

# Council

Date: **Monday 16 February 2009**

Time: **10.00am**

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

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

## Prayers

## To Call the Roll

## AGENDA

### 1. Minutes

To confirm the minutes of the meeting of the Council held on (Page )  
19 January 2009

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

### 3. Members to Declare any Interests

Please indicate whether the interest is a personal one only or one which is prejudicial. A declaration of a personal interest should indicate the nature of the interest and the agenda item to which it relates. In the case of a personal interest, the Member may speak and vote on the matter. Please note that if you are exempt from declaring a personal interest because it arises solely from your position on a body to which you were nominated by the County Council or a body exercising functions of a public nature (e.g another local authority), you need only declare your interest if and when you intend to speak on a matter.

If a prejudicial interest is declared, the member should withdraw from the room whilst the matter is discussed unless members of the public are allowed to make representations, give evidence or answer questions about the matter, in which case you may attend the meeting for that purpose. You must immediately leave the room when you have finished or the meeting decides you have finished, if earlier.

Chris Walton  
Head of Democratic Services  
County Hall  
Martineau Lane  
Norwich  
NR1 2DH

Date Agenda Published: 5 February 2009

**For further details and general enquiries about this Agenda  
please contact the Assistant Head of Democratic Services:**

Greg Insull on 01603 223100 or email [greg.insull@norfolk.gov.uk](mailto:greg.insull@norfolk.gov.uk)



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Tel: 01603 223100

Minicom 01603 223833

Email: [greg.insull@norfolk.gov.uk](mailto:greg.insull@norfolk.gov.uk) and we will do our best to help

**Norfolk County Council**  
**Minutes of the Meeting Held on 19 January 2009**

**Present:** Mr W Northam in the Chair

Mr A Adams	Mr C Joyce
Mr C Armes	Mr J Joyce
Mr J Baskerville	Mrs B Lashley
Mr D Baxter	Mr C Lloyd Owen
Mr S Bett	Ms I Macdonald
Mr R Blower	Mr I Mackie
Mrs H Bolt	Mrs S Matthews
Dr A Boswell	Ms M McKay
Mrs J Brown	Mrs R Monbiot
Mr A Byrne	Mr I Monson
Mr D Callaby	Mr P Moore
Mrs J Chamberlin	Mr B Morrey
Mr B Collins	Mr P Morse
Miss E Collishaw	Mr C Mowle
Mr J Collop	Mr S Murphy
Dr B Connell	Mr G Nobbs
Mr D Cox	Mrs T Paines
Mr S Dunn	Mrs H Panting
Mr T East	Mr J Perry-Warnes
Mrs J Eells	Mr J Pitt-Pladdy
Mrs I Floering-Blackman	Mr A Pond
Mr R Goreham	Mr R Rockcliffe
Mr J Gretton	Mr J Rogers
Mr A Gunson	Mr D Rye
Mrs S Gurney	Mr M Scutter
Mrs B Hacker	Mr N Shaw
Mr P Hacon	Mr B Spratt
Mr B Hannah	Mr M Taylor
Mrs G Harris	Mr A Tomkinson
Mr D Harrison	Miss J Virgo
Mr P Harwood	Mr T Wainwright
Mr J Holmes	Mrs C Walker
Mr C How	Mrs C Ward
Mr C Hull	Ms S Whitaker
Mr H Humphrey	Mr A White
Mrs S Hutson	Mr A Williams
Mr B Iles	Mr A Wright
Mr C Jordan	Mr M Wright

**Total present: 77**

## **Apologies:**

Apologies for absence were received from Mr M Carttiss, Mrs J Howe, Mrs S Rice and Mr B Walker.

### **1. Minutes of previous meetings**

The minutes of the meeting held on 24 November 2008 were confirmed as a correct record and signed by the Chairman, subject to the following:

Item 4.1, third paragraph – replace the word ‘health’ with ‘healthy’.

Item 9, replace the fourth sentence of the final paragraph to read: “The Cabinet Member noted the report’s statement that the Property Reference Panel had not met for a year and he confirmed that during that time the decisions taken concerning County Farms were not material in nature.”

### **2. Chairman’s Announcements**

#### **Mrs Frances Roualle**

The Chairman announced that Mrs Frances Roualle, OBE, a former member and past Chairman of Norfolk County Council, and Mr Gordon Dawes, a former member of Norfolk County Council had both sadly passed away.

Mrs Roualle was elected to the County Council in May 1973 and she served as a County Councillor and local member for Aylsham until May 1993. Mrs Roualle was the Vice Chairman of the County Council in 1983-84 and Chairman of the County Council in 1984-85 and from May 1985 until May 1993 she was Chairman of the Education Committee.

