million contribution to the A140 Long Stratton Bypass, subject to Full Business Case approval and is considering the A10 West Winch Housing Access Road Outline Business Case proposal whilst the Norwich Western Link has recently received Outline Business Case approval.

3.14. The government is introducing a new £450 million local electric vehicle infrastructure (LEVI) scheme for local authorities to support local EV infrastructure delivery and Norfolk will receive a portion of this funding.

3.15. Norfolk’s Bus Service Improvement Plan received £49.5 million funding from central government and £15 million to purchase 70 electric buses as part of the Zero Emission Bus Regional Areas (ZEBRA) funding.

3.16. In May 2020 the government announced final funding allocations of the active travel fund to support local transport authorities develop cycling and walking facilities. Tranche 1 enabled the installation of temporary projects related to the COVID-19 pandemic and Tranche 2 is for longer-term projects with Norfolk allocated approximately £1.8m in total.

3.17. Details of highways funding and proposed allocations are detailed in the Highways Capital Programme and Transport Asset Management Plan which is due to be presented to the March 2024 Cabinet.

3.18. A Disabled Facilities Grant (DFG) is received as part of the Better Care Fund. National funding for the DFG is at least £573 million in 2023 to 2024 and at least £573 million in 2024 to 2025, as set out in the People at the Heart of Care white paper. In addition, Next steps to put People at the Heart of Care announced a further £102 million (£50 million in 2023 to 2024 and £52 million in 2024 to 2025) to fund supplementary services that are agile and help people stay independent, support hospital discharge and make minor adaptations. The £9m Disabled Facilities Grant is therefore expected to continue in to 2024-25 . While the BCF in 2023-24 remains largely unchanged, the government recognises that the proposals set out in the Health and Care Bill will impact longer-term system thinking and planning. So future iterations of the BCF may require the Council to consider its response in strategic planning to:

- Integrated or joint commissioning of services after hospital discharge
- Plans to prevent the need for longer-term services, admission prevention and independent living
- Plans to stimulate the care market and develop asset based community approaches to delivering quality and value in a sustainable care market

4. Capital Receipts forecast

4.1. Where capital receipts are generated through the sale of assets or repayments of loans by third parties, these may be:

- used to fund in-year capital expenditure, reducing the need to borrow
- held to offset future capital borrowing requirements
- used to repay existing borrowing, or
- used to fund the "Flexible use of capital receipts" (see section 5 below).

In accordance with the Council's constitution, some of the farms' Capital Receipts are reinvested back into the Farms Estate. Otherwise, capital receipts are a corporate asset and not ring-fenced to any specific service or function.

4.2. The Council continues to review its assets seeking to ensure that their ongoing use supports the Council's future priorities. Assets that do not meet this need have been identified and form the basis of a continually updated disposal schedule.

4.3. The property sales figures included in the schedule below are currently the best estimate of the value of properties available for disposal, pending formal valuations, market appetite, planning decisions, timing of sales and delivery options, particularly in relation to housing schemes.

Table 9: Draft Capital Receipts forecast £m

Capital Receipts	**2023-24 £m**	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**
Capital Receipts brought forward	21.947	5.061	5.058	0.855	4.437
Loan repayments from subsidiaries	2.856	3.934	2.643	2.707	2.277
Loan repayments from LIF	1.131	0.000	0.000	0.000	0.000
	25.934	**8.995**	**7.701**	**3.563**	**6.713**
Forecast Property Sales *					
Sold/Subject to Contract	3.869	0.661	1.665	1.771	0.000
High likelihood	1.415	2.526	3.371	3.400	0.400
Medium likelihood	0.000	2.760	1.367	0.910	2.075
Low likelihood (likely to move to future years)	0.000	0.050	0.410	0.000	
Total	**5.285**	**5.997**	**6.813**	**6.081**	**2.475**
TOTAL CAPITAL RECEIPTS FORECASTED (A)	**31.219**	**14.992**	**14.514**	**9.644**	**9.188**
Use of Capital Receipts					
Funding in year capital expenditure	19.171	3.000	11.016	2.500	3.000
Repayment of Capital Loans	3.987	3.934	2.643	2.707	2.277
Potential for flexible use of capital receipts (see below	3.000	3.000			0.000
TOTAL USE OF CAPITAL RECEIPTS FORECASTED (B)	**26.158**	**9.934**	**13.659**	**5.207**	**5.277**
Capital Receipts carried forward	5.061	5.058	0.855	4.437	3.912
Property Sales analysed by farms/non-farms property					
Farms	3.121	1.746	3.815	4.310	2.475
Non-farms	1.464	4.251	1.918	1.771	0.000
Major development sites (farmland)	0.700	0.000	1.080	0.000	0.000
	5.285	**5.997**	**6.813**	**6.081**	**2.475**

***Assets held for Sale - Properties available for disposal schedule maintained by the Corporate Property Team with estimates of disposal proceeds**

4.4. Any repayments of capital loans made by NCC will be included in the value of capital receipts used to repay debt or to support the capital programme.

5. Flexible use of capital receipts

Introduction

5.1. DLUHC Statutory Guidance on the Flexible Use of Capital Receipts (updated), dated March 2016, has offered local authorities flexibility in the use of capital receipts. Originally these covered receipts generated between April 2016 and March 2019. The Local Government Finance Settlement 2018-19 originally extended to 2021-22 and again in August 2022 this flexibility was extended to March 2025. The DLUHC are current undertaking a consultation on the revised statutory guidance on the Flexible Use of Capital Receipts and the minister has indicated in the Provisional Settlement announcements that the flexibility will be extended to 2030.

5.2. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

5.3. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local Authorities may not use their existing stock of capital receipts or loan repayments to finance the revenue costs of reform.

5.4. The direction issue on 4 April 2022 clarifies that capital receipted eligible for flexibility must be disposals by the local authority outside the “group” structure. In addition, the local authority must submit its plan for the use of the flexibility in advance of each financial year to the DLUHC.

Background

5.5. Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under section 11 of the Local Government Act 2003, specify the purposes for which capital receipts may be used. The main permitted purpose is to meet capital expenditure together with other specified types of payment. Permitted purposes do not include use to support revenue expenditure.

5.6. Under section16(2)(b) of the 2003 Act the Secretary of State is empowered to issue directions providing that expenditure of local authorities shall be treated as capital expenditure for the purpose of Part 1 of the 2003 Act. Where such a direction is made the expenditure specified in the Direction is from that point on capital expenditure which can be met from capital receipts under the Regulations.

Process

5.7. For each financial year, a local authority should ensure it prepares and publishes at least one Flexible use of Capital Receipts Strategy prior to exercising the flexibilities allowed. The strategy must be presented to full Council, and this can be part of the annual budget setting documents.

5.8. Ideally, the strategy will be prepared before the start of any financial year. Where the need or opportunity has not been anticipated, the strategy can be presented to full Council at the earliest opportunity.

5.9. Examples of projects which generate qualifying expenditure include:

- Sharing back-office services
- Service reform pilot schemes
- Service reconfiguration, restructuring or rationalisation
- Driving a digital approach to the delivery
- Aggregating procurement
- Setting up commercial or alternative delivery models
- Integrating public facing services across two or more public sector bodies

Strategy content

5.10. As a minimum, the Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project-by-project basis details of the expected savings/service transformation are provided.

5.11. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming year and subsequent years.

5.12. Each future year's Strategy should contain details on projects approved in previous years, including a commentary on whether the planned savings or service transformation have been/are being realised in line with the initial analysis.

Strategy for the flexible use of capital receipts

5.13. As stated in section 4 above, the value and timing of capital receipts is hard to predict and is not known at this stage. In order to support the revenue budget, the 3rd party loan repayments received are applied directly to the repayment of debt. Then capital receipts are allocated to fund in-year capital expenditure subject to a proportion of capital receipts from the sale of farmland being ring-fenced.

5.14. Given the extension of the flexibility to 2025, capital receipts of £3m will be put forward to fund transformation projects from 2022-23 to 2024-25. The £3m set aside for 2024-25 is funding transformation projects including service restructuring and demand management:

- which are in accordance with Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued by the DCLG, dated August 2022 and

- subject to scrutiny of proposals by the Director of Strategic Finance.

5.15. Any changes to this strategy will be reported through Cabinet.

Specific proposal for the flexible use of capital receipts

5.16. Subject to approval and availability, up to a maximum of £3m capital receipts per annum for 2023-24 will be applied to transformation projects and similarly £3m capital receipts will be applied to transformation projects that meet the flexible use criteria in 2024-25.

Impact on Prudential Indicators

5.17. By using capital receipts to fund this proposal, there is an opportunity cost of not being able to use the capital receipt for other purposes which could be the direct repayment of debt, or to fund capital expenditure (avoiding the need to borrow).

5.18. Assuming £3m of capital receipts are used to fund transformation projects:

Prudential indicator – impact of using £3m flexibly:	**-compared with using capital receipts for the direct re-payment of debt**	**-compared with using capital to fund capital expenditure**
Capital expenditure payment forecast	Expense classed as capital expenditure increases by £3m.	No impact
Ratio of Capital Financing Costs to Net Revenue Stream	No impact	Interest payable + MRP increases approx. £0.27m pa. Ratio increase 0.03%.
Capital Financing Requirement	No impact	CFR increases by £3m
Authorised Limit for External Debt	No impact	Authorised Limit increases by £3.2m
Operational Boundary Limit for External Debt	No impact	Operational Boundary increases by £3.0m

5.19. Capital Receipts not needed for this flexible use purpose are now carried forward to repay future debt instalments or to fund short-life capital expenditure.

5.20. Reducing the capital receipts available for the future repayment of debt would have a direct impact on future revenue budgets through the MRP.

6. Revenue Impact of the Proposed Capital Programme

6.1. Where the Council uses borrowing to support the capital programme, it must set aside revenue funds on an annual basis to repay the capital borrowed. This is required by statute and is known as Minimum Revenue Provision (MRP). The revenue impact of MRP depends on the expected life of the underlying asset.

6.2. In addition to MRP, the Council will need to fund any additional interest costs through future revenue budgets. The Council has the capacity to borrow from the Public Works Loan Board with interest rates currently in the region of 5.4% and anticipated to remain around 5.00% throughout 2024-25.

6.3. The table below is an estimate of the maximum incremental revenue impact of proposed new schemes before savings expected to be generated from direct revenue savings, transformation and other related spend to save schemes.

Table 10: Estimated incremental revenue costs of new capital schemes to be approved

	2023-24 £m	**2024-25 £m**	**2025-26 £m**	**2026-27 £m**	**2027-28 £m**
Assumed interest rate	5.25%	5.00%	4.38%	4.13%	4.00%
Incremental impact					
Cumulative interest cost	1.698	1.222	0.987	1.046	1.032
MRP	2.587	1.955	1.804	2.029	2.064
Total	**4.284**	**3.177**	**2.791**	**3.075**	**3.096**

Note: interest costs assume mid-year spend

6.4. MRP and interest forecasts assume schemes delivered as set out in the programme. It is likely that a significant proportion of spend will be slipped into future years as schemes are developed and timing of expenditure becomes more certain.

6.5. The table above shows the incremental costs associated with new schemes, all other things being equal. It takes into account the use of capital receipts to fund in-year capital expenditure and the planned slippage built into Table 4 thus reducing the Capital Financing requirement and the associated Minimum Revenue Provision.

6.6. The actual budgeted financing costs and percentage of the net revenue stream this represents is set out in the Treasury Management Strategy report to this committee.

Appendices

Appendix A: Capital strategy 2024-25

Appendix B: Capital bids prioritisation

Appendix C: Capital programme 2023-28 – existing schemes summary

Appendix D: New and extended capital schemes

Appendix A: Capital strategy 2024-25

Norfolk County Council

Capital strategy

2024-25

1 Capital Strategy Introduction

1.1 As local authorities become increasingly complex and diverse, it is vital that those charged with governance understand the long-term context in which investment decisions are made and all the financial risks to which the authority is exposed. With local authorities having powers around commercialisation, more being subject to group arrangements and the increase in combined authority arrangements it is no longer sufficient to consider only the individual local authority but also the residual risks and liabilities to which it is subject.

2 Purpose and aims of the Capital Strategy

2.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021) states that authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

2.2 The capital strategy is intended to:

- give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability;
- demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

2.3 The development of a capital strategy allows flexibility to engage with full council to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

2.4 In considering how stewardship, value for money, prudence, sustainability and affordability can be demonstrated local authorities should have regard to the following key areas:

- Capital expenditure
- Debt, borrowing and treasury management
- Commercial activity
- Other long-term liabilities
- Knowledge and skills.

The Director of Strategic Finance has considered the affordability and risk associated with the capital strategy and where appropriate has taken specialised advice.

3 County Council Strategy and transformation

As a Council, our approach to all work is guided by four key principles:

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

The **Better Together for Norfolk, 2021-2025** strategy and **Rising to the Challenge Together** event both outline the Council's commitment to invest in Norfolk's future growth and prosperity by:

- Focusing on inclusive growth and improved social mobility;
- Encouraging housing, infrastructure, jobs and business growth across the County;
- Developing our workforce to meet the needs of the sectors powering our local economy;
- Work to reduce our impact on the environment.

This way we can help Norfolk have a growing economy, full of thriving people living in strong communities we are proud of.

Our services support our ambitions by ensuring children and young people have the best start in life, protecting vulnerable people, developing strong infrastructure, maintaining a safe road system and helping improve the economy. The Council's transformation programme, provides the mechanism to realise these ambitions for the County across all of its activities.

In May 2023 the Council took stock of its progress to date and confirmed its strategic priorities for 2023 – 2025 in the **Corporate Delivery Plan 2023-2024** as set out below:

1. A Vibrant and Sustainable Economy;
2. Better Opportunities for Children and Young People;
3. Healthy Fulfilling and Independent Lives;
4. Strong Engaged and Inclusive Communities
5. A Greener, more Resilient Future.

The outlook for 2023-2025 has changed as the Covid-19 pandemic has been followed by a period of geo-political instability both in the UK and across the globe, prompting periods of high inflation and rising interest rates. This coupled with the challenges of extreme weather patterns and legislative reforms on the horizon has required the Council to react at pace to new demand and cost pressures and adapt to new legislation whilst continuing to deliver our strategic priorities. It is this requirement for flexibility that significantly influences the Capital Strategy for 2024-25.

4 Capital expenditure

4.1 Governance process for approval and monitoring of capital expenditure

The Council's capital programme is approved as part of the budget setting process. Prior to the start of each financial year, usually in February, the County Council agrees a future three or four-year capital programme including a list of projects with profiled costs and funding sources.

At the year-end unspent capital funding on incomplete projects is carried forward to the following year as part of the closedown process and reported to the Council's Cabinet, with any changes to the budget approved by County Council.

New schemes added during the year which require prudential borrowing are also approved by County Council based on recommendations from Cabinet. Where additional external funding is received by on-going capital projects, this is added to the programme and noted by Cabinet on a monthly basis.

An outturn report issued each year in June gives details of actual expenditure and funding for the previous financial year.

4.2 Policies on capitalisation

4.2.1 Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment (PPE) is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The de-minimis level for property, plant and equipment has been adjusted down to £10,000 (previously £40,000) to align the accounting treatment for PPE with IFRS16 Right of Use Assets.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

4.2.2 Heritage Assets

Heritage Assets are assets which increase the knowledge, understanding and appreciation of the local area and its history. The recognition of Heritage Assets is consistent with the Council's Property, Plant and Equipment policy, including the £10,000 de-minimis.

Apart from Heritage Assets previously accounted for as Community Assets, Heritage Assets acquired before 1 April 2010 have not been capitalised, since reliable estimates of cost or value are not available on a cost-effective basis.

4.2.3 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

4.3 Long-term view of capital expenditure plans

4.3.1 The Council's service areas consider their capital expenditure plans in the context of long-term service delivery priorities and the Council's vision and plan. Historically, larger government capital grants development and capital maintenance of highways and schools have formed the basis of an affordable capital programme. This is supplemented by other funding sources, specific grants, and prudential borrowing. Long term capital planning includes the following major capital programmes:

4.3.2 **Adult Social Services - Living Well – Homes for Norfolk**: capital investment of up to £29m over 10 years has been approved to accelerate the development of extra care housing in Norfolk, with the aim of reducing unnecessary residential care admissions. Each individual scheme will be subject to a rigorous feasibility and financial assessment. Over a 10-year period it is estimated that the total programme could require between £17m and £30m depending on progress and grant subsidy levels.