Mr Dawes was elected to the County Council in May 1997 and he served as a County Councillor and local member for Freebridge Lynn until June 2001.

Council stood in a minute’s silence in honour of their memory.

#### **Chairman’s Events**

The Chairman announced that he had held a reception for the Pensions Team in recognition of their achievement in winning two awards at the recent Professional Pensions Awards – the Pensions Communications Public Award and the Pension Fund of the Year Award (which they were awarded for the second year running). The Chairman also attended a Topping Out ceremony at Palm Paper in King’s Lynn.

#### **Budget Paper**

The Chairman announced that the finalized Budget Paper for the 26 January Cabinet meeting would be distributed to all members later today.

### **Special Cabinet meeting**

The Chairman announced that a special Cabinet meeting would take place in the Council Chamber following the 16 February County Council meeting.

### **3. Declarations of Interest**

The following declarations of interest were noted:

Dr Connell declared a personal interest in paragraph 1 of the Recommendation from the Cabinet meeting of 5 January 2009, 'Dealing with Obstructions on the Highway within a Defined Area of Cromer' as he owns a property in Cromer.

Mrs Harris declared a personal interest in paragraph 1 of the Recommendation from the Cabinet meeting of 5 January 2009, 'Dealing with Obstructions on the Highway within a Defined Area of Cromer' as her husband owns a property in Cromer.

Mr Blower and Mrs Panting declared personal interests in paragraph 9 of the Report of the Cabinet meeting held on 1 December 2008, 'Expression of Interest for a new Academy to replace Earlham High School in Norwich' as Governors of Earlham High School.

Mr Cox declared a personal interest in paragraph 9 of the Report of the Cabinet meeting held on 1 December 2008, 'Expression of Interest for a new Academy to replace Earlham High School in Norwich' as a Governor of City College Norwich.

Mrs Hacker declared a personal interest in paragraph 9 of the Report of the Cabinet meeting held on 1 December 2008, 'Expression of Interest for a new Academy to replace Earlham High School in Norwich' and paragraph 10, 'The Hewett School: Proposal to Acquire Trust Status', as a Governor of City College Norwich.

Ms Whitaker declared a personal interest in paragraph 10 of the Report of the Cabinet meeting held on 1 December 2008, 'The Hewett School: Proposal to Acquire Trust Status' as a Governor of the Hewett School. Ms Whitaker also declared a personal interest in Item 12 'To Answer Questions relating to the Norfolk Police Authority' as a member of the Safer Neighbourhood Action Panel for Lakenham and Tuckswood.

Mr Williams declared a personal interest in paragraph 2 of the Report of the Cabinet Scrutiny Committee meeting held on 25 November 2008, as a Director of Norse. Mr Williams also declared a prejudicial interest in paragraph 18 of the Report of the Cabinet meeting held on 1 December 2008 'Minerals and Waste Development Framework Fourth Annual Monitoring Report' as a Director of NEWS Ltd.

The following members declared personal interests in Item 12 'To Answer Questions relating to the Norfolk Police Authority' as members of a Safer Neighbourhood Action Panel (SNAP):

Mrs Gurney - Hellesdon and Horsford SNAP

Mr Holmes - Great Yarmouth SNAP

Mr J Joyce – Reepham SNAP and the Lead Member on the Police Authority on Safer Neighbourhood Policing

Mrs Lashley - Sprowston, Old Catton and Spixworth SNAP

Mr Pitt Pladdy - Waveney Valley SNAP

Mr Shaw - Thorpe St Andrew SNAP

Mr Tomkinson – Loddon SNAP

Mrs Paines – Thetford SNAP

#### **4. Notice of Motions**

##### **4.1 Notice of Motion by Mrs B Lashley**

The following motion was proposed by Mrs B Lashley, seconded by Mr J Joyce, in accordance with Rule 10 of the Council Procedure Rules.

"This Council resolves that every report to members shall include a paragraph on the climate change issues in relation to the matters under discussion in the report.

The Climate Change Strategy, which this Council has developed and agreed with the District Councils in Norfolk, is to be launched on 6th February. It is right, therefore, that we now show we are serious about implementing our strategy. Such a reference in each report would indicate that consideration of climate change issues is embedded in our deliberations and decision-making, and would act as a prompt to both officers and members."

The Chairman indicated that under the Council Procedure Rules, the motion stood referred to Cabinet for consideration.