4.3.3 **Transport and infrastructure** – In September 2020, the Secretary of State for Transport approved a Development Consent Order application to construct, operate and maintain the Great Yarmouth Third River Crossing and its approaches. Prior to this the Council secured £98m DfT funding towards the £120m anticipated cost. Following DfT approval of the final business case for the project, construction began in early 2021 with the bridge aiming to be open for use in early 2024.

Officers continue to develop strategic schemes (with partners where applicable) which may attract funding. Examples of schemes in progress include:

- Norwich Western Link – this project has conditional entry into DfT's 'Large Local Majors' funding programme with £145m DfT funding agreed. In October 2023 the DfT approved the Strategic Outline Business Case (OBC) and pledged £213m towards the cost of the project with the potential for the government contribution to be uplifted in future.
- A47 improvements (Highways England committed £300m to improve the A47 with work begun in 2020)
- Long Stratton Bypass - following £0.5m funding from the DfT an outline business case has been approved and a further £1.7m has been secured from the DfT. The total anticipated cost of this project is £46.9m and the split of funding between the stakeholders will be

finalised upon receipt of approval of the Final Business Case which has been submitted to DfT.

- West Winch Housing Access Road – this project connects the A10 to the A47. The project is estimated to cost £84.47m and the outline business case is being worked on for submission to DfT.

As well as smaller road projects, the Norfolk Strategy Infrastructure Delivery Plan covers other infrastructure aspirations including Superfast Broadband, rail, utilities and sustainable walking and cycling infrastructure projects.

Following the review of Fire Services Estate, Vehicles, Plant and Equipment, officers have developed schemes to refurbish fire stations, develop training facilities and upgrade the “red fleet” totalling £27.4m

4.3.4 **Children’s Services**:

SEND provision: As part of the transformation of Special Educational Needs and Disability (SEND) provision in Norfolk, the Council allocated £120m to create 500 extra specialist school places. As well as new and extended specialist units in mainstream schools, the programme delivered three new specialist schools including:

- Bure Park Specialist Academy - a new school in Great Yarmouth for young people with social, emotional and mental health (SEMH) needs which opened on 20 September 2021;
- The Bridge Easton - a 170 place complex needs school in the greater Norwich area; which is nearing completion and due to open in early 2023;
- Duke of Lancaster School in Fakenham - a new school for children and young people with autism in the Fakenham area which opened in January 2022 and
- The expansion of current specialist resource bases (SRB) for children with SEND creating a further 170 learning places

Schools: The Council has a duty to secure sufficient pupil places to meet the demands of the school-age population. Government capital grants, along with funding from other sources such as developer contributions are used to support the Council’s strategic plans for the provision of additional places in areas of population growth, and for improving the quality of existing Council-maintained school buildings. To ensure the programme can deliver the required places, the Council has agreed to underwrite £30m of capital expenditure on the basis that grants and other funding will be used where possible. To date, this £30m fund has been reprofiled into future years as the Council has successfully secured grant funding from the Department of Education and sufficient Section 106 contributions from developers to finance the schools maintenance and expansion programmes. However, Children’s Services have presented a paper to Cabinet on 10th January 2024 requesting a call on this £30m facility in 2024-26 to facilitate the acceleration of the schools capital programme to deliver sufficient pupil places over the medium term. Any use of NCC borrowing to underwrite the programme will be replaced by additional grant funding and S106 contributions secured in future years.

There is also a £3m expansion programme for Children's Homes aimed at addressing the increased demand for residential places within Children's Social Services.

The total borrowing forecasted for the Children's Services capital programme for 2023-29 is £124.3. million.

4.3.5 **Trading through companies / capital loans**

The Council controls a number of wholly owned companies and has made loans for capital purposes available to Hethel Innovation Ltd, Repton Property Developments Limited, and companies within the Norse Group. In addition to loans to group companies, the Council has made a small number of capital loans to local housing developers.

These loans are approved as part of the capital programme and are for capital purposes. Records are maintained to ensure that the loans are not disproportionate in terms of either the overall capital programme, or the Council's net and gross expenditure. Loans are subject to due diligence, and relate to the Council's powers to trade, or to assist third parties who are helping to further the Council's priorities, including housing and economic development.

4.3.6 Capital project prioritisation

4.3.6.1 The Council has to manage demands for investment within the financial constraints which result from:

- The limited availability of capital grants
- The potential impact on revenue budgets of additional borrowing and
- The level of capital receipts generated.

As a result, prioritisation criteria have been developed to assess any capital bids that ensure the Programme is targeted to Council priorities.

4.3.6.2 Capital bids that require financial support must be set out in a Business Case that demonstrates

- Purpose and Nature of scheme
- Contribution to Council's priorities & service objectives
- Other corporate/political/legal issues
- Options for addressing the problem/need
- Risks, risk mitigation, uncertainties & sensitivities
- Financial summary including costs, potential efficiency savings, funding and timing

4.3.6.3 The corporate capital prioritisation model was first used for the 2015-16 capital programme and operates at a programme level, with most schemes prioritised at a more detailed level within the major capital programme areas of transport and schools. Prioritisation criteria are reviewed annually to ensure they continue to reflect the changing needs and priorities of the Council.

4.3.6.4 Schemes are considered within the appropriate service to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within CES. Schools schemes are prioritised through the Children's Services Capital Priorities Group. The majority of non-school property schemes are administered by the Council's Corporate Property team. Other schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Director of Strategic Finance, who considers the overall affordability of the programme.

4.3.6.5 The Council's capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

4.3.6.6 For schemes with no funding source, a benchmark has been applied, being the score for a dummy project of simply re-paying debt. Even for fully funded schemes, the scoring checks that revenue implications are considered, and the project contributes to the Council's objectives.

4.3.6.7 Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

Overview of asset management planning

4.3.7 Asset management planning

The majority of asset management planning falls under three major areas of capital spend: highways, schools, and corporate property.

4.3.7.1 Highways

As the highways authority for Norfolk, the Council has a responsibility to maintain, operate and improve its highway assets (eg roads and bridges). The landscape is one of increasing pressures including limited budgets and resources, mature networks with significant backlogs of maintenance and accountability to funding providers and increasing public expectations.

The Council's Transport Asset Management Plan identifies the optimal allocation of resources for the management, operation, preservation and enhancement of the highway infrastructure. This plan is developed in the context of longer-term local transport plans such as "Local Transport Plan 4 (2020-2036)" and Norfolk Strategic Infrastructure Delivery plans. Norfolk's Local Transport Plan can be found at:

https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/roads-and-transport/transport-asset-management-plan-full-document.pdf.

4.3.7.2 Schools

Each year the Council rolls forward its approved schools' capital building programme, making revisions to the existing programme and adding new schemes to reflect pressures and priorities.

The member led Children's Services Capital Priorities Group monitors the progress of the capital programme and considers in detail projects of concern, based on a regular risk assessment.

The impact of housing developments on both funding and demand for new and expanded school provision was set out in a Schools Capital Programme report to June 2023 Cabinet.

In June 2023 the Children's Services team presented Norfolk's Local First Inclusion Plan setting out the Council's strategy for the period 2023-29 to improve the outcomes for children and young people with SEND whilst simultaneously addressing the demand and service cost pressures and alleviating the Dedicated Schools Grant (DSG) deficit. As such the Council is leveraging its SEND capital programme to further expand special school places and specialist resource base provision across the county to deliver over 1000 additional places, including the opening of two new special schools funded by the DfE through the Free Special School Programme and the relocation of the Fred Nicholas School to a new site enabling the expansion of provision.

4.3.7.3 Corporate Property

The Council's Corporate Property Team has responsibility for property and asset management, supported by the Corporate Property Strategy Group.

The Council's Strategic Property Asset Management Framework will set out a plan for property management. The framework will build on the latest published Corporate Asset Management Plan 2016-2019 "One Public Service – One Public Estate" which identifies the key strategic policy and resource influences affecting Norfolk and the Council. The plan can be found at:

[Strategic Property Asset Management Framework 2021/22 to 2026/27 (norfolk.gov.uk)]

4.3.7.4 Capital Programme Quarterly Review Board

The Capital Programme Quarterly Review Board co-ordinates and provide oversight of the Council's overall capital programme. It is led by the Deputy Leader and attended by officer representatives from each major service. The board provides a forum to discuss, review and, if necessary, prioritise new schemes to be added to the programme, as well as on-going schemes.

4.3.8 Capital Funding Sources

There are a variety of different sources of capital funding, each having different advantages, opportunity costs and risks attached.

4.3.8.1 Borrowing

The Prudential Capital Finance system allows local authorities to borrow for capital expenditure without Government consent, provided it is affordable taking into account prudent treasury management practice.

As a guide, based on recent long-term rates, borrowing incurs a revenue cost of approximately 10%. This is made up of two parts: the interest on the loan (maximum 6% assumed), and provision for the repayment of debt (known as the Minimum Revenue Provision or MRP) which for an asset with a life of 25 years is 4% per annum. The Council needs to be satisfied that it can afford this annual future revenue cost.

Local Authorities have to earmark sufficient revenue budget each year as provision for repaying debts incurred on capital projects, in accordance with its MRP policy.

4.3.8.2 Grants

The challenging financial environment means that national government grants are reducing or changing in nature. A large proportion of this funding is currently un-ringfenced which means it is not tied to particular projects. However, capital grants are allocated by Government departments which clearly intend that the grants should be for certain area such as education or highways. Sometimes, for major projects such as the Great Yarmouth Third River Crossing, grant funding is not sufficient to meet total costs, and other sources of funding will be sought to fund the gap.

4.3.8.3 Capital Receipts

Capital receipts are estimated and are based upon the likely sales of assets as identified under the Asset Management Plan. These include development sites, former school sites and other properties and land no longer needed for operational purposes. Receipts are critical to delivering our revenue budgets through the direct repayment of debt and, where allowed, the flexible use of capital receipts. Receipts not used for that purpose can be used to reduce future borrowing requirements.

4.3.8.4 Revenue / Other Contributions

The Prudential Code allows for the use of additional revenue resources within agreed parameters. Contributions are received from other organisations to support the delivery of schemes with the main area being within the education programme with contributions made by individual schools and by developers.

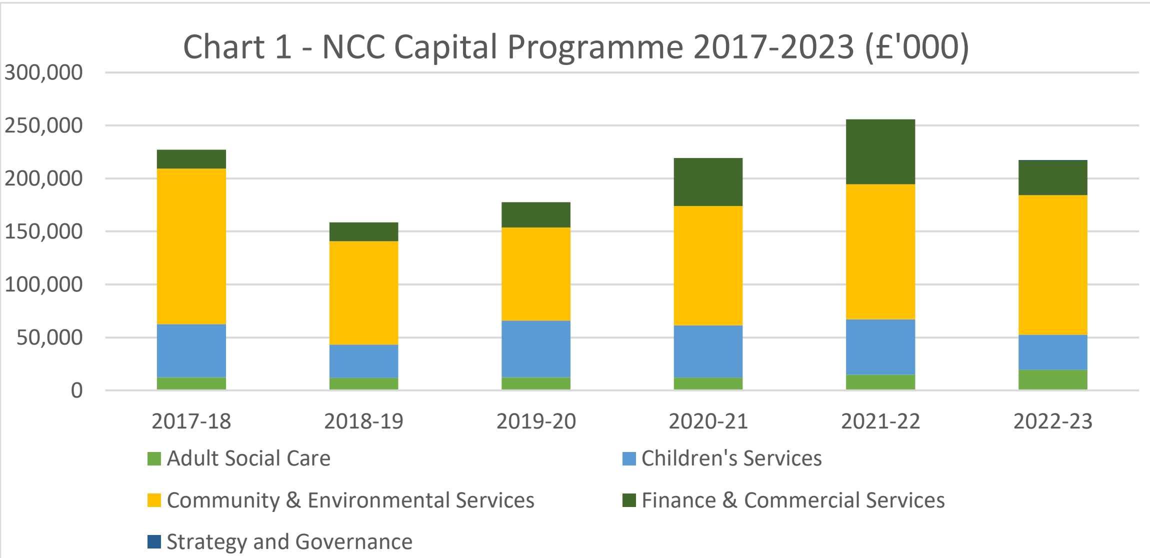
4.3.9 Capital Programme overview

4.3.9.1 The Capital Programme should support the overall objectives of the Council and act as an enabler for transformation in order to address its priorities.

4.3.9.2 Over the last six years Norfolk County Council's capital expenditure has been as follows:

Table 1: Capital Programme 2017-2023

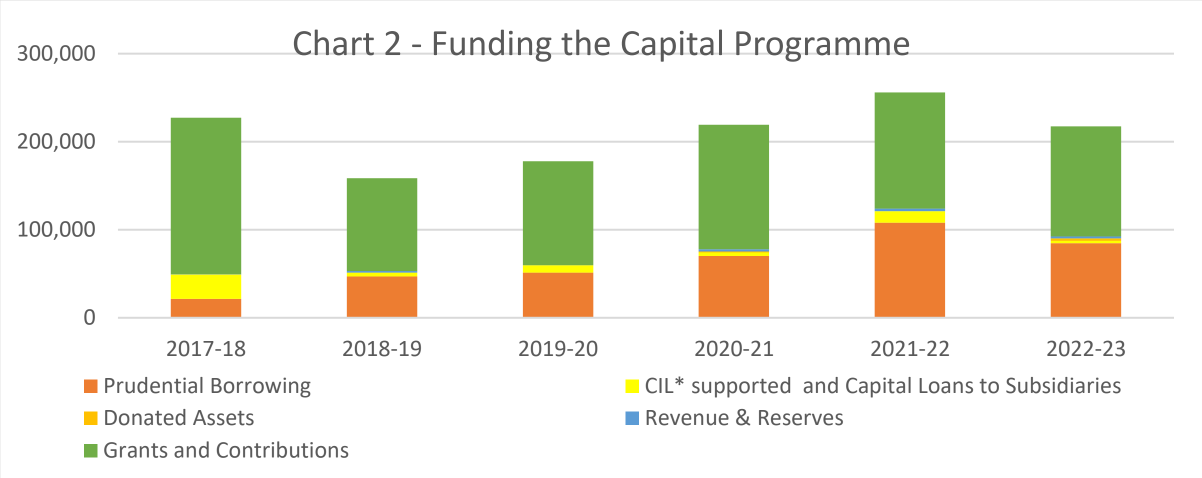
Department	2017-18 £'m	2018-19 £'m	2019-20 £'m	2020-21 £'m	2021-22 £'m	2022-23 £'m
Adult Social Care	12.459	11.927	12.376	12.221	14.817	19.501
Children's Services	50.194	31.289	53.445	49.216	52.379	33.210
Community & Environmental Services	146.819	97.453	87.827	112.573	127.457	131.552
Finance & Commercial Services	17.786	17.879	24.000	45.351	61.208	32.866
Strategy and Governance	0.000	0.000	0.000	0.000	0.000	0.144
Total	**227.258**	**158.548**	**177.648**	**219.361**	**255.861**	**217.273**



Capital expenditure increased in 2021-22 partly due to large projects like the Great Yarmouth 3rd River Crossing, refurbishment of the Castle Keep Museum and the 3 SEND schools delivered.

The COVID-19 pandemic also impacted schemes causing slippages in timing and increased costs due to disruptions in building works and scarcity of building materials. Capital expenditure projected to be around £233m in 2023-24.

The Council's historical capital programme was split by funding type as follows:



The chart above demonstrates the Council's growing reliance on Prudential Borrowing to fund the extensive Capital Programme delivered over the last 6 years.

Table 2: Capital Programme Funding Sources 2017-2023

Funding Sources	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Prudential Borrowing	21.376	47.089	51.308	70.250	107.818	84.816
CIL* supported and Capital Loans to Subsidiaries	27.576	4.083	8.389	4.103	13.333	2.599
Donated Assets	0	0	0	1.016	0	2.942
Revenue & Reserves	0.500	1.923	0	2.371	2.878	1.849
Grants and Contributions	177.806	105.453	117.951	141.621	131.832	125.067
Total	**227.258**	**158.548**	**177.648**	**219.361**	**255.861**	**217.273**

This increased reliance on Prudential Borrowing is funded through the cost of borrowing which includes Minimum Revenue Provision and Interest payable on borrowing.