Mrs Lashley stated that she was disappointed that the Council's constitution does not allow the Council to debate matters of interest to everyone. She would genuinely like to have heard the views of non-executive council members on this issue. She said that this Council's interpretation of the Local Government Act 2000 is not shared by all councils and some councils such as Bradford, Bedford, Northamptonshire and Suffolk have mechanisms in place which allow council debate and help to inform their Cabinet decision-making. Mrs Lashley hoped that this Council, in reviewing its constitution, would look at ways of enabling non-executive members of the Council to articulate their views and those of their constituents so that Cabinet, in taking decisions, can be confident they are in touch with the people of Norfolk.

#### **5. Cabinet Recommendation - 5 January 2009**

Mr Cox moved the recommendation from the Cabinet.

**RESOLVED:** That the County Council delegate to North Norfolk District Council the powers in section 149 of the Highways Act 1980, within the areas defined in Appendix B of the Cabinet report, commencing on a date to

be determined by the Director of Environment, Transport and Development and on such terms as he shall approve in consultation with the Head of Law.

**6. Standards Committee – Appointment of Independent Member**

In introducing the report, the Chairman of the Standards Committee, Mrs J Middleton, advised members that following interviews on 15 January 2009 the Panel unanimously agreed to recommend to full Council that Mr Paul Bland be appointed to the vacant post of Independent Member of the Standards Committee. Mrs Middleton gave details of Mr Bland's background and experience.

**RESOLVED:** to approve the appointment of Mr Paul Bland as an Independent Member of the Standards Committee.

**7. County Council Elections 2009 – Appointment of Returning Officer**

Mr Cox moved the recommendation contained in the report of the Head of Democratic Services.

**RESOLVED:** to approve the appointment of David White, Chief Executive, to be the returning officer for the County Council elections scheduled for June 2009 and for any subsequent by-elections.

**8. Programme of Meetings for 2009**

Mr Cox moved the recommendation in the report of the Head of Democratic Services that the Audit Committee meeting scheduled for 23 July be moved to 29 June, that the Cabinet and Personnel Committee meetings scheduled for 14 December be moved to 7 December, that the Cabinet Scrutiny Committee meeting scheduled for 29 December be moved to 22 December and that the Great Yarmouth Area Committee scheduled for 7 December be moved to 30 November.

**RESOLVED:** to approve the proposed changes to the programme of meetings for 2009.

**9. Report of the Cabinet Meeting Held on 1 December 2008**

**Public Question, paragraph 1.2**

Dr Boswell expressed his disappointment concerning table 5.4 of the Northern Distributor Road (NDR) Business Case Report as he said the table was misleading: he said there were either errors in the spreadsheet or the figures had been calculated in a non-intuitive way. Further, he had evidence from an independent traffic consultant that the benefit cost ratio calculated for the project could not be relied upon. Following a draft letter that Dr Boswell had obtained from GO-East under the Freedom of Information Act, it appeared that Go-East's view was that much greater priority was needed on carbon reduction and complementary sustainable transport measures in the LTP. Given that probably between £4m and £10m had been spent since September 2005 on the NDR Project and there was

still not a satisfactory business case, Dr Boswell asked whether the Cabinet Member for Planning & Transportation would withdraw the business case for the NDR and resubmit it only when it reflected the quality of other work done by this Council, and it included a fully developed and, crucially, a costed plan for the associated complementary measures, and following a further vote by the Council on whether to proceed with the NDR.

In response, Mr Gunson, Cabinet Member for Planning and Transportation, said there was no proof that the business case was unsatisfactory; it had been put together in accordance with the Department for Transport (DFT) rules and the DFT would examine the major scheme business case and test the benefit cost ratio. In connection with the quality of the Planning & Transportation work generally, Mr Gunson pointed out that Go-East had complimented the authority on its local transport plan.

Mr Moore said that he hoped that the delay to this project would help to ensure our business case was sound.

In response, Mr Gunson said that a planning application would need to be submitted within a two year period and we would not wish to alter the business case. He said that there was no evidence that the figures in the business case were incorrect.

### **Member Question, paragraph 2**

Mr Morse asked whether Mr Humphrey, the Cabinet Member for Human Resources, Finance, Property and Corporate Affairs, believed there should be a limit on how much the Council should invest in a single economy, as previously up to 16% of the Council's investments had been in Iceland. Further, Mr Morse asked whether Mr Humphrey had total confidence in Butlers as the Council's Treasury Management advisers.

In response, Mr Humphrey said that the new Treasury Management Panel would meet later this afternoon and would consider investments. With regard to confidence in Butlers, Mr Humphrey confirmed that they had served the Council well in the past but that the Treasury Management Panel would have an opportunity to question Butlers and consider their past performance.