4.3.10 Costs of past and current expenditure funded through borrowing

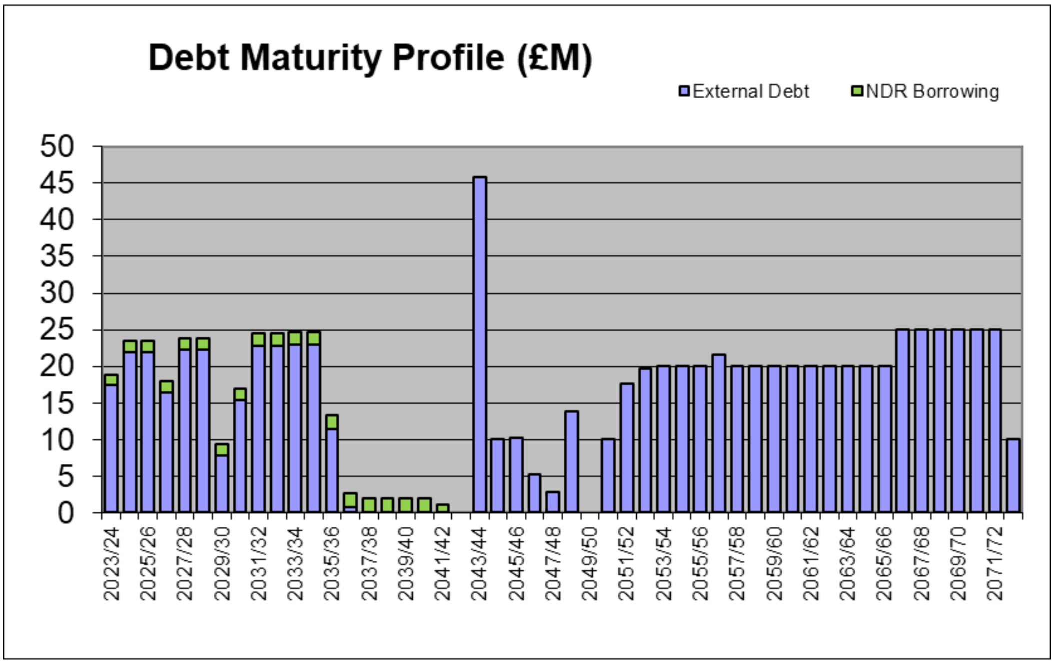
Actual borrowing and borrowing requirement

	£m
Borrowing b/fwd 1 April 2023	854.2
New Borrowing April – December 2023 - NIL	
Principal repayments 2023-24 – PWLB loans	-30.122
Forecast additional borrowing 2023-24 – NIL	
Forecast borrowing 31 March 2024	**818.795**
Other long-term liabilities (PFI + leases) 31 March 2024	40.954
Forecast borrowing and long-term liabilities 31 March 2024	**860.249**
Capital financing requirement 1 April 2023	**996.548**
Borrowing requirement after assumed slippage	60.064
MRP and other financing movements	-35.272
Forecast capital financing requirement 31 March 2024	**1021.341**
Forecast borrowing requirement 31 March 2024	**60.064**

(Note: forecasts as at 31 December 2024)

4.3.10.1 Repayment profile of borrowing

The Council borrows in order to fund capital expenditure. This chart shows the repayment profile of borrowing undertaken as at the end of November 2023:



Due to the setting aside of an annual minimum revenue provision (see below), the charge to annual revenue budgets is based on notional borrowing and asset lives, rather than the actual maturities shown in the graph above.

The unusually high repayment due in 2043-44 includes £20m of commercial borrowing. The Council, with its treasury advisors, will consider re-financing options as and when they are offered which may smooth the repayment profile.

4.3.10.2 Interest and MRP costs

This table shows the cost of interest on borrowing and MRP forecasted for 2023-24. MRP (minimum revenue provision) is the amount the Council sets aside each year from revenue in order to service the repayment of debt, and is based on the cost and estimated life of assets funded through supported borrowing to 2008 and prudential borrowing thereafter.

Borrowing revenue costs (as at November 2023)	**£m**
Forecast external loans interest costs 2023-24	31.4
Calculated MRP 2023-24	35.3
Theoretical revenue costs of borrowing	**66.7**
Use of external contributions	-
Annual revenue costs of borrowing 2023-24	**66.7**

New borrowing will increase the cost of interest in future years. The dip in PWLB interest rates over the course of 2008 – 2022 compared with the higher rates of borrowing prior to 2008 on repaid debt has assisted with offsetting the rising cost of new borrowing costs up to September 2022.

From September 2022 to the current period, interest rates have risen from 1.75% to 5.25%. Whilst interest rates have remained relatively stable in Q3 2023-24, the forecasts are predicting no significant reduction in interest rates over the next year. Therefore, the planned new borrowing of £50m is estimated to cost the Council an additional £2.6m in interest costs each year.

The Council has budgeted to provide the full MRP as accounted for in the MTFS, and all additional debt-funded capital expenditure will increase annual MRP.

4.3.11 Maintenance requirements

Services include the revenue costs of maintenance in their revenue budgets, including the costs and savings relating to capital investment.

4.3.12 Planned disposals

The Council actively manages its property portfolio in accordance with the adopted Asset Management Plan. Property is acquired or disposed of in response to changing service requirements, changing council policies or to improve the efficiency of the overall portfolio.

Assessments are carried out by the Corporate Property Officer (the Head of Property) in consultation with the Corporate Property Strategy Group (CPSG) with decisions taken through Cabinet in accordance with Standing Orders. The Corporate Property Officer reviews options for maximising income from surplus properties usually by open market sale. External advice, for example valuation and/or planning, is taken where appropriate.

4.4 Restrictions around borrowing or funding of ongoing capital finance

Apart from the general requirements on local authorities to ensure that their borrowing is prudent and sustainable, there are no specific external restrictions around the Council's borrowing or funding of ongoing capital finance.

5 Debt, borrowing and treasury management

5.1 Projection of external debt and use of internal borrowing

The Council uses external debt and internal borrowing (from working capital cash balances) to support capital expenditure. As shown above there will be a forecast borrowing requirement at 31 March 2024 of £50m.

Except in the case of specific externally financed projects (such as the Great Yarmouth 3rd River Crossing), new borrowing is applied to the funding of previous capital expenditure, effectively replacing cash balances which have been used on a temporary basis to avoid the cost of ‘carrying’ debt in the short term. The Council continues to use cash balances for this purpose and will continue to balance the long-term advantages of locking into favourable interest rates against the costs of additional debt.

Based on the capital programme, a £49.375m allowance for capital slippage in 2023-24 and a further £135m slippage in 24-25; after allowing for the incorporation of the 2023-24 slippage, forecast interest rates and cash balances, new borrowing of £48.875m in 2024-25 is anticipated.

Assuming outstanding borrowing of approximately £1bn with a maximum life of 50 years, and annual MRP exceeding £30m pa from 2021-22, a factor in any borrowing decision will be to smooth out the repayment profile such that new borrowing does not cause debt maturing in any one year to exceed £28m, except for 2042-43 which for historic reasons includes a large repayment of commercial and PWLB debt.

5.2 Provision for the repayment of debt over the life of the underlying debt

Provision for the repayment of debt over the life of the underlying debt is made through the setting aside of the minimum revenue provision each year. Based on an assumption of £52m-£69m capital expenditure funded by borrowing each year, with assets having an average estimated life of 25 years, forecast provision at the time of writing for the repayment of debt is as follows:

Financial year	MRP (Note1 & 2)
	£m
2023-24	35.272
2024-25	38.213
2025-26	40.272
2026-27	41.787
2027-28	43.671

Note 1: impact on revenue budget is reduced by the use of capital receipts to fund short-life capital expenditure.
Note 2: the estimate of annual expenditure is based on the approved capital programme, adjusted for re-profiling based on historic patterns of spend. It also includes the additional MRP charge for IFRS16 Right of Use assets. This charge replaces the operating lease charge to the revenue account.

5.3 Authorised limit and operational boundary for the following year

The Council’s authorised borrowing limit and operational boundary for 2024-25 will be based on the approved capital programme at the time of budget setting.

5.4 Approach to treasury management

The Council’s approach to treasury management including processes, due diligence and defining the authority’s risk appetite will be set out in the annual Investment and Treasury Strategy, approved annually by the County Council.

6 Commercial activity

Better Together, for Norfolk, the County Council's corporate strategy for 2021-2025, outlines the Council’s commitment to invest in Norfolk’s future growth and prosperity by encouraging housing, infrastructure, jobs and business growth across the County.

This strategy was refreshed in July 2021 when the Council brought together over 100 partners from across all sectors to look at the impact of COVID-19 on Norfolk and to identify opportunities for long-term economic and social recovery. Better Together for Norfolk 2021 to 2025 sets out the Council’s strategic priorities for the next 4 years with its focus on working with partner to deliver common priorities including:

- Building a vibrant and sustainable economy
- Better opportunities for children and young people
- Healthy, fulfilling and independent lives
- Strong, engaged and inclusive communities
- A greener, more resilient future

Elements of the capital programme are focussed on these strategic priorities through the provision of capital loan facilities to the council’s wholly owned companies.

The Council’s capital investments are policy driven. It has no capital or property investments which are held

1) purely to generate a return or

2) out of County.

Non-treasury investments, including loans to companies, and investment properties as defined for statutory accounting purposes, are listed in detail in regular Treasury Management reports.

7 Other long-term liabilities

7.1 The Council’s other long-term liabilities comprise PFI liabilities (six schools in the Norwich area, and street lighting throughout Norfolk) and lease liabilities (for example vehicles and ICT equipment).

7.2 The PFI arrangements continue to be monitored to ensure performance is in accordance with contract requirements. All PFI arrangements are subject to member approval. No PFI arrangements are currently being pursued.

7.3 All leases are subject to general budgetary constraints, with service departments taking budget responsibility for the length of the lease. Finance leases are arranged through Link Asset Management, the Council's treasury management advisors.

7.4 From 2022-23, the International Financial Reporting Standards (IFRS) 16 require most leasing arrangements to be accounted for in the same way as finance leases, including arrangements currently classed as operating leases, as well as service contracts where the Council controls the use of specific assets. IFRS16 comes into effect on 1 April 2024 and the Council's IFRS16 Right of Use Assets will be added to the Council's capital expenditure and the associated outstanding lease payments will be added to the Council's Financial Liabilities. The estimate of Right of Use Assets at 1 April 2024 is £18.915m.

7.5 As set out in the Council's Annual Statement of Accounts the Council has historically given several financial guarantees for project funding. Since 2008 financial guarantees have to be accounted for as a financial instrument – there are no such guarantees material to the accounts. Any capital guarantees and contingent liabilities are costed and approved as part of the annual capital programme.

8 Knowledge and skills

8.1 The Council has a number of specialist teams delivering the capital programme, including schools, transport and the Corporate Property Team.

8.2 These teams are supplemented by professional external advisors as necessary, including Norfolk Property Services, professional highways consultants, and external valuers.

8.3 The Capital Programme is kept under continual review during the year. Each scheme is allocated a project officer whose responsibility is to ensure the project is delivered on time, within budget and achieves the desired outcomes.

8.4 Capital Finance Monitoring Reports are prepared monthly and presented to Cabinet. New schemes are approved by Cabinet and then County Council. Various Project Boards, specialist teams of officers, and member-lead Working Groups, such as the Children's Services Capital Priorities Group, oversee the co-ordination and management of significant elements of the Capital Programmes.

Appendix B: Capital bids prioritisation model

The three main objectives in compiling an affordable capital programme are:

- to provide an ambitious and deliverable programme
- to minimise unaffordable revenue costs, mainly by avoiding unsupported expenditure.

Funding for capital schemes comes from a variety of sources. Significant capital grants are received annually from the departments for Transport and Education, in the expectation that they will be spend on maintaining and improving the schools and highways estates. Other funding, often relating to specific projects, comes from a variety of sources. Capital receipts can be used to fund capital expenditure, but where there are no unallocated capital receipts borrowing is necessary.

In developing the capital programme, the following are taken into account:

1. Existing schemes and funding sources: a large part of the capital programme relates to schemes started in previous years or where funding has been received in previous years and will be carried forward.

2. Additional capital schemes approved during the year.

3. Prioritising new and on-going schemes on a Council-wide basis to ensure the best outcomes for residents.

4. If a limit has to be applied to the amount of funding available in any year, the model may have to be developed to categorise schemes, for example into those that are Essential, Priority (short term), Priority (longer term) and Desirable, and to limit spend on scalable projects or programmes funded through prudential borrowing.

5. The prioritisation process gives a higher weighting to schemes which have funding secured. Where non-ringfenced capital grants are received there is a working assumption that they will be allocated to their natural home: for example DfT grants to highways, DfE grants to the schools capital programme.

6. Where a scheme does not have a funding source, priority is given to schemes which can provide their own funding. Where revenue or reserves cannot be identified, then it may be possible to identify future revenue savings or income streams which can be used to re-pay borrowing costs;

7. If there are unallocated capital receipts, these will be used to provide funding for higher priority unfunded schemes, or short life schemes where this gives a favourable MRP position.

The capital project marking guide (Annex 1) was reviewed by the Capital Quarterly Review Board in November 2022, It reflects the current priorities of the Council and remains unchanged for 2024-25.

Norfolk County Council
Capital programme prioritisation 2023-29

Capital Annex 1 –Marking scheme – with marking guide

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

Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

	Scoring Criteria			
	Heading	**Reason**	**SCORE**	**Scoring guide - Enhanced**
1	**Stat or Regulatory duty**	Is there a clearly identifiable requirement to meet statutory or regulatory obligations?	5	Specific and immediate statutory duty
			4	Statutory duty – but flexibility in its application
			3	Implied / indirect duty
			2	Project may enhance statutory provision
			1	Non NCC statutory duty
			0	No statutory duty addressed
2	**CC Priorities (Strategic Fit)**	Does the scheme directly contribute to the Council's vision, principles and corporate priorities?	5	Fundamental to the delivery of one or more Council Priorities, delivers revenue savings and promotes sustainability objectives
			4	Supports one or more Council Priorities
			3	Direct contributes to 1 Council Priority
			2	Indirect contribution to more than one priority
			1	Indirect contribution to one priority
			0	No contribution to priorities
3	**Cross-service working (Ecological Priorities)**	Will the scheme fulfil the objectives of more than one departmental service plan?	5	Delivers a reduction in carbon footprint for Norfolk
			4	Delivers a carbon neutral outcome for Norfolk
			3	Supports the delivery of carbon neutrality over the long term (3-5 years)
			2	Indirectly contributes toward reduction in carbon footprint
			1	No impact on carbon footprint
			0	Increases in carbon footprint in the short term
4	**Deliverability / Methodology**	Is the project realistically deliverable? Is there appropriate rationale for the chosen methodology?	5	Project is deliverable within stated timeframes using the identified methodology. A detailed and clear explanation has been given for why this methodology is being used.
			4	Project is deliverable within the timeframe and has provided adequate information for the use of the methodology
			3	Project is deliverable with minimal changes to the methodology
			2	Project is deliverable using a methodology different to the one proposed, but already identified by the applicant
			1	Project is deliverable but requires major changes to the methodology
			0	Project is not deliverable or the applicant has not provided enough information to make a judgement
5	**Rationale / Need**	What evidence has been submitted to confirm that this project is required?	5	Applicant has provided significant detail to confirm that the project is required. They have identified multiple sources of evidence.
			4	Applicant has provided considerable evidence of need
			3	Applicant has provided a good amount of evidence to suggest the project is needed
			2	Applicant has provided some evidence of need
			1	Applicant has provided inconsequential or arbitrary evidence of need
			0	Applicant has provided no evidence of need

Scoring Criteria				
	Heading	**Reason**	**SCORE**	**Scoring guide - Enhanced**
6	**Impact on Council borrowing**	What is the impact of this investment on NCC's borrowing Is prudential borrowing / capital receipt required (assume for this purpose that non-ring-fenced grants are applied to the natural recipient)?	5	Project has little or no impact on NCC's borrowing (net neutral)
			4	-
			3	Project has some effect of NCC's borrowing
			2	-
			1	Project has significant / excessive impact on NCC's borrowing
			0	Project has not provided enough information to make a judgement on the impact of borrowing
7	**Value for Money**	Does the project represent good value for money? Is there a significant return on NCC's investment? Does the project provide match funding?	5	Project has a significant return on investment and contributes towards recurrent revenue savings and is fully funded by external funding
			4	Project enables a modest return on investment contributes towards recurrent revenue savings with some recourse to NCC Borrowing but also utilises external match funding
			3	Project enables a modest return on investment contributes towards recurrent revenue savings with some recourse to NCC Borrowing but also utilises external match funding
			2	Project enables some process efficiencies, no savings in revenue budget but is funded by external match funding with minimal recourse to NCC borrowing
			1	Project enables some process efficiencies and is fully funded by NCC Borrowing
			0	Project is a must do with no return on investment and fully funded by NCC borrowing
9	**Outputs/ Outcomes**	What will be delivered using the funding? Is it achievable?	5	Applicant has provided well explained and detailed SMART outputs and outcomes that correlate with the delivery of the project and are realistic when compared with the budget.
			4	-
			3	Applicant has provided SMART outputs and outcomes with minimal information
			2	-
			1	Applicant has provided some detail on outputs/outcomes
			0	Applicant has not detailed outputs and outcomes
10	**Mitigation of risk to service delivery**	Does the project represent a mitigation of risks to Council's strategies and services? Are the risks to the project clearly articulated with mitigation plans in place?	5	Applicant has provided significant detail and shows clear and detailed contingency plans in place to manage risks, including roles and responsibilities
			4	Risk register and mitigation plans are complete
			3	Risk register and mitigation plans complete, but missing a maximum of one key risk
			2	Risk register and mitigation plans complete, but missing key risks identified by appraiser
			1	Applicant has identified some risk and mitigation but lacks sufficient detail
			0	Applicant has not provided any information relating to the risks of the project

Annex 2: Capital programme 2023-28 – prioritisation scores

The prioritisation scores below are based on scoring mechanism in Capital Annex 1. The new schemes in Appendix D are listed below and exceed the minimum (dummy) reference bid of 50 points.