### **Review Panel Issues, paragraph 3**

Mr Collop said that he hoped Cabinet Members would give more detail to Overview and Scrutiny Panel members about items discussed at Cabinet meetings and that they would be willing to be questioned.

### **Review Panel Issues, paragraph 3.1**

Mr Hull said that the number of Looked After Children (LAC) was stubbornly high and he asked if there were any measures that Mrs Monbiot, the Cabinet Member for Children's Services intended to put in place to reduce this number.

In response, Mrs Monbiot said that there was now very good data regarding the number of LAC. She said that by the end of March 2009, a considerable number of youngsters in care would reach the age of eighteen and that twelve of these children were in highly expensive residential placements



and therefore it was expected that the numbers and costs would come down significantly. However, the present economic downturn meant that there may be an increase in the number of children coming into care and that more funding would be sought. Mrs Monbiot said that there had also been children coming into care for short periods of time because they had been removed from families where there is disruption but she hoped that these children could be returned to their families or other members of the family.

#### **Corporate Assessment and Joint Area Review 2008, paragraph 4**

Mr Morse said that the Corporate Assessment stated that the County Council wished to strengthen its scrutiny function but that the County Farms Working Group report, which was finalised in September 2008 had been dismissed by Cabinet and would not be considered until March 2009. He asked what the Cabinet would be doing about scrutiny given the way the County Farms report had been treated.

Mr East noted that none of the recommendations had been adopted from either the 'Disabled Access to Norwich City' scrutiny or the 'Joint Bus' scrutiny.

Mr Cox said that there had been considerable improvements in the Council's scrutiny processes in recent months. A scoring priority process had been introduced, a scrutiny protocol was in place and there was now a Co-ordinating Group and the new Overview and Scrutiny Panels had achieved important results. Improvements in Adult Social Services had been achieved, much of this down to the work of the Panel and similarly with the Children's Services Overview & Scrutiny Panel through their thorough monitoring of performance.

#### **Integrated Performance and Finance Monitoring Report, paragraph 5**

Mr Collop asked whether the Cabinet Member was confident that there would be no overspend this year given the present financial situation. In response, Mr Humphrey said that the Council was heading for an underspend and he said this showed that the measures taken during the year had kept the Council within its limits. Chief Officers had been working very hard to achieve a projected underspend for the current financial year and he commended the Officers for keeping within, or close to, their allocated budgets.

#### **Expression of Interest for a new Academy, paragraph 9**

Mr Blower and Mrs Panting welcomed the expression of interest for a new Academy to replace Earlham High School in Norwich. Mrs Monbiot said that the GCSE results at Earlham High School had improved considerably this year and she was very pleased to note the community support for this development.

#### **The Hewett School – Proposal to Acquire Trust Status, paragraph 10**

Mr Scutter was concerned that if the Hewett School acquired Trust Status the school would have reduced accountability to the Council. He confirmed the Liberal Democrats' opposition to the proposal as the Council should be seeking to raise standards in the sector by constructive collaboration rather than a chaotic diversification. Mrs Monbiot advised that the Council would

have a voting representative on the Hewett School Trust Board and would continue to have an element of control.

**The 14 – 19 Agenda – Changes to Arrangements for 16-19 Education and Training, paragraph 15**

Mr Morse welcomed the national changes to the commissioning of education and training provision for 16-19 year olds and he asked whether there was any news about the Learning and Skills Council funding arrangements to support the transition period in 2009. Further, he asked how members would be kept involved and informed about developments. He suggested that links would need to be strengthened between the Economic Development department and Children's Services.

In response, Mrs Monbiot said that the funding arrangements for the transition were still uncertain but the Council was working closely with the Learning & Skills Council (LSC). Mrs Monbiot said she is a member of the 14-19 Strategy Board and that she had asked the Director of the 14-19 Strategy Board to attend the next meeting of the Children's Services Overview & Scrutiny Panel to report on progress. The Economic Development department were working closely with Children's Services. £5m had been requested to develop a showcase diploma in connection with Hethel and Lotus. Conflicts of interest would be dealt with in the usual way.

**Phase 2 Residual Waste Treatment Project – Reference Project & Affordability Assessment, paragraph 17**

Mr East said that he hoped the affordability gap for the Residual Waste Treatment Project would not lead to environmentally damaging options being considered.

Mr Monson assured members that the Council was retaining a completely open mind on Contract B and would consider all the bids on their own merits.

**10. Report of the Cabinet Meeting Held on 5 January 2009**

**Making Libraries a Safe and Welcoming Place, paragraph 5**

Mrs Lashley said that she understood that some of the evidence gathered by the working group which carried out this scrutiny exercise was removed from the report by the Head of Law because it was deemed it may be attributable, although no-one was named in this material. She was concerned that this evidence was withheld and questioned why it could not have been put on pink paper.