			Stat or Regulatory duty	CC Priorities (Strategic Fit)	Cross-service working (Ecological	Deliverability / Methodology	Rationale / Need	Impact on Council borrowing	Value for Money	Outputs/ Outcomes	Mitigation of risk to service delivery	**Total Score**
		Weighting	**10**	**15**	**10**	**10**	**10**	**15**	**15**	**10**	**5**	**100**
Scheme Title	Directorate	**Question**	5	5, 19, 20, 21	24	8, 9, 14, 15,	4	10	11, 12, 13	6, 7	17, 18	
NFRS Gender / carcinogenic reduction Work	CES	Score	4	4	3	3	4	1	2	3	5	**60**
County Farm Residential Building - Health & Safety Improvements	CES	Score	4	3	1	4	4	1	3	1	5	**54**
Relocation of Havenbridge to Great Yarmouth Library	CES	Score	4	3	3	4	4	1	4	5	2	**66**
NFRS Sites - upgrade of heating systems	CES	Score	4	4	3	3	4	1	2	3	5	**60**
County Hall - Soffits Repairds	CES	Score	3	3	4	3	4	1	2	3	4	**56**
Norse Energy Capital Loan	Finance	Score	4	3	3	4	4	1	4	5	2	**66**
Road Resurfacing Fund	CES	Score	4	3	3	4	4	4	4	5	3	**76**

Appendix C: Capital programme 2023-28 – new and existing schemes £m

	2023-24			2024-25			2025-26			2026-27			2027-28			TOTAL BUDGET		
Directorates	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves
Adult Social Services (Directorate)	**6.827**	**10.422**	**0.018**	**14.968**	**0.249**	**1.330**	**24.286**	**0.000**	**0.442**	**15.578**	**0.485**	**1.233**	**3.268**	**0.000**	**0.000**	**64.927**	**11.155**	**3.024**
Adult Social Care.	**6.827**	**10.422**	**0.018**	**14.968**	**0.249**	**1.330**	**24.286**	**0.000**	**0.442**	**15.578**	**0.485**	**1.233**	**3.268**	**0.000**	**0.000**	**64.927**	**11.155**	**3.024**
Total Social Care	6.827	10.422	0.018	14.968	0.249	1.330	24.286	0.000	0.442	15.578	0.485	1.233	3.268	0.000	0.000	64.927	11.155	3.024
Children's Services (Directorate)	**3.900**	**32.994**	**0.061**	**24.394**	**62.596**	**0.000**	**25.385**	**23.358**	**0.000**	**17.315**	**14.342**	**0.000**	**53.334**	**0.000**	**0.000**	**124.329**	**133.289**	**0.061**
Children's Services	**3.900**	**32.994**	**0.061**	**24.394**	**62.596**	**0.000**	**25.385**	**23.358**	**0.000**	**17.315**	**14.342**	**0.000**	**53.334**	**0.000**	**0.000**	**124.329**	**133.289**	**0.061**
Academy	0.137	7.314		1.518	10.944		0.000	0.000		0.000	13.500		0.000	0.000		1.655	31.758	
Developer Contribution	0.000	1.213		0.010	8.911		0.040	0.000		2.150	0.000		0.000	0.000		2.200	10.124	
Early years & Primary Schools	0.436	16.277	0.000	0.841	21.336	0.000	0.800	14.782	0.000	0.947	0.000	0.000	13.334	0.000	0.000	16.358	52.395	0.000
Post-16 Provision & Other Education	0.088	0.200		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.088	0.200	
Pot	1.340	3.804	0.061	3.087	12.163	0.000	0.325	4.703	0.000	0.000	0.842	0.000	0.000	0.000	0.000	4.752	21.511	0.061
Secondary Schools	0.015	0.555		6.075	0.531		5.660	1.380		5.450	0.000		6.450	0.000		23.650	2.466	
Special Schools & Alternative Provision	1.884	3.331	0.000	12.864	8.411	0.000	18.561	2.493	0.000	8.768	0.000	0.000	33.550	0.000	0.000	75.626	14.234	0.000
Street Lighting		0.300			0.300			0.000			0.000			0.000			0.600	
Community & Environmental Services (Directorate)	**53.970**	**142.459**	**-0.266**	**83.423**	**143.653**	**0.000**	**62.813**	**129.010**	**0.000**	**29.645**	**127.700**	**0.000**	**20.991**	**112.230**	**0.000**	**250.842**	**655.052**	**-0.266**
Adult Learning	**0.011**			**0.139**			**0.000**			**0.000**			**0.000**			**0.150**		
Post-16 Provision & Other Education	0.011			0.139			0.000			0.000			0.000			0.150		
Business Support	**0.000**			**0.000**			**0.000**			**0.000**			**0.000**			**0.000**		
Central Services	0.000			0.000			0.000			0.000			0.000			0.000		
Communities and Customer Services	**0.693**			**0.000**			**0.000**			**0.000**			**0.000**			**0.693**		
Planning & Development Services	0.693			0.000			0.000			0.000			0.000			0.693		
County Farms	**5.407**		**0.000**	**5.110**		**0.000**	**1.469**		**0.000**	**1.329**		**0.000**	**0.000**		**0.000**	**13.314**		**0.000**
Agricultural & Fisheries services	5.407		0.000	5.110		0.000	1.469		0.000	1.329		0.000	0.000		0.000	13.314		0.000
Environment	**3.205**	**0.280**	**0.000**	**2.965**	**0.070**	**0.000**	**2.528**	**0.000**	**0.000**	**2.412**	**0.000**	**0.000**	**2.202**	**0.000**	**0.000**	**13.312**	**0.350**	**0.000**
Environment & Regulatory Services	1.905	0.280	0.000	1.446	0.070	0.000	1.088	0.000	0.000	1.207	0.000	0.000	0.997	0.000	0.000	6.643	0.350	0.000
Planning & Development Services	1.301	0.000		1.519	0.000		1.440	0.000		1.205	0.000		1.205	0.000		6.670	0.000	
Fire	**5.234**	**0.021**	**0.074**	**7.073**	**0.000**	**0.000**	**6.000**	**0.000**	**0.000**	**5.000**	**0.000**	**0.000**	**4.000**	**0.000**	**0.000**	**27.306**	**0.021**	**0.074**
Fire & Rescue Services	5.234	0.021	0.074	7.073	0.000	0.000	6.000	0.000	0.000	5.000	0.000	0.000	4.000	0.000	0.000	27.306	0.021	0.074
Growth and Investment				**0.342**												**0.342**		
Planning & Development Services				0.342												0.342		

Directorates	2023-24			2024-25			2025-26			2026-27			2027-28			TOTAL BUDGET		
	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves
Highways	**24.454**	**134.968**	**-0.339**	**31.935**	**133.870**	**0.000**	**27.513**	**128.998**	**0.000**	**14.522**	**127.670**	**0.000**	**12.640**	**112.227**	**0.000**	**111.064**	**637.733**	**-0.339**
Bridge expenditure	0.000	3.738	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.738	0.000
Flood Defence & Land Drainage	0.725	0.000	0.000	0.653	0.000	0.000	0.688	0.000	0.000	0.500	0.000	0.000	0.000	0.000	0.000	2.567	0.000	0.000
New Construction or Improvement of Roads	9.310	53.281	-0.496	14.460	55.728	0.000	14.401	84.558	0.000	9.235	83.230	0.000	11.571	107.717	0.000	58.977	384.514	-0.496
Public Transport (Bus)	0.152	6.774	0.000	3.963	7.530	0.000	3.653	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	7.768	14.304	0.000
Public Transport (Rail & Other)	0.327	0.112		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.327	0.112	
Road Safety	1.525	8.209	0.101	0.000	0.954	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.525	9.163	0.101
Street Lighting	1.208		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	1.208		0.000
Structural Maintenance (Other LA Roads)	11.041	62.854	0.055	12.858	69.658	0.000	8.771	44.440	0.000	4.787	44.440	0.000	1.069	4.510	0.000	38.526	225.902	0.055
Structural Maintenance (Principal Roads)	0.166	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.166	0.000	
Libraries	**1.233**	**0.357**	**0.000**	**4.504**	**0.528**	**0.000**	**2.418**	**0.011**	**0.000**	**1.200**	**0.030**	**0.000**	**1.600**	**0.003**	**0.000**	**10.955**	**0.930**	**0.000**
Library Services	1.233	0.357	0.000	4.504	0.528	0.000	2.418	0.011	0.000	1.200	0.030	0.000	1.600	0.003	0.000	10.955	0.930	0.000
Museums	**2.007**	**5.442**	**0.000**	**0.946**	**0.956**	**0.000**	**0.879**	**0.000**	**0.000**	**0.616**	**0.000**	**0.000**	**0.549**	**0.000**	**0.000**	**4.997**	**6.398**	**0.000**
Culture & Heritage	2.007	5.442	0.000	0.946	0.956	0.000	0.879	0.000	0.000	0.616	0.000	0.000	0.549	0.000	0.000	4.997	6.398	0.000
Offices	**9.382**	**1.301**		**23.686**	**8.229**		**17.526**	**0.000**		**3.017**	**0.000**		**0.000**	**0.000**		**53.612**	**9.530**	
Central Services	7.617	1.301		19.954	8.229		16.016	0.000		2.467	0.000		0.000	0.000		46.054	9.530	
Culture & Heritage	0.745			1.036			0.150			0.150			0.000			2.081		
Fire & Rescue Services	1.021	0.000		2.696	0.000		1.360	0.000		0.400	0.000		0.000	0.000		5.477	0.000	
Planning	**0.244**	**0.000**		**0.350**	**0.000**		**0.000**	**0.000**		**0.000**	**0.000**		**0.000**	**0.000**		**0.594**	**0.000**	
Central Services	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
Planning & Development Services	0.244			0.350			0.000			0.000			0.000			0.594		
Procurement	**0.000**			**0.000**			**0.000**			**0.000**			**0.000**			**0.000**		
Central Services	0.000			0.000			0.000			0.000			0.000			0.000		
Records	**0.191**			**0.191**			**0.000**			**0.000**			**0.000**			**0.381**		
Culture & Heritage	0.187			0.187			0.000			0.000			0.000			0.374		
Planning & Development Services	0.003			0.003			0.000			0.000			0.000			0.007		
Trading Standards	**0.025**			**0.135**			**0.000**			**0.000**			**0.000**			**0.160**		
Regulatory Services (Trading Standards)	0.025			0.135			0.000			0.000			0.000			0.160		

	2023-24			2024-25			2025-26			2026-27			2027-28			TOTAL BUDGET		
Directorates	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves	NCC Borrowing and Capital Receipts	External Funding	Revenue and Reserves
Waste	**1.884**	**0.090**	**0.000**	**6.049**	**0.000**	**0.000**	**4.480**	**0.000**	**0.000**	**1.549**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**13.962**	**0.090**	**0.000**
Recycling	0.114			0.508			2.380			0.000			0.000			3.002		
Waste Disposal	1.770	0.090	0.000	5.541	0.000	0.000	2.100	0.000	0.000	1.549	0.000	0.000	0.000	0.000	0.000	10.960	0.090	0.000
Finance Directorate	**3.373**	**0.000**	**0.028**	**23.603**	**0.000**	**0.000**	**6.313**	**0.000**	**0.000**	**10.750**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**44.038**	**0.000**	**0.028**
Capital Programme Management	**2.309**	**0.000**	**0.028**	**6.300**	**0.000**	**0.000**	**6.300**	**0.000**	**0.000**	**10.750**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**25.659**	**0.000**	**0.028**
Central Services	2.309	0.000	0.028	6.300	0.000	0.000	6.300	0.000	0.000	10.750	0.000	0.000	0.000	0.000	0.000	25.659	0.000	0.028
Finance	**1.064**			**17.303**			**0.013**			**0.000**			**0.000**			**18.379**		
Central Services	1.064			17.303			0.013			0.000			0.000			18.379		
Strategy and Transformation Directorate	**23.081**	**4.923**	**1.195**	**24.987**	**0.000**	**0.000**	**11.347**	**0.000**	**0.000**	**11.378**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**70.793**	**4.923**	**1.195**
Better Broadband for Norfolk	**0.000**	**0.000**		**0.000**	**0.000**		**0.000**	**0.000**		**0.000**	**0.000**		**0.000**	**0.000**		**0.000**	**0.000**	
Digital Infrastructure	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
Digital Services	**11.656**	**0.023**	**0.000**	**10.168**	**0.000**	**0.000**	**9.072**	**0.000**	**0.000**	**8.533**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**39.430**	**0.023**	**0.000**
Academy		0.000			0.000			0.000			0.000			0.000			0.000	
Central Services	9.739	0.000	0.000	9.543	0.000	0.000	8.872	0.000	0.000	8.333	0.000	0.000	0.000	0.000	0.000	36.487	0.000	0.000
Digital Infrastructure	1.718	0.023	0.000	0.425	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.142	0.023	0.000
Pot	0.200	0.000	0.000	0.200	0.000	0.000	0.200	0.000	0.000	0.200	0.000	0.000	0.000	0.000	0.000	0.800	0.000	0.000
Growth and Investment	**9.306**	**4.900**	**1.195**	**10.136**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**19.442**	**4.900**	**1.195**
Planning & Development Services	9.306	4.900	1.195	10.136	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	19.442	4.900	1.195
Legal Services	**0.089**			**0.100**			**0.100**			**0.000**			**0.000**			**0.289**		
Central Services	0.089			0.100			0.100			0.000			0.000			0.289		
Scottow Enterprise Park	**2.030**		**0.000**	**4.583**		**0.000**	**2.175**		**0.000**	**2.845**		**0.000**	**0.000**		**0.000**	**11.633**		**0.000**
Planning & Development Services	2.030		0.000	4.583		0.000	2.175		0.000	2.845		0.000	0.000		0.000	11.633		0.000

Appendix D: New and extended capital schemes

Proposed new schemes added to the capital programme are listed below:

Bid			2023-24	2024-25	2025-26	2026-27	2027-28	Total
NFRS Gender / carcinogenic reduction Work	CES	New		2.000				**2.000**
County Farm Residential Building - Health & Safety Improvements	CES	New		1.150	1.050	1.050		**3.250**
Relocation of Havenbridge to Great Yarmouth Library	CES	New		0.150	0.200	0.000		**0.350**
NFRS Sites - upgrade of heating systems	CES	New		1.000	0.470	0.000		**1.470**
County Hall - Soffit Repairs	CES	New		0.200	0.000	0.000		**0.200**
Corporate Property				**4.500**	**1.720**	**1.050**	**0.000**	**7.270**
Norse Energy Capital Loan	Finance	New		10				**10.000**
Finance				**10.000**	**0.000**	**0.000**	**0.000**	**10.000**
Road Resurfacing Fund	CES	New External Funding	2.737	6.283	4.51	4.51	4.51	**22.550**
Highways			**2.737**	**6.283**	**4.510**	**4.510**	**4.510**	**22.550**
Total			**2.737**	**20.783**	**6.230**	**5.560**	**4.510**	**39.820**

Extensions of current schemes included in the 24-25 Capital Strategy

Bid	Directorate			2024-25	2025-26	2026-27	2027-28	Total
Planning and Advice	CES	Extension		0.314	0.324	0.334	0.344	**1.316**
HES Advice and Information	CES	Extension		0.104				**0.104**
Greenways to Greenspaces	CES	Extension		0.818	0.842	0.867	0.867	**3.394**
Tree-Safety - ADB - Environment	CES	Extension			0.328	0.338	0.338	**1.004**
Tree Safety - ADB Highways Contribution	CES	Extension			0.212	0.219	0.219	**0.650**
National and Norfolk Trails	CES	Extension		0.615	0.634	0.653	0.653	**2.555**
Collections Staff Capitalisations	CES	Extension		0.495	0.519	0.533	0.549	**2.096**
Library Stock	CES	Extension			0.215	1.200	1.200	**2.615**
Community and Environment Services				**2.346**	**3.074**	**4.144**	**4.170**	**13.734**
ICES Equipment	ASC	Extension					2.600	**2.600**
Assistive Equipment & Technology	ASC	Extension					0.500	**0.500**
NFR CM System	ASC	Extension					0.168	**0.168**
Adult Social Care				**0.000**	**0.000**	**0.000**	**3.268**	**3.268**
Total				**2.346**	**3.074**	**4.144**	**7.438**	**17.002**

Appendix D (cont)

Reprofiles and upload of 2023-24 approved schemes

Reprofiles and approved schemes upload	Directorate		2023-24	2024-25	2025-26	2026-27	2027-28	Total
Highways - various project reprofiles and virements	CES	Reprofile	-1.785	-1.516	6.640	-5.680	0.000	**-2.342**
Great Yarmouth O&M Campus	CES	Reprofile	0.000	0.342	0.000	0.000	0.000	**0.342**
County Farms and Corporate Property	CES	Reprofile	-0.276	0.506	-0.062	-0.168	0.000	**0.000**
CES			**-2.061**	**-0.668**	**6.578**	**-5.848**	**0.000**	**-2.000**
Norse Group - Project One Loan	Finance	Extension	1.000	7.300			0.000	**8.300**
Finance			**1.000**	**7.300**	**0.000**	**0.000**	**0.000**	**8.300**
Wildfire PPE & TRVs (CRMP - March 23)	CES	New			1.000			1.000
Fire & Trading Standards				**0.000**	**1.000**	**0.000**	**0.000**	**1.000**
Total			**-1.061**	**6.632**	**7.578**	**-5.848**	**0.000**	**7.300**

Scrutiny Committee

Item No: 7

Report Title: Annual Investment and Treasury Strategy 2024-25

Date of Meeting: 14 February 2024

Responsible Cabinet Member: Cllr Andrew Jamieson (Cabinet Member for Finance**)**

Responsible Director: Harvey Bullen (Director of Strategic Finance)

Executive Summary

The appended report (appendix A), provides members with a copy of the revised Annual Investment and Treasury Strategy 2024-25 and associated Cabinet papers. The plan forms part of the Norfolk County Council Policy Framework, which requires a scrutiny process to take place in accordance with part 11B of the NCC constitution.

Recommendations

The committee is asked to:

1. **Consider the proposed Annual Investment and Treasury Strategy 2024-25, providing comments and recommendations where appropriate.**
2. **Ask officers to produce a report to the Leader and Cabinet Member on behalf of the committee in accordance with section 11b of the Norfolk County Council Constitution (Budget and Policy Framework Procedure Rules), providing feedback and recommendations where appropriate.**

1. Background and Purpose

1.1 The Annual Investment and Treasury Strategy is packaged as part of the annual budget setting process for 2024-25. At Cabinet, the item was received as part of the overall budget package. As this is a policy framework item it has been treated as a separate item for the purposes of Scrutiny to ensure that comments and recommendations are distinct.

1.2 At Cabinet on 29 January 2024, Cabinet members received the appended report and were asked to approve and recommend to Full Council that Norfolk County Council adopt the Annual Investment and Treasury Strategy 2024-25

1.3 The minutes and agreed recommendations from the 29 January Cabinet Meeting can be found here.

1.4 The Scrutiny Committee has a clear role in providing challenge to any refresh or amendment to items that make up the policy framework. This is set out in part 11B of the NCC constitution, alongside guidelines around communication with members and the process leading to Full Council approval. The item must be considered by the Scrutiny Committee in good time, and the Committee are asked to provide a report to the Leader of the Council outlining a summary of discussions and any recommendations put forward by the Scrutiny Committee. The report will be produced by officers based on discussions at the meeting and signed off by the Chair and Vice-Chair of the committee to ensure accuracy. It will include details of any minority views expressed as part of the debate at the Scrutiny Committee. Having considered any report from the Scrutiny Committee, the Leader or Executive will agree proposals for submission to the Council and report to Council on how any recommendations from the Scrutiny Committee have been taken into account.

2. Recommendations

The committee is asked to:

1. **Consider the proposed Annual Investment and Treasury Strategy 2024-25, providing comments and recommendations where appropriate.**
2. **Ask officers to produce a report to the Leader and Cabinet Member on behalf of the committee in accordance with section 11b of the Norfolk County Council Constitution (Budget and Policy Framework Procedure Rules), providing feedback and recommendations where appropriate.**

3. Background Papers

3.1 Appendix A: Annual Investment and Treasury Strategy 2024-25

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

Officer name: Peter Randall, Democratic Support and Scrutiny Manager
Telephone no.: 01603 307570
Email: peter.randall@norfolk.gov.uk

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Report to Cabinet

Item No.

Report Title: Annual Investment and Treasury Strategy 2024-25

Date of Meeting: 29 January 2024

Responsible Cabinet Member: Cllr Andrew Jamieson (Deputy Leader and Cabinet Member for Finance)
Responsible Director: Harvey Bullen (Director of Strategic Finance)

Is this a Key Decision? Yes

If this is a Key Decision, date added to the Forward Plan of Key Decisions: 02/03/2023

Introduction from Cabinet Member
It is a regulatory requirement for local authorities to produce an Investment and Treasury Strategy for the year ahead. The Strategy forms an important part of the overall management of the Council's finances; setting out the criteria for choosing investment counterparties and managing the authority's underlying need to borrow for capital purposes.

Executive Summary
In accordance with regulatory requirements, this report presents the Council's borrowing and investment strategies for 2024-25

Recommendations:

Cabinet is asked:

1. **To agree and to recommend to County Council the Annual Investment and Treasury Strategy for 2024-25 as set out in Annex 1, including:**
   - **The Capital Prudential Indicators included in the body of the report**
   - **The Minimum Revenue Provision Statement 2024-25 in Appendix 1**
   - **The list of approved counterparties at Appendix 4**
   - **The Treasury Management Prudential Indicators detailed in Appendix 5**

For inclusion within the policy framework

1. Background and Purpose

1.1. This Treasury Management Report forms an important part of the overall management of the Council's financial affairs. The regulatory environment places responsibility on Member for the review and scrutiny of treasury management policy and activity.

2. Proposals

2.1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) requires local authorities to produce a treasury management strategy for the year ahead. The County Council is required to comply with the Code through regulations issued under the Local Government Act 2003 and has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.

2.2 Complementary to the CIPFA Code is the Department of Levelling Up Housing and Communities' (DLUHC's) Investment Guidance, which requires local authorities to produce an Annual Investment Strategy and an annual Capital Strategy.

2.3 This report combines the reporting requirements of both the CIPFA Code and the DLUHC's Investment Guidance.

3. Impact of the Proposal

3.1. This report presents the Council's borrowing and investment strategies for 2024-25 providing the framework for managing the capital borrowing requirement within prudential and financially sustainable limits.

3.2. Given the persistent higher rate in the Bank of England base interest rates, coupled with economic uncertainties around inflation, borrowing rates are forecast to remain over 4% in 2024-25. A flexible approach to borrowing for capital purposes will be maintained which avoids the "cost of carrying debt" in the short term, whilst taking advantage of dips in borrowing rates, where possible, to secure long-term savings on the cost of borrowing.

3.3. The proposed investment strategy retains a diversified pool of high-quality counterparties with a maximum deposit duration of three years apart from property funds which, if used would be part of a longer-term investment strategy. No new counterparties have been added to the list.

4. Evidence and Reasons for Decision

4.1. The primary objectives of the Council's Investment and Treasury Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cashflow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained both in terms of timing, and in terms of possible sources of borrowing including the Public Work Loans Board (PWLB) and the UK Municipal Bonds Agency (UKMBA). This strategy is prudent while investment returns are low and the investment environment remains challenging.

The Investment and Treasury Strategy summarises:

- The Council's capital plans (including prudential indicators);
- A Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are organised) including treasury indicators; and
- An Investment Strategy (including parameters on how investments are to be managed).

5. Alternative Options

5.1. In order to achieve sound treasury management in accordance with the statutory and other guidance, no viable alternative options have been identified to the recommendation in this report.

6. Financial Implications

6.1. Long-term borrowing rates have steadily risen throughout 2023 as the Bank of England's Monetary Policy Committee (MPC) voted over the year to increase the Bank Rate from 3.5% in December 2022 progressively up to 5.25% in August 2023. At the recent MPC meeting on 13 December 2023, the MPC voted to maintain the 5.25% rate for the third time since August 2023. The persistent higher interest rate signals the MPC's commitment to using interest rates to counteract the inflationary pressures in the economy and bring inflation back down to its 2% target. Whilst inflation rates remain above the 2% target, the expectation is for interest rates to continue to stay over 4% in 2024-25.

6.2. To fund future capital expenditure, officers will continue to work with the Council's treasury advisors to identify the most advantageous timing and sources of borrowing.

6.3. At 31 December 2023, the Council's external debt was £822.143m, with no new borrowing undertaken in the current financial year and the early repayment of an £11.25m commercial loan in September 2023. The Council is aiming to rely on internal borrowing for 2023-24 to meet the capital financing requirements of the capital programme and postponing any new borrowing until interest rates start to come down.

6.4. The MRP policy remains unchanged and is designed to ensure sufficient money is set aside to repay the Council's debt.

7. Resource Implications

7.1. There are no direct staff, property or IT implications arising from this report.

8. Other Implications

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

8.2. **Human Rights implications**
None identified.

8.3. **Equality Impact Assessment**
Treasury management activities take place to manage the cashflows relating to the Council's revenue and capital budgets. In setting the 2024-25 budget, the council has undertaken public consultation. This public consultation process has informed an equality impact assessment in respect of both the 2024-25 Budget proposals and the Council's Budget as a whole. In addition, councillors have considered the impact of proposals on rural areas.

8.4 **Data Protection Impact Assessments (DPIA)**
DPIA is not required as the data reported in this paper does not drill down to the personal data level.

9. Risk Implications/Assessment

9.1. The Investment and Borrowing Strategy presented in this report for approval, forms an important part of the overall financial management of the Council's affairs. The strategy has been produced in accordance with best practice and guidance and in consultation with the Council's external treasury advisors.

The Council's Treasury Management Strategy sets parameters for the selection and placing of cash balances, taking in account counterpart risk and liquidity. The strategy also sets out how the Council manages interest rate risks.

10. Select Committee comments

10.1. None

11. Recommendation

11.1. Recommendations are set out in the introduction to this report.

12. Background Papers

12.1. Capital Strategy and Programme 2024-25 on this agenda.

Officer Contact

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

Officer name:	**Joanne Fernandez Graham**	Tel No.:	**01603 306228**
Email address:	j.fernandezgraham@norfolk.gov.uk		

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ANNEX 1

Treasury Management Strategy

including

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2024-25

Note: the tables in this report will be amended to reflect any changes to the capital programme between this meeting and February County Council

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1 Introduction

1.1 Background

1.1.1 Key Considerations

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future Treasury Management and Investment Management Strategy reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and stated that revisions need to be included in the reporting framework from the 2023/24 financial year. The Council, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS), and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

- **Treasury management**
  Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

- **Service delivery**
  Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

- **Commercial return**
  Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code requires the Council to implement the following: -

1. **Adopt a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;

2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

5. **Reporting to members is to be done quarterly.** Specifically, the Director of Strategic Finance (DSF) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The DSF is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Capital Strategy or Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

As this TMSS and AIS deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, a high level summary of the commercial investments is included in this report including any plans to liquidate such investments within the three year time horizon of this report.

1.2 Treasury Management Policy Statement

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.3 Reporting requirements

1.3.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of the Capital Strategy is to ensure that all elected members understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The Capital Strategy is reported separately from this Treasury Management Strategy Statement. Non-treasury investments including loans to companies are reported through the Capital Strategy and Finance Monitoring Report, with summary information included in Treasury Management reports. This is to ensure separation of the core treasury function under security, liquidity and yield principles, and other investments, including loans to subsidiary and other companies which are usually driven by expenditure on assets for service delivery and related purposes.

Depending on the nature of any particular project, the capital strategy will cover:

- Strategic context
- Corporate priorities
- Capital investment ambition
- Available resources
- Affordability
- Capacity to deliver
- Risk appetite
- Risk management; and
- Determining the appropriate split between non-financial and treasury management investment, in the context of ensuring the long-term financial sustainability of the authority

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.

Norfolk County Council does not hold any non-treasury and/or non-financial investments which are designed purely to generate a financial return: all non-treasury investments, for, example loans to subsidiaries and companies for Norfolk based projects and/or to support subsidiary companies to fund their capital investment plans, and all have been approved as part of the capital strategy and programme.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown in this report.

1.3.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition the Council will receive quarterly update reports.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Council's Treasury Management Panel and Cabinet.

Quarterly reports – In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Cabinet and the Treasury and Prudential Indicators are included in the monthly Finance Monitoring Report to Cabinet.

Scheme of Delegation
A summary of the Treasury Management Scheme of Delegation is at Appendix 8, with the Treasury Management role of the Section 151 Officer at Appendix 9.

1.4 Treasury Management Strategy for 2024-25

The strategy for 2024/25 covers two main areas:

Capital issues

- capital expenditure plans and the associated prudential indicators;
- minimum revenue provision (MRP) policy (paragraph 2.5 and Appendix 1).

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.5 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

Training has been provided to members at the November 2023 Treasury Management Panel, and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function and members of the Treasury Management Panel will be maintained by the Treasury and Banking Accountant.

1.6 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. Through a competitive tender in 2019, the Council has ensured that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subject to regular review.

2 The Capital Prudential Indicators 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2022-23 Actual	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Services	214.715	225.611	378.618	273.825	219.867
Capital loans to group and other companies	2.200	1.700	23.300	6.000	10.450
Infrastructure loans to third parties (Note 1)	0.358	5.300	(3.800)	5.021	0.000
Forecast slippage from 2023-24 (Note 2)			49.375		
Planned slippage			(135.000)	(65.000)	(30.000)
Total	**217.273**	**233.611**	**312.243**	**219.846**	**200.317**

Note 1: The (£3.8m) movement in 2024-25 reflects the reversal of temporary borrowing undertaken by the Council to support the delivery of infrastructure projects whilst awaiting the receipt of third-party contributions.