Mr Gretton said that he had full confidence in the advice provided by the Head of Law. He said that the advice given was that staff could potentially claim a breach of confidentiality if information was published which enabled them to be recognised individually.

Mr Goreham asked why Mr Gretton had not been willing to circulate, in writing to all members, the update he had given to the Overview and Scrutiny Panel. In response, Mr Gretton said that there had been some confusion regarding the meaning of 'acknowledge' in the context of the

Cabinet having acknowledged the recommendations. He advised members that many of the recommendations set out in the scrutiny report reflected current practice. The vast majority of the recommendations had been accepted and Mr Gretton said that he would send an email to all members detailing the responses to the recommendations. Mr Gretton said that the Administration valued scrutiny and that this scrutiny had been a very useful exercise.

**11. Report of the Cabinet Scrutiny Committee Meeting Held on 25 November 2008**

**RESOLVED:** to note the report.

**12. Report of the Cabinet Scrutiny Committee Meeting Held on 16 December 2008**

Mr Scutter expressed concern that there appeared to have been an attempt to delay the County Farms Working Group report which would not now be received by Cabinet until 9 March. He said that proceeding in this way devalued the scrutiny process which was particularly important in the light of the Corporate Performance Assessment (CPA). The Chair of the Cabinet Scrutiny Committee, Ms Whitaker, said that officers from NPS had been interviewed on three occasions during the scrutiny.

**RESOLVED:** to note the report.

**13. Report of the Health Overview and Scrutiny Committee Meeting Held on 27 November 2008**

**RESOLVED:** to note the report.

**14. Report of the Standards Committee Meeting Held on 20 November 2008**

**RESOLVED:** to note the report.

**15. Report of the Personnel Committee Meeting Held on 1 December 2008**

**RESOLVED:** to note the report.

**16. Report of the Planning (Regulatory) Committee Meeting Held on 14 November 2008**

**RESOLVED:** to note the report.

**17. Report of the Planning (Regulatory) Committee Meeting Held on 19 December 2008**

**RESOLVED:** to note the report.

**18. Report of the Joint Highways Agency Committee Meeting Held on 27 November 2008**

**Norwich Park and Ride Fare Changes**

Mr Hull asked if businesses would be consulted and if it would be possible for park and ride buses to pick up passengers at regular bus stops in off-peak periods. In response, Mr Gunson said that there were business travel plans. He also said that picking up passengers at regular stops would slow the service down.

**RESOLVED:** to note the report.

**19. Report of the Joint Museums and Archaeology Committee Meeting held on 21 November 2008**

**RESOLVED:** to note the report.

**20. Report of the Norfolk Records Committee Meeting held on 21 November 2008**

**RESOLVED:** to note the report.

**21. Matters considered by Review Panels**

**RESOLVED:** to note report.

**22. Appointments to Committees etc (Standing Item)**

**RESOLVED:** to note the appointments made by the Chief Executive under delegated powers:

Mrs S A F Rice to replace Mr B H A Spratt on the Adult Social Services Overview and Scrutiny Panel

**23. To Answer Questions relating to the Norfolk Police Authority**

Notice of the following question had been given in accordance with Rule 9 of the Council Procedure Rules:-

**Question by Mrs C M Ward to the appointed person to respond – Mr Stephen Bett:**

“A recent survey showed that few people are aware of the opportunity to participate in making decisions about the way crime is tackled in their ‘communities’ through the network of Safer Neighbourhood Action Panels. Additionally, 44% of respondents said that they were dissatisfied or very dissatisfied with community policing. What action will be taken to improve participation and what, if anything, can Norfolk County Council do to assist?”

In response, Mr Bett gave the following answer:

“As part of the NPA’s community engagement strategy for 2008/09 the Authority commissioned the Norfolk Rural Community Council to carry out

research on the perceived effectiveness of Safer Neighbourhood Team (SNT) policing in six rural Norfolk communities. The Authority's Citizen Focus Committee received this small-scale research report (sample size of 175) on 12 January.

The Authority's Committee agreed last week with the Constabulary to consider and take forward the issues raised in the research report, such as developing links to parish plans, contributions to community newsletters and using "SNT post boxes", as part of the ongoing programme to support the development of SNTs in Norfolk. The Authority will monitor these developments.

Although the direct relationship between policing activity and satisfaction surveys results is really not clear, the Authority has invested heavily in additional Police Community Support Officers and police officers in 2007/08 and has continued that investment through to 2008/09, along with other developments such as an extensive community volunteer programme for 2009.

The Authority would of course welcome support from the County Council for Safer Neighbourhood Teams throughout Norfolk. This is primarily a matter for the County Council to discuss with the Norfolk Constabulary and we would welcome such dialogue and assistance."

The meeting concluded at 11.30am.

#### **CHAIRMAN**



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**BUDGET PROPOSALS 2009/10 and  
INVESTMENT AND TREASURY STRATEGY 2009/10 -  
RECOMMENDATIONS FROM THE CABINET MEETING  
HELD ON 26 JANUARY 2009**

**1. 2009-2010 Budget Proposals**

**1.1** The Chairman put the following recommendations to the Cabinet and these were carried:

**1.2 RESOLVED TO RECOMMEND TO COUNCIL:-**

**OVERALL BUDGET**

**1. An overall County Council Revenue Budget of £559.936m for 2009-10, including additional costs of £54.949m and budget savings of £31.791m as set out below. (Detailed proposed changes are attached at Appendix A):**

<b>2009-10 Revenue Budget</b>	<b>2009-10 Base Budget £m</b>	<b>Additional Costs £m</b>	<b>Savings £m</b>	<b>Base Adjustments £m</b>	<b>Cost Neutral Changes £m</b>	<b>2009-10 Recommended Budget £m</b>
Children's Services	160.734	10.179	-5.135	-0.370	1.039	166.447
Adult Social Services	208.198	25.387	-18.728		-2.107	212.750
Planning and Transportation	64.358	4.029	-2.199		1.137	67.325
Environment and Waste Management	32.210	2.786	-0.300		-0.374	34.322
Economic Development	1.840	0.035	-0.004		-0.151	1.720
Fire Service	30.864	1.417	-0.457		-0.206	31.618
Trading Standards	3.204	0.100	-0.020		0.065	3.349
Other Consumer Services	0.998	0.050			-0.001	1.047
Libraries and Information	13.409	0.484	-0.187		-0.772	12.934
Recreation and Grants	0.725	0.028	-0.010		-0.010	0.733
Norfolk Joint Museums	5.416	0.293	-0.190		-1.266	4.253
Norfolk Records Service	1.596	0.129	-0.061		-0.131	1.533
Adult Education	0.375	0.089	-0.083		-0.111	0.270
Norfolk Guidance Service	0.000	0.004	-0.004			0.000
Chief Executive	33.259	2.000	-1.042		0.035	34.252
Property Services	2.859	0.067				2.926
Office Accommodation	0.198				-0.171	0.027
County Farms	0.019	0.006			0.112	0.137
Property Management	0.414	0.143	-0.150		-0.075	0.332
Finance General	-23.528	7.723	-3.221		2.987	-16.039
<b>TOTAL</b>	<b>£537.148m</b>	<b>£54.949m</b>	<b>-£31.791m</b>	<b>-£0.370m</b>	<b>£0.000m</b>	<b>£559.936m</b>

**To approve:**

- 2. An increase in Band “D” Council Tax for 2009-10 of 2.95%, which means a Band “D” Council Tax of £1,123.74.**
- 3. An initial Capital Programme for 2009-10 of £167.664m, subject to subsequent adjustment if additional external funds for capital purposes become available, attached at Appendix B to this report.**
- 4. The recommendation of the Head of Finance, of a minimum level of General Balances of £14m be held in 2009-10.**
- 5. The creation of an Organisational Change Reserve:**

It is proposed that the remaining funding of £2.891m is used to create a new ‘Organisational Change Reserve.’ The purpose of this reserve is to provide one-off funding to support and invest in the transformational change e.g. shared services, which the Council faces from 2010 onwards. Such change will be necessary to meet the expected very tight squeeze on our finances irrespective of whether or not Local Government Review happens.

- 6. The Minimum Revenue Provision Statement:**

The statement sets out the Council’s policy for the calculation of the annual MRP charge and the following policy is proposed for 2009-10:

- For capital expenditure incurred before 1 April 2008, and all expenditure since that date which is supported by Revenue Support Grant, the MRP policy will be to continue previous practice by providing for repayment of debt at 4% each year.
- For expenditure since 1 April 2008 the MRP policy for all unsupported borrowing will be to base the provision on the estimated life of the assets in accordance with the new regulations.

- 7. The Prudential Indicators attached at Appendix C to this report.**
- 8. The approach outlined below on Council Tax Discount on Second Homes:**

The Local Government Act 2003 required that additional monies from reducing the Council Tax discount on second homes should be shared by the District Councils with the precepting Councils i.e. the County Council and the Police Authority.