Note 2: The 2023-24 Capital Programme at P9 is £282.986m and the forecast is £233.611m indicating a forecast slippage of £49.375m which will be added to the 2024-25 plan in April 2024

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding/borrowing need.

Financing of capital expenditure £m	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Capital grants	128.009	190.798	206.498	152.368	142.527
Revenue and reserves	1.849	1.037	1.330	0.442	1.233
Donated Assets (IFRS16)			4.972	0.497	0.497
IFRS16 Lease Creditors			13.943	1.394	1.394
Capital receipts	29.093	19.171	3.000	11.016	2.500
Prudential borrowing	58.322	71.980	168.374	119.129	82.166
Capital programme	**217.273**	**282.986**	**398.118**	**284.846**	**230.317**
Forecast Slippage 2023-24		(49.375)	49.375		
Estimated Programme slippage			(135.000)	(65.000)	(30.000)
Cumulative slippage	**0.000**	**(49.375)**	**(135.000)**	**(200.000)**	**(230.000)**
New borrowing requirement after slippage	**58.322**	**59.064**	**69.175**	**56.129**	**61.165**

Net financing need for the year	**217.273**	**233.661**	**312.243**	**219.846**	**200.317**

Slippage has been incorporated into the calculations in line with historic patterns of capital spend and the on-going Capital Programme Review undertaken by the Capital Review Board. Although members approve capital programmes based on annual expenditure, it is not uncommon for projects to be delayed due to, for example, planning issues. In addition, where grants become available, these will be used ahead of borrowing to fund projects, leading.

To better reflect actual likely expenditure, and to help avoid the risk of borrowing in advance of need, an adjustment for Capital Programme slippage has been incorporated into the calculations shown in this strategy.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure shown in paragraph 2.1 above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £43.6m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£m	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Opening CFR	**970.756**	**996.549**	**1,021.341**	**1,051.502**	**1,067.359**
Other Financing Adjustments					
Net financing need for the year (above)	58.322	60.064	68.374	56.129	61.166
Less MRP and other financing movements	(32.529)	(35.272)	(38.213)	(40.272)	(41.787)
Movement in CFR	**25.793**	**24.792**	**30.161**	**15.857**	**19.379**
Closing CFR	**996.549**	**1,021.341**	**1,051.502**	**1,067.359**	**1,086.738**

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position.

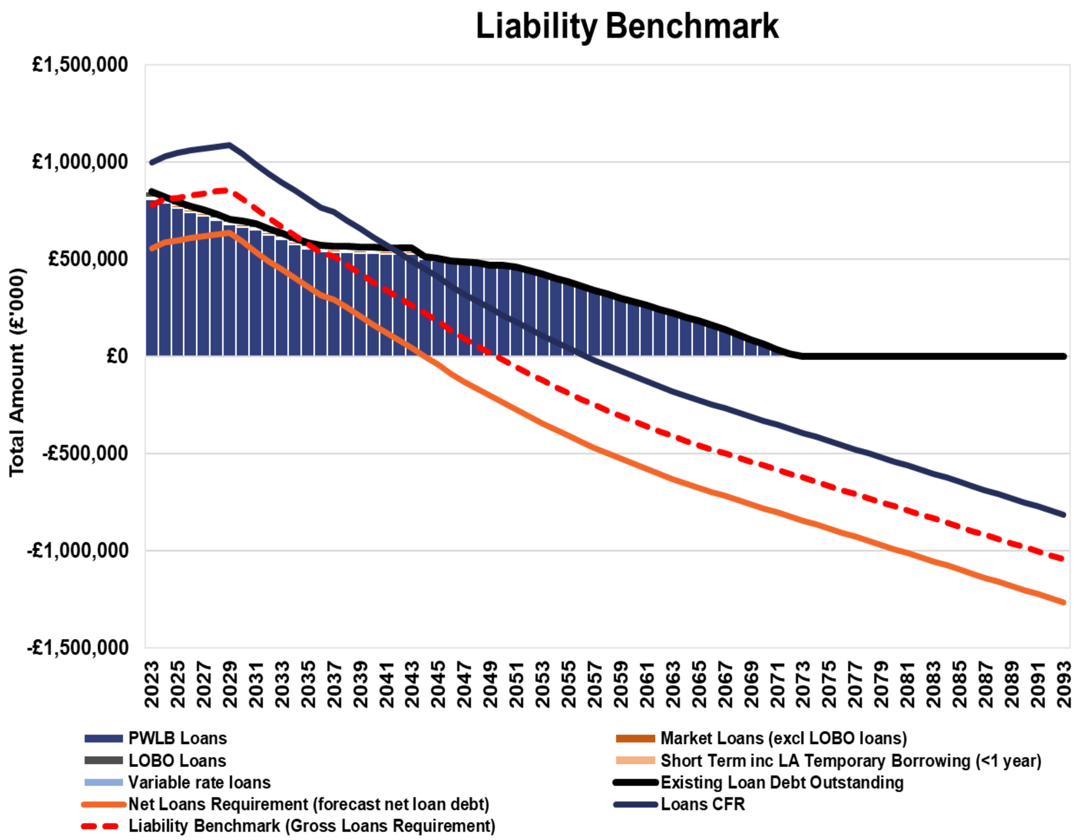
The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

In line with the Capital Strategy, the external borrowing requirement planned in conformance with the DLUHC requirements for applying for certainty rate borrowing from the PWLB is:

External borrowing £m	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Service spend	55.764	53.564	47.874	50.129	50.716
Housing	2.200	0.000	6.000	6.000	10.450
Regeneration	0.358	3.800	(3.800)		0.000
Capital Loans		2.700	18.300		
Treasury Management					
TOTAL	**58.322**	**60.064**	**68.374**	**56.129**	**61.166**

2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. The LB represents a graphical comparison of the existing loan portfolio (the bars) versus the Council's committed borrowing need (the lines). This shows how closely the existing loan portfolio matches the current commitments of the Council.



There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The placement of the Liability Benchmark (the red line) above the existing loans portfolio in the first 10 years on the graph indicates a borrowing need and identifies the maturity profile needed for new borrowing to match future liabilities.

The current LB graph shows that after 2034, the Liability Benchmark will fall below the current maturity portfolio indicating that no additional borrowing is required beyond that point and that there will be surplus cash in excess of liquidity requirements. The LB is a useful reference tool for the Council to identify the timing and duration of new borrowing.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £m	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Opening investments	**267.973**	**293.142**	**179.737**	**184.737**	**189.737**
Net (use) of reserves, capital grants, working capital etc.	73.491	(53.341)	5.000	5.000	5.000
Capital expenditure funded through borrowing	(58.322)	(60.064)	(68.374)	(56.129)	(61.166)
Borrowing funded by 3rd Parties			19.500	11.021	10.450
New Prudential Borrowing	10.000		48.874	45.108	50.716
Closing investments	**293.142**	**179.737**	**184.737**	**189.737**	**194.737**

2.5 Minimum revenue provision (MRP) policy statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP).

The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full council approval in advance of each financial year.

The Authority is recommended to approve the following MRP Statement:

1. For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:

- **4% reducing balance (CFR method)** – MRP will be calculated as 4% of the opening GF CFR balance;

2. From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life method (straight line)** – MRP will be based on the estimated life of the assets;

Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational.

The Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment;

For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

MRP Overpayments – Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

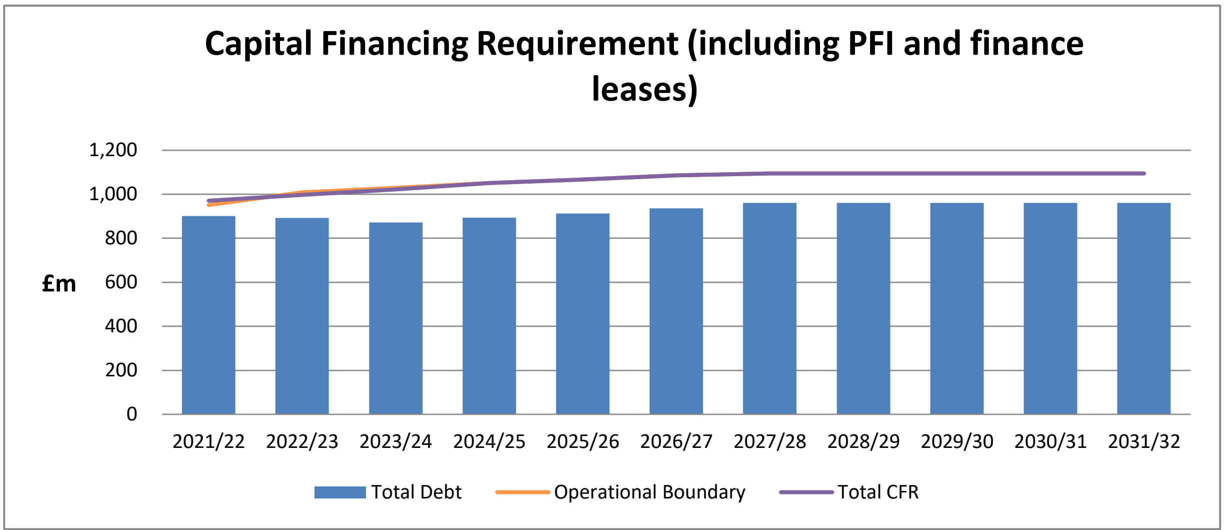
Cumulative VRP overpayments made to date are £1.173m.

The Council's MRP Statement has been updated after having regard to the MRP Guidance and takes into account the addition of right-of-use assets which will result from the impact of IFRS16 which will affect the Council's accounts in 2024-25.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

The table below summarises the Council's historic capital financing requirement and borrowing:



3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2023 and for 30 November 2023 is shown below for both borrowing and investments.

	31 March 2023		30 November 2023	
Treasury Investments				
Banks	150.0	0.51%	170.0	0.75%
Local authorities	20.2	0.07%	16.4	0.07%
Money Market funds	122.3	0.42%	39.8	0.18%
	292.5		**226.2**	
Treasury external borrowing				
PWLB	806.7	95.0%	794.9	96.2%
Commercial (including LOBOs)	42.2	5.0%	31.0	3.8%
	848.9		**825.9**	
Net-treasury borrowing	**556.4**		**599.7**	

Note: the 31 March column above is reconciled to the Council's Statement of Accounts by adjusting for uncleared BACS payments on balances, and accrued interest on loans.

At the end of November 2023 the bank deposits were with Barclays, Natwest, Close Brothers, Goldmans Sachs, Australia New Zealand Bank, Toronto-Dominion Bank, DBS Bank, DNB Bank and Landesbank Baden-Wuerttemberg and the Money Market Funds with Federated. At 30 November there is £90m invested in Non-UK banks.

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Debt at 1 April	854.243	848.417	818.295	843.750	865.392
Expected change in Debt - repayments	(15.826)	(30.122)	(23.419)	(23.466)	(23.466)
Expected change in Debt – new borrowing	10.000	0.000	48.874	45.108	50.716
Debt at 31 March	**848.417**	**818.295**	**843.750**	**865.392**	**892.642**
Other long-term liabilities (OLTL) 1 April	46.846	44.482	53.911	50.533	46.783
IFRS16 liabilities (Note 1)		12.957	1.892	1.892	1.892
Expected change in OLTL	(2.364)	(3.528)	(5.269)	(5.642)	(5.641)
OLTL forecast	**44.482**	**53.911**	**50.533**	**46.783**	**43.034**
Gross debt at 31 March	**892.899**	**872.206**	**894.284**	**912.175**	**935.676**
The Capital Financing Requirement	996.549	1,021.341	1,051.502	1,067.359	1,086.738
Under / (over) borrowing	**103.650**	**149.135**	**157.219**	**155.184**	**151.062**

Note 1: The Council is adopting International Financial Reporting Standard 16 (IFRS16) for Leases which requires the recognition of "Right of Use" Assets arising from the lease contracts undertaken by the Council. The estimated net present value of current lease contracts at 1 April 2024 is £18.915m and this is included in the 2024-25 Capital Strategy (elsewhere in the agenda). The associated lease payments outstanding for each financial year within the MTFS is set out above. The difference in Asset and Liability valuation is attributed to the peppercorn lease properties which have no financial liability, but are valued at £4.972m at 1 April 2024

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022-23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Strategic Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity.

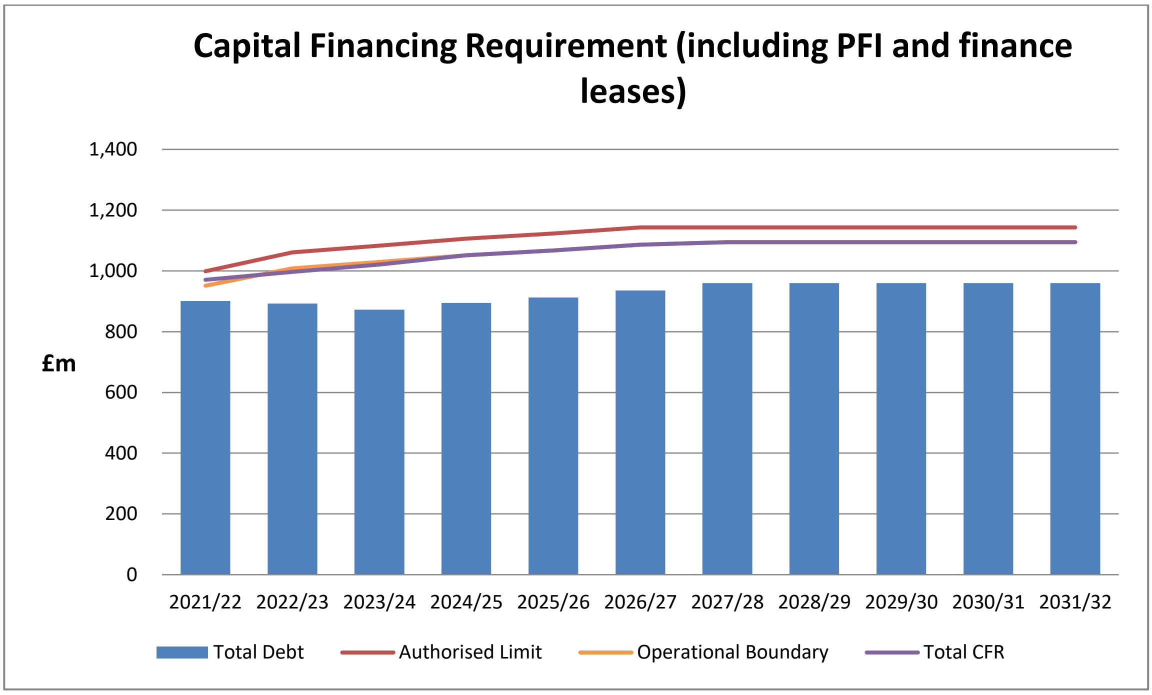
The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2022-23 Target	2023-24 Target	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Debt	964.195	989.195	1,000.969	1,020.576	1,043.704
Other long-term liabilities	44.476	40.073	50.533	46.783	43.034
Total Operational Boundary	**1008.671**	**1,029.268**	**1,051.502**	**1,067.359**	**1,086.738**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which is made up of the total approved capital expenditure, plus an allowance for schemes which may be approved in-year:

1. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2022-23 Target	2023-24 Target	2024-25 Target	2025-26 Target	2026-27 Target
Debt	1012.405	1,019.816	1,051.018	1,071.605	1,095.889
Other long-term liabilities	48.923	78.733	55.586	51.461	47.337
Total	**1,061.328**	**1,098.548**	**1,106.604**	**1,123.066**	**1,143.226**



3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7th November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

LINK GROUP – JANUARY 2024

	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025	End Q2 2025	End Q3 2025	End Q4 2025	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q4 2026
Bank Rate	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5yr PWLB Rate	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%	3.60%	3.60%	3.50%	3.50%	3.50%
10yr PWLB Rate	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.70%	3.70%	3.70%	3.70%
25yr PWLB Rate	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%	4.20%	4.20%	4.10%	4.10%	4.10%	4.10%
50yr PWLB Rate	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%	4.00%	4.00%	3.90%	3.90%	3.90%	3.90%

Additional notes by Link on this forecast table: -

- *Link's central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. Link expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.*
- *Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.*
- *In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.*
- *On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.*

PWLB RATES

- Gilt yield curve movements have broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns.