A review of this policy was undertaken in 2004 and following discussion by the Norfolk LGA, a revised approach for 2005-06

was implemented. It is recommended that this approach to the sharing of second homes income is followed for 2009-10. The approach is that:

- 50% of the additional monies from second homes to go to Local Strategic Partnerships (pro rata to district collection) as now, to be spent on LSP priorities, including affordable housing where appropriate.
- 50% to be retained at County level, of which:
  - half ring-fenced for the County Council to spend on affordable housing projects (pro rata to number of second homes in a district), in consultation with the relevant District Council; and,
  - half committed to strategic initiatives identified by the County Strategic Partnership. It is not proposed that there will be a bidding process.

**9. The Council Tax calculations set out below and the precept to be collected from the District Councils:**

Council Tax/Precept in 2009-10

	£m	£m
Council 2009-10 Budget Requirement		559.936
<u>Less:</u> Revenue Support Grant	42.438	
National Non-Domestic Rate Income	183.862	
Estimated Surplus on District Council Collection Funds etc.	3.516	<u>229.816</u>
<b>Precept Charge on District Councils</b>		<b>£330.120m</b>
Council Tax for an average Band "D" Property in 2009-10		£1,123.74 (+2.95%)
Council Tax for an average Band "B" Property in 2009-10.		£874.02 (+2.95%)



### Total payments to be collected from District Councils' in 2009-10

	Precept	Collection Fund Surplus	TOTAL Payments Due
	(a)	(b)	
	£	£	£
Breckland District Council	47,254,042	342,305	47,596,347
Broadland District Council	50,490,762	16,000	50,506,762
Kings Lynn & West Norfolk Borough Council	55,884,714	1,627,189	57,511,903
Norwich City Council	44,946,229	959,387	45,905,616
Great Yarmouth Borough Council	35,157,330	(27,845)	35,129,485
North Norfolk District Council	46,072,216	225,512	46,297,728
South Norfolk District Council	50,314,335	374,000	50,688,335
<b>TOTAL Precept to be Collected</b>	<b>330,119,628</b>	<b>3,516,548</b>	<b>333,636,176</b>

### Council Tax Collection

The precept (column (a) above) for 2009-10 will be collected in 12 instalments from the District Council Collection Funds, as follows:-

Payment	Date		%
1	22 April	2009	8
2	21 May		9
3	18 June		9
4	20 July		9
5	19 August		9
6	21 September		9
7	19 October		9
8	19 November		9
9	21 December		9
10	21 January	2010	9
11	22 February		3
12	22 March		8

Where a surplus on collection of 2008-09 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 2009 to February 2010 precept payments.

Where a deficit on collection of 2008-09 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 2009 to February 2010 precept payments.

## 2009-10 Council Tax Bands

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

Band	£
A	£749.16
B	£874.02
C	£998.88
D	£1,123.74
E	£1,373.46
F	£1,623.18
G	£1,872.90
H	£2,247.48

- 10. That the Head of Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2009-10 Budget, to make payments, to raise and repay loans and to invest funds.**

### **Note by Head of Democratic Services**

All members have previously received a copy of this report at item 8 of the Cabinet agenda papers for the meeting on 26 January 2009. Please bring this Cabinet report with you to the meeting.

## **2. Annual Investment and Treasury Strategy 2009/10**

- 2.1** The Cabinet has received a report setting out the Annual Investment and Treasury Strategy 2009/10. The Head of Finance updated members to comment on a recommendation which had been put forward by the recently established Treasury Management Panel. Members of that meeting had proposed that the Investment Strategy be amended from providing a maximum 364 day investment exposure to a period no greater than 2 years. The Cabinet has agreed the recommendations and:

### **2.2 RESOLVED TO RECOMMEND TO COUNCIL:-**

**To approve the Annual Investment and Treasury Management Strategy for 2009-10, subject to amendment to increase the maximum investment exposure from 364 days to a period no greater than 2 years. A copy of the strategy is attached at Appendix D.**