At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LINK GROUP FORECASTS

Link now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

Borrowing advice: Link's long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing strategy

The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Director of Strategic Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling is to be undertaken, it will be reported to the Cabinet at the earliest meeting following its action.

The portfolio will continue to be kept under review for opportunities and if circumstances change, any rescheduling will be reported to Cabinet at the earliest opportunity.

3.7 New Financial Institutions as a Source of Borrowing and Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – Management of Risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This section deals solely with treasury (financial) investments as managed by the treasury management team. Non-financial investments, essentially loans made for capital purposes, are covered in the Capital Strategy.

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield (return). The Council will aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings. A comparative analysis of ratings from different agencies is shown as Appendix 2, and an indicative list of approved counterparties as Appendix 3.

2. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 6 under the categories of 'specified' and 'non-specified' investments.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The Authority has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments as set out in Appendix 4.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in paragraph 4.2.

8. This authority will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. The Council will only use non-UK banks from countries with a minimum sovereign rating of AA+ (Appendix 7). The **sovereign rating of AA+** must be assigned by one of the three credit rating agencies. No more than £30m will be placed with any individual non-UK country at any time.

10. This authority has engaged **external consultants**, (see paragraph 1.6), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All cash invested by the County Council will be either Sterling or Euro deposits (including Sterling certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List. The inclusion of Euro deposits enables the County Council to effectively manage (subject to European Central Bank deposit rates) Euro cash balances held for schemes such as the France-Channel-England Project.

12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. More recently, a further extension to the over-ride to 31.3.25 has been agreed by Government.

However, this Council will pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are *unchanged* from last year.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Strategic Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- **Banks:**

(i) **UK Banks** requires both the short and long-term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria.

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

(ii) **Non-UK Banks** requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria and a sovereign rating of AA+ assigned by one of the three credit rating agencies.

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- **Part Nationalised UK Bank:** Royal Bank of Scotland Group. This bank is included while it continues to be part nationalised or it meets the ratings for UK Banks above.

- **The County Council's Corporate Banker:** if the rating for the Council's corporate banker (currently Barclays) falls below the above criteria, sufficient balances will be retained to fulfil transactional requirements. Other than this, balances will be minimised in both monetary size and time invested.

- **Building Societies:** The County Council will use Building Societies which meet the ratings for UK Banks outlined above.

- **Money Market Funds (MMFs)**: which are rated AAA by at least two of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposits. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks. Following money market reforms, MMFs will be allocated to sub-categories (CNAV, LNAV and VNAV) to meet more stringent liquidity regulations. However, the Council will continue to apply the same minimum rating criteria.

- **UK Government:** including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.

- **Local Authorities, Parish Councils etc.:** Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

- **Wholly owned companies: The Norse Group, Hethel Innovation Limited and Repton Property Developments Limited, Independence Matters CIC:** short-term loan arrangements made in accordance with approved service level agreements and the monetary and duration limits detailed below in Appendix 4.

- **Property funds (where not classed as capital expenditure)**: these are long term, and relatively illiquid funds, expected to yield both rental income and capital gains. The use of certain property funds can be deemed capital expenditure, and as such would be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **Ultra-Short Dated Bond Funds** will use funds that are AAA rated and only after due diligence has been undertaken.

- **Corporate Bonds:** These are bonds issued by companies to raise long term funding other than via issuing equity. Investing in corporate bonds offers a fixed stream of income, paid at half yearly intervals. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **Corporate bond funds:** Pooled funds investing in a diversified portfolio of corporate bonds, so provide an alternative to investing directly in individual corporate bonds. Minimum long-term rating of A- to be used consistent with criteria for UK banks. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

- **UK Government Gilt funds:** A gilt is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange. They can be either “conventional” or index linked. Using a fund can mitigate some of the risk of potential large movements in value.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council’s counterparty list are set out in Appendix 4.
The proposed criteria for specified and non-specified investments are shown in Appendix 6.

Creditworthiness
Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified investment limit.** The Council has set limits for non-specified investments in accordance with the criteria set out in Appendix 6. For example, they are bound by the limits for investments set out in Appendix 4 and the upper limit for principal sums invested for longer than 365 days shown in paragraph 4.4. This ensures that non-specified investments are only made within appropriate quality and monetary limits.
b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of *AA+.*
c) **Other limits.** In addition:
   - no more than £30m will be placed with any non-UK country at any time;
   - limits in place above will apply to a group of companies.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations.
The current forecast shown in paragraph 3.3 includes a forecast for Bank Rate which reach 5.25% in Q2 2024.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2023/24**	**2024/25**	**2025/26**
Principal sums invested for longer than 365 days	£100m	£100m	£100m
Current investments >365 days as at 31 December 2023	£0m	£0m	-

4.5 Investment risk benchmarking
This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of overnight and 3 month SONIA.

4.6 Non-treasury investments
Although this section of the report does not specifically cover non-treasury investments, a summary of non-treasury loans is included at Appendix 10. This appendix shows that the impact of these loans on the Council's revenue budget is not material in comparison to its turnover.

4.7 End of year investment report
At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Outturn Report.

5 Appendices

Appendix 1: Minimum Revenue Provision Statement

Appendix 2: Ratings comparative analysis

Appendix 3: Indicative List of Approved Counterparties for Lending

Appendix 4: Time and monetary limits applying to investments

Appendix 5: The Capital and Treasury Prudential Indicators

Appendix 6: Credit and counterparty risk management

Appendix 7: Approved Countries for Investments

Appendix 8: Treasury Management Scheme of Delegation

Appendix 9: The Treasury Management Role of the Section 151 Officer

Appendix 10: Non-treasury investments

Appendix 1: Minimum Revenue Provision Statement 2024-25

A1 Regulations issued by the Department of Communities and Local Government in 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement in advance of each year.

A2 Members are asked to approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory. Any revisions to the original statement must also be issued. Proposals to vary the terms of the original statement during the year should also be approved.

A3 MRP is the provision made in the Council's revenue budget for the repayment of borrowing used to fund capital expenditure - the Council has a statutory duty to determine an amount of MRP which it considers to be prudent, having regard to guidance issued by the Secretary of State.

A4 In 2024-25:

- For capital expenditure incurred before 1 April 2008 which is supported by Formula Grant (supported borrowing), the MRP policy will be to provide the amount to set aside calculated in equal instalments over 50 years.
- For all capital expenditure since that date which is supported by Formula Grant (supported borrowing), the MRP policy will be to provide the amount to set aside calculated in equal instalments over 50 years from the year set aside is first due.
- In calculating the amounts on which set aside is to be made pre 1 April 2008 Adjustment A will be applied.
- Any charges made over the statutory minimum revenue provision, voluntary revenue provision or overpayments can, if needed, be reclaimed in future years if deemed necessary or prudent, and cumulative overpayments disclosed.
- For expenditure since 1 April 2008, the MRP policy for schemes funded through borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the guidance issued by the Secretary of State.
- Re-payments included in annual PFI and finance lease/right of use asset arrangements are applied as MRP.
- Having identified the total amount to be set aside for previously unfunded capital expenditure the Council will then decide how much of that to fund from capital receipts with the residual amount being the MRP for that year.

A5 Where loans are made to third parties for capital purposes, the capital receipt received as a result of each repayment of principal, under the terms of the loan, will be set aside in order to re-pay NCC borrowing and to reduce the Capital Financing Requirement accordingly. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan or if there is a high degree of uncertainty regarding the repayment. This arrangement will also be applied where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes.

A6 The Council will continue to make provision at least equal to the amount required to ensure that each debt maturity is met.

Appendix 2: Ratings comparative analysis

<table>
<tr><th colspan="2">Moody's</th><th colspan="2">S&P</th><th colspan="2">Fitch</th><th></th></tr>
<tr><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th><th></th></tr>
<tr><td>Aaa</td><td rowspan="6">P-1</td><td>AAA</td><td rowspan="4">A-1+</td><td>AAA</td><td rowspan="4">F1+</td><td>Prime</td></tr>
<tr><td>Aa1</td><td>AA+</td><td>AA+</td><td rowspan="3">High grade</td></tr>
<tr><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>A1</td><td>A+</td><td rowspan="2">A-1</td><td>A+</td><td rowspan="2">F1</td><td rowspan="3">Upper medium grade</td></tr>
<tr><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>A3</td><td rowspan="2">P-2</td><td>A-</td><td rowspan="2">A-2</td><td>A-</td><td rowspan="2">F2</td></tr>
<tr><td>Baa1</td><td>BBB+</td><td>BBB+</td><td rowspan="3">Lower medium grade</td></tr>
<tr><td>Baa2</td><td rowspan="2">P-3</td><td>BBB</td><td rowspan="2">A-3</td><td>BBB</td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>Ba1</td><td rowspan="14">Not prime</td><td>BB+</td><td rowspan="6">B</td><td>BB+</td><td rowspan="6">B</td><td rowspan="3">Non-investment grade
speculative</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td rowspan="3">Highly speculative</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">C</td><td rowspan="5">CCC</td><td rowspan="5">C</td><td>Substantial risks</td></tr>
<tr><td>Caa2</td><td>CCC</td><td>Extremely speculative</td></tr>
<tr><td>Caa3</td><td>CCC-</td><td rowspan="3">In default with little
prospect for recovery</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td></tr>
<tr><td>C</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td rowspan="3">/</td><td>DDD</td><td rowspan="3">/</td><td rowspan="3">In default</td></tr>
<tr><td>/</td><td>DD</td></tr>
<tr><td>/</td><td>D</td></tr>
</table>

Appendix 3: Indicative List of Approved Counterparties for Lending

UK Banks

Barclays Bank
Bank of Scotland Plc (*)
Close Brothers
Goldman Sachs
Santander UK
Lloyds Bank (*)
HSBC Bank Group

Non-UK Banks

Australia:

- Australia & New Zealand Banking Group
- Commonwealth Bank of Australia
- National Australia Bank Limited

Canada:

- Bank of Montreal
- National Bank of Canada
- Toronto-Dominion Bank

Germany:

- DZ Bank AG
- Landesbank Baden-Wuerttemberg
- Landesbank Hessen-Thueringen Girozentrale

Norway:

- DNB Bank

Singapore:

- DBS Bank Ltd
- Oversea-Chinese Banking Corp
- United Overseas Bank Limited

Sweden:

- Svenska Handelsbanken

Part Nationalised UK Banks

Royal Bank of Scotland(#)
National Westminster(#)

UK Building Societies

Coventry BS
Leeds BS
Nationwide BS
Yorkshire BS

Money Market Funds

Aberdeen Investments
Federated Investors
Aviva
Northern Trust

UK Government

Debt Management Account Deposit Facility
Sterling Treasury Bills
Local Authorities, Parish Councils

Other – Group companies (non-capital)

The Norse Group
Hethel Innovation Limited
Repton Property Developments
Independence Matters CIC

Note: (*) (#) A 'Group Limit is operated whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total.

Appendix 4: Time and monetary limits applying to investments

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

COUNTERPARTY	NCC LENDING LIMIT (£m)	OTHER BODIES LENDING LIMIT (£m)	**TIME LIMIT**
UK Banks	£60m	£30m	**Up to 3 Years** (see notes below)
Non-UK Banks	£30m	£20m	**1 Year**
Royal Bank of Scotland / Nat. West. Group	£60m	£30m	**2 Years**
Building Societies	£30m	£20m	**1 Year**
MMFs – CNAV	£60m (per Fund)	£30m (per Fund)	**Instant Access**
MMFs – LNVAV			**Instant Access**
MMFs – VNAV			**Instant Access**
Debt Management Account Deposit Facility	Unlimited	Unlimited	**6 Months (being max period available)**
Sterling Treasury Bills	Unlimited	Unlimited	**6 Months (being max period available)**
Local Authorities	Unlimited (individual authority limit £20m)	Unlimited (individual authority limit £10m)	**3 Years**
The Norse Group	£25m	Nil	**1 Year**
Hethel Innovation Limited	£1.25m	Nil	**1 Year**
Repton Property Developments Limited	£1.0m	Nil	**1 Year**
Independence Matters CIC	£1.0m	Nil	**1 Year**
Property Funds	£10m in total	Nil	**Not fixed**
Ultra short dated bond funds	£5m in total	Nil	**3 years**
Corporate bonds	£5m in total	Nil	**3 years**
Corporate bond funds	£5m in total	Nil	**3 years**
UK Government Gilts / Gilt Funds	£5m in total	Nil	**3 years**

Notes:

- In addition to individual institutional lending limits, 'Group Limits' are used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total lending limit. For example, in the case of Lloyds Bank and Bank of Scotland, the group lending limit for the Lloyds Banking Group is £60M.

- The maximum deposit period for UK Banks is based on the following tiered credit rating structure:

Long Term Credit Rating (Fitch or equivalent) assigned by at least one of the three credit rating agencies	**Maximum Duration**
AA-	Up to 3 years
A	Up to 2 years
A-	Up to 1 year

  Deposits placed with the Royal Bank of Scotland as a UK Part Nationalised Bank and Local Authorities may be made for periods of 2 and 3 years respectively.

- The Council will only use non-UK banks from countries with a minimum sovereign rating of AA+. The sovereign rating of AA+ must be assigned by one of the three credit rating agencies. No more than £30m will be placed with any individual non-UK country at any time. Approved countries for investments are shown at Appendix 7.

- For monies invested on behalf of the Norse Group, Independence Matters and Norfolk Pension Fund there is a maximum monetary limit of £10m per counterparty. Operationally funds are diversified further as agreed with the individual bodies.

- Long-term loans to the Norse Group and other subsidiary companies are approved as part of the Council's capital programme.

- The use of property funds, bonds and bond funds, gilts and gilt funds will be subject to appropriate due diligence.

- Certain property funds may be classed as a capital investment. If this is the case then they will be approved via the capital programme. If the fund is classed as revenue, then the IFRS 9 implications will be fully considered: unless the DLUHC specifies otherwise, any surpluses or losses will become chargeable to the Council's general fund on an annual basis.

Appendix 5: The Capital and Treasury Prudential Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1 Capital Expenditure

Capital expenditure £m	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Adult Social Care	19.501	16.722	16.547	24.728	17.296
Children's Services	33.210	25.031	86.990	48.743	31.657
CES Highways	109.119	137.174	165.804	156.511	142.192
CES Other	22.433	26.004	61.272	35.311	15.153
Finance	32.866	3.049	23.603	6.313	10.750
Strategy and Transformation	0.144	25.632	24.987	11.347	11.378
Right of Use Asset			18.915	1.892	1.892
Total	**217.273**	**233.611**	**398.118**	**284.846**	**230.317**
Loans to companies included in Finance above	**2.200**	**2.700**	**23.300**	**6.000**	**10.450**
GNGB supported borrowing to developers	**0.358**	**5.300**	**-3.800**	**5.021**	**0.000**
Loans as a percentage	*1%*	*3%*	*5%*	*4%*	*5%*

Non-treasury investments – proportionality

The table above demonstrates that loans to companies and developers, as a percentage of all capital expenditure, are a relatively low proportion and therefore do not present undue risk in the context of the programme overall.

5.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2022-23 Actual	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Financing costs (net)	64.133	71.175	72.405	79.055	44.602
Net revenue costs	789.369	880.030	936.504	957.452	973.768
Percentage	8.12%	8.09%	7.73%	8.26%	4.58%

The estimates of financing costs include current commitments and budget proposals.

The Prudential Code 2013 acknowledged that the "Financing Costs to Net Revenue Stream" indicator may be more problematic for some authorities regarding the level of government support for capital spends. In these instances, it is suggested that a narrative explaining the indicator may be helpful. At this stage, it is considered that the table above can provide useful information.

5.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed & variable interest rate borrowing 2024-25		
	Lower	Upper
Under 12 months	0%	10%
12 months to 2 years	0%	10%
2 years to 5 years	0%	10%
5 years to 10 years	0%	20%
10 years to 20 years	0%	30%
20 years to 30 years	10%	30%
30 years to 40 years	10%	30%
40 years to 50 years	10%	40%

The percentages shown in the table above are proportions of total borrowing.

5.4 Control of interest rate exposure:

The table above indicates how the authority manages its interest rate exposure to ensure a degree of alignment between asset lives and appropriate interest rates and spreading the time over which any debt re-financing may need to happen.

Only £20m out of total borrowing of over £826m (less than 3% of total borrowing) is potentially variable. Planned borrowing is expected to be at fixed rates to take advantage of low interest rates as they arise, and to limit long term exposure to variable rates.

With positive cash balances, the Council has maintained an under-borrowed position which avoids short term exposure to interest rate movements on investments. The Council will continue to balance the risks of borrowing while cash balances are available, against the long-term benefits of locking into low borrowing rates.

5.5 Interest Rate Forecasts 2023-2026

LINK GROUP – JANUARY 2024

	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025	End Q2 2025	End Q3 2025	End Q4 2025	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q4 2026
Bank Rate	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5yr PWLB Rate	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%	3.60%	3.60%	3.50%	3.50%	3.50%
10yr PWLB Rate	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.70%	3.70%	3.70%	3.70%
25yr PWLB Rate	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%	4.20%	4.20%	4.10%	4.10%	4.10%	4.10%
50yr PWLB Rate	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%	4.00%	4.00%	3.90%	3.90%	3.90%	3.90%

PWLB forecasts are based on PWLB certainty rates.

5.6 **Economic Background**

The first half of 2023/24 saw:

Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.

CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.

Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.

A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

In its latest monetary policy meeting on 14 December, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

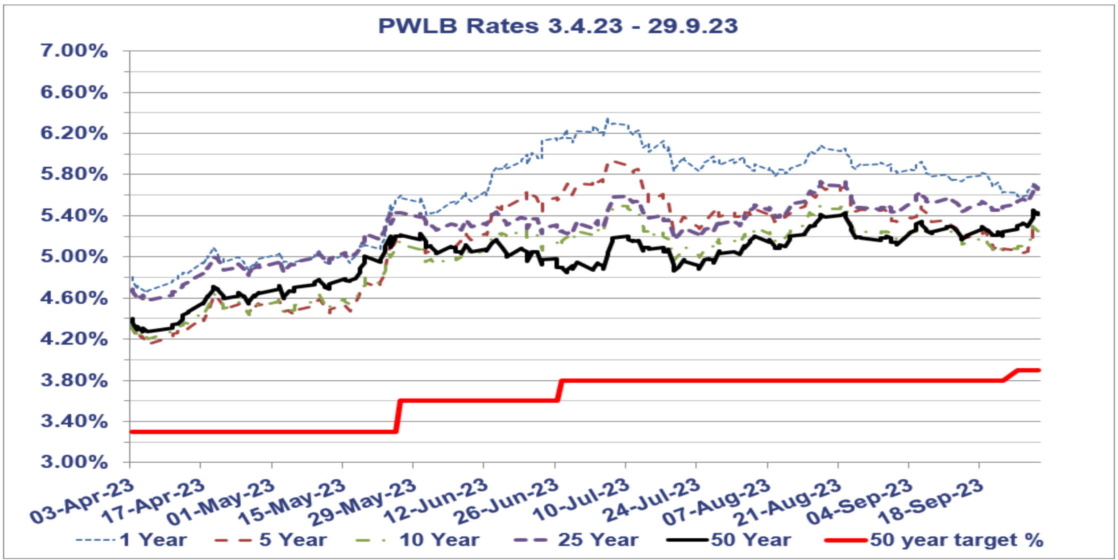
Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor

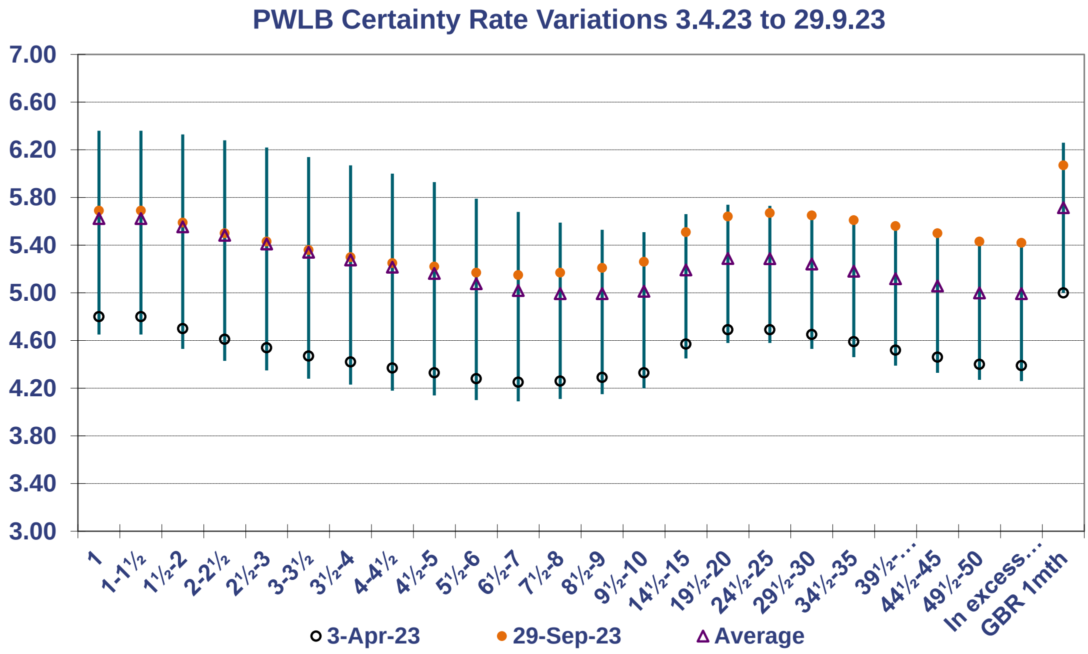
Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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Appendix 6: Treasury Management Practice (TMP1) - Credit and counterparty risk management

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Strategic Finance has produced its treasury management practices (TMPs). This part, TMP1(1) covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months.

These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, housing association, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency e.g., Standard and Poor's, Moody's and/or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). This category covers bodies with a minimum Short-Term rating of AAA (or the equivalent) as rated by Standard and Poor's, Moody's and Fitch rating agencies.

In accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are shown in detail in Appendix 4.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	**Limit (£ or %)**
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Reconstruction and Development Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. National Rail, the Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	Not currently included as approved investment
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	Ref Appendix 4
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	Ref Appendix 4
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.	Not currently included as approved investment
e.	Any **bank or building society** that meets minimum long-term credit ratings, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Ref Appendix 4
f.	**Share capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. This Authority would seek further advice on the appropriateness and associated risks with investments in these categories.	Not currently included as approved treasury investment.
g.	**Loan capital** in a body corporate. The use of these loans to subsidiaries and other companies will normally be deemed to be capital expenditure. However, working capital loans are dealt with under Treasury Management arrangements. This Authority would seek further advice on the appropriateness and associated risks with investments in these categories.	Ref Appendix 4

h.	**Bond funds.** These are specialist products, and the Authority will seek guidance on the status of any fund it may consider using.	Ref Appendix 4
i.	**Property funds** – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	Ref Appendix 4

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Group as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Strategic Finance, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers – at the time of writing the Council does not use or plan to use external fund managers.

Appendix 7: Approved Countries for Investments (as at 2 December 2023)

This list is based on those countries which have sovereign ratings of AA+ or higher.

Based on highest available rating

AAA

- Australia
- Canada
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A

AA+

- Finland

Appendix 8: Treasury Management Scheme of Delegation

(i) Full Council

- approve the Policy Framework and the strategies and policies that sit within it (Source: Council constitution);
- Note: the Policy Framework includes “Annual investment and treasury management strategy”.

(ii) Cabinet terms of reference

- to prepare, for adoption by the Council, the budget and the plans which fall within the policy framework).

(iii) Audit and Governance Committee

- Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice. (Source: Audit Committee Terms of Reference)

(iv) Treasury Management Panel

The Panel’s terms of reference are to:

- consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to Cabinet and full Council.
- receive detailed reports on the Council’s treasury management activity, including reports on any proposed changes to the criteria for “high” credit rated institutions in which investments are made and the lending limits assigned to different counterparties.
- receive presentations and reports from the Council’s Treasury Management advisers, Link Asset Services.
- consider the draft Treasury Management Annual Report prior to its submission to Cabinet and full Council.

(v) Director of Strategic Finance

- “responsible for the proper administration of the financial affairs of the Council including … investments, bonds, loans, guarantees, leasing, borrowing (including methods of borrowing)…”

  (Source: Scheme of delegated powers to officers)

  See Appendix 9 for detailed responsibilities.

Appendix 9: The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer is the Director of Strategic Finance. Responsibilities include:

Constitution – officer roles

- Have responsibility for the administration of the financial affairs of the Council and be the Section 151 Officer.
- Statutory responsibilities of the Section 151/Chief Finance Officer, Budgeting and Financial Management, Exchequer Services, Pensions, Investment and Treasury Management, Risk & Insurance, Audit and Transactional Services.

Financial Regulations

- execution and administration of treasury management decisions, including decisions on borrowing, investment, financing (including leasing) and maintenance of the counter party list.
- prepare for County Council an annual strategy and plan in advance of the year, a mid-year review and an annual report.
- regularly report to the Treasury Management Panel and the Cabinet on treasury management policies, practices, activities and performance monitoring information.
- monitoring performance against prudential indicators, including reporting significant deviations to the Cabinet and County Council as appropriate.
- ensuring all borrowing and investment decisions, both long and short term, are based on cash flow monitoring and projections.
- ensuring that any leasing financing decisions are based on full options appraisal and represent best value for the County Council, in accordance with the County Council's leasing guidance.
- the provision and management of all banking services and facilities to the County Council.
- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe (say 20+ years – to be determined in accordance with local priorities.)
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the Authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the Authority does not undertake a level of investing which exposes the Authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the Authority

- ensuring that the Authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -
- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged

Appendix 10: Non-treasury investments

Existing non- treasury investments (loans) at 31 March 2024

Loans	31 March 23	31 March 24 (forecast)£m
NORSE Group Project One (capital investment)	0.000	2.700
NEWS	0.106	0.000
Norse Group (capital investment)	2.111	1.308
Norse Group (Aviation Academy)	5.586	5.437
NorseCare	2.517	2.345
Hethel Innovation Ltd (Hethel Engineering Centre)	6.812	7.065
Norwich Airport Radar (relocation due to NDR)	2.194	2.194
Repton Property Developments Limited	12.550	12.550
LIF loans to developers in Norfolk	2.487	1.355
Total loans to companies	**34.363**	**34.954**
NDR Loan – underwritten by CIL receipts	31.726	30.297
Total long-term debtors in balance sheet	**66.090**	**65.251**

In addition to the loans listed above, equity of £3.5m has been invested in Repton Property Developments Limited, a wholly owned housing development company.

A more detailed schedule of the above loans, showing objectives and explanations of each investment are detailed in Appendix 3 to the Mid-Year Treasury Management Monitoring Report 2023-25 presented to 4 December 2023 Cabinet.

Potential future non-treasury capital investments

Non-treasury investments: The following schemes, if approved, will result in loans to wholly owned companies or third parties. These loans will be for capital purposes, are Norfolk based, and are designed to further the Council's objectives. None of the loans listed are purely for the purpose of income generation.

Scheme	Background	Approximate value
Capital equity in, and loans to wholly owned companies	**Repton Property Developments** The company is developing land north of Norwich Road Acle surplus to County Council, as well as other appropriate surplus land holdings. **Other projects** From time to time the Council's wholly owned companies further the Council's objectives through capital investments. This facility is included in the capital programme.	£23m included in capital programme

Proportionality of non-treasury investments:

The total value of loans (including CIL supported debt) is not likely to exceed £100m. At an indicative interest rate of 4.2% (giving a margin of approximately 1% over current PWLB borrowing rate) this would mean interest of £4.2m pa. This approximates to less than 20% of the Council's general reserves, 2% of the Council's net expenditure, and 0.5% of departmental gross expenditure. As a result, reliance on income from non-treasury is therefore considered to be proportionate and manageable.

Scrutiny Committee

Item No: 8

Report Title: Scrutiny Committee Forward Work Programme

Date of Meeting: 14 February 2024

Executive Summary

This paper sets out the current forward work programme for the Scrutiny Committee, outlining committee dates and agreed items.

Recommendations

Members of the committee are asked to:

1. Note the current Scrutiny Committee forward work programme and discuss potential further items for future consideration.

1. Background and Purpose

1.1 Members of the Scrutiny Committee took part in a work programming session held on the 22 April 2023, discussing proposed items for the Committee to consider through until May 2024.

1.2 The work programme attached is amended frequently to better reflect officer pressures and changes to the Cabinet forward plan of decisions.

1.3 All topics are subject to change, with the committee remaining flexible to ensure the ability to adapt to emerging and urgent topics for consideration.

2. Proposal

2.1 Members are asked to note the attached forward programme of work **(Appendix A)** and discuss potential further items for consideration.

3. Impact of the Proposal

3.1 Maintaining the proposed work programme will ensure that the Scrutiny Committee has a full schedule of work, and officers are well prepared to present to the committee.

4. Financial Implications

4.1 None

5. Resource Implications

5.1 Staff:

None

5.2 Property:

None

5.3 IT:

None

6. Other Implications

6.1 Legal Implications:

None

6.2 Human Rights Implications:

None

6.3 Equality Impact Assessment (EqIA) (this must be included):

None

6.4 Data Protection Impact Assessments (DPIA):

None

6.5 Health and Safety implications (where appropriate):

None

6.6 Sustainability implications (where appropriate):

None

6.7 Any Other Implications:

None

7. Risk Implications / Assessment

7.1 None

8. Select Committee Comments

8.1 None

9. Recommendations

Members of the Scrutiny Committee are asked to:

1. Note the Scrutiny Committee forward work programme and discuss potential further items for future consideration.

10. Background Papers

10.1 **Appendix A** – Scrutiny Committee Forward Programme of Work

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

Officer name: Peter Randall
Telephone no.: 01603 307570
Email: peter.randall@norfolk.gov.uk

IN TRAN communication for all

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

Scrutiny Committee Forward Work Programme Appendix A

Date	Report	Further notes/Comments	Better Together for Norfolk - Strategic Goal(s)*	Cabinet Member	Lead Officer
14/02/24	Scrutiny Committee 2023-24 Budget scrutiny	Standard budget setting item	- A Vibrant and Sustainable Economy - Better Opportunities for Children and Young People - Healthy, Fulfilling and Independent Lives - Strong, Engaged and Inclusive Communities A Greener, More Resilient Future	Cllr Andrew Jamieson, Cabinet Member for Finance	Harvey Bullen, Director of Strategic Finance
20/03/24	Combined Sewer/Storm Overflows – update from Anglian Water	Agreed by the Scrutiny Committee at the meeting held on 23 March 2023	- A Greener, More Resilient Future	Cllr Eric Vardy, Cabinet Member for Environment and Waste	Grahame Bygrave, Interim Executive Director of Community and Environmental Services

24/04/24	Performance Review Panels – Quarterly Update	Standard quarterly item	- Better Opportunities for Children and Young People - Healthy, Fulfilling and Independent Lives	Cllr Alison Thomas, Cabinet Member for Adult Social Care & Cllr Penny Carpenter, Cabinet Member for Children's Services	Debbie Bartlett, Executive Director of Adult Social Care & Sarah Tough, Executive Director of Children's Services
	NCC Economic Strategy/Update on LEP Integration	Requested at the meeting of the Scrutiny Committee held in October 2023	- A Vibrant and Sustainable Economy	Cllr Fabian Eagle, Cabinet Member for Economic Growth	Paul Cracknell, Executive Director of Strategy and Transformation

The *'Better Together for Norfolk – County Council Strategy 2021-25'*** outlines five strategic priorities. These are:*

- *A Vibrant and Sustainable Economy*
- *Better Opportunities for Children and Young People*
- *Healthy, Fulfilling and Independent Lives*
- *Strong, Engaged and Inclusive Communities*
- *A Greener, More Resilient Future*

When scheduling items for the work programme the committee should consider, where applicable, the item contributes to the above strategic goals and overall delivery of the County Council's strategy for 2021-25.