Daniel Cox  
Chairman

APPENDIX A

LEADER'S 2009-10 REVENUE BUDGET RECOMMENDATION

	2009-10	2010-11	2011-12
<b>CHILDREN'S SERVICES</b>	£m	£m	£m
<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices, 6% School Transport)	£4.699	£4.841	£4.948
Increase in Local Government Employers Pension Contribution	£0.408	£0.412	£0.422
Service Level Agreements/Agency Agreements	£0.575	£0.383	£0.383
Public Law Outline	£0.661		
14-19 Machinery of Government changes transfer of responsibilities and reduction in LSC funding	£0.250	£0.266	£0.086
Developing capacity to manage Primary Capital Programme and Building Schools for the Future	£0.440	£0.274	£-0.210
Looked After Children – increased residential agency and foster care agency	£1.940		
Education Psychologists – national training subscription	£0.040		
Modern Social Care – shortfall on administrative realignment savings	£0.140		
Increased Office Accommodation costs	£0.126		
Early intervention and support to prevent children from being taken into care	£0.750		
Promoting the development of restorative approaches to conflict resolution	£0.150		
Sub Total Additional Costs	£10.179	£6.176	£5.629
<b><u>Budget Savings</u></b>			
Reduced Special Education Needs transport expenditure	£-0.340	£-0.320	
Efficiency savings on Home to School transport	£-0.780		
Efficiency savings in respect of extended rights to free travel	£-0.300		
Reduce Looked After Children costs	£-0.935		
Staff savings	£-0.305		
Children and Adolescent Mental Health Services restructuring	£-0.030		
Extended schools start up – additional grant funding available	£-0.400		
Maintain current level of carer grant and do not increase in line with funding increase	£-0.055		

Primary Schools Computing – efficiency savings	-£0.070		
Maximising use of Surestart grant funding	-£0.800		
Children's Fund – non-filing of vacant posts	-£0.120		
Removal of Modern Social Care scanning costs	-£0.150		
Inflation saving relating to Area Based Grant	-£0.350		
Reduced legal costs due to reduction in activity	-£0.100		
Other budget savings	-£0.100		
Use of NEET related LPSA reward grant	-£0.200		£0.200
Removal of provision for early years revolving loans fund	-£0.100	£0.100	
Savings yet to be found		-£1.688	-£1.433
Sub Total Budget Savings	-£5.135	-£1.908	-£1.233
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.677		
* Deferred Charges	-£7.085		
* Grant on Deferred Charges	£7.546		
* Grant and Contributions Deferred	-£0.948		
Debt Management Expenses	£0.012		
Increase in Area Based Grant	£1.966		
Further budget disaggregation transfer from Adult Social Services mainly relating to premises	£0.188		
Budget Transfer regarding Office Accommodation Charges	£0.037		
Sub Total Cost Neutral Changes	£1.039		
<b><u>Base Adjustments</u></b>			
Student Finance	-£0.370	-£0.105	
Sub Total Base Adjustments	-£0.370	-£0.105	
<b>Total</b>	<b>£5.713</b>	<b>£4.163</b>	<b>£4.396</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>ADULT SOCIAL SERVICES</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£7.458	£7.636	£7.817
Increase in Local Government Employers Pension Contribution	£0.787	£0.795	£0.795
Potential increase in mileage rates paid to volunteer drivers	£0.020		
Estimated increase in utilities – gas, oil, electricity and water	£1.018		
Increase in costs of home care purchased from external providers, greater than inflation, following re-tendering exercise	£0.069		
Reduction in Preserved Rights Grant	£0.240	£0.201	
Demographic growth – Older People	£2.000	£2.000	£2.300
Increased cost packages – Older People	£0.749	£0.756	£0.764
Demographic growth – Physical Disability	£0.039	£0.036	£0.021
Increased cost packages – Physical Disability	£0.117	£0.118	£0.119
Demographic growth – Mental Health	£0.028	£0.026	£0.015
Learning Difficulties recurrent overspend from 2008-09, due to packages of care	£0.500		
Learning Difficulties make 2008-09 one off contribution recurring	£1.228		
Increase in NCC contribution to the Learning Difficulties Pooled Fund above the 2% general allowance	£1.481		
Inflation on Learning Difficulties above the 2% general allowance	£0.885		
Transition of people with Learning Difficulties from Children's Services to Adult Social Services	£2.600		
Learning Difficulties Panel Decisions, new services less people leaving the service	£2.720		
Full year effect of previous years Learning Difficulties Panel decision	£2.430		
Full year effect of re-provision of Burlingham Hose – Learning Difficulties	£0.750		
Aspergers Service – Learning Difficulties	£0.100		
Future years pressure for Learning Difficulties		£7.000	£8.000
Transition of people with physical disabilities from Children's Services to Adult Social Services – increase between years	£0.168		
<b>Sub Total Additional Costs</b>	<b>£25.387</b>	<b>£18.568</b>	<b>£19.831</b>

<b><u>Budget Savings</u></b>			
Increased in income to Norfolk Learning Difficulties Services from the Learning Difficulties Pooled Fund above the 2% general allowance	-£3.129		
Modern Social Care/Assessment and Care Management Review Savings	-£1.500		
Priority Based Budgeting exercise in Learning Difficulties	-£6.856		
Recalculation of overall inflation required	-£2.000	-£2.000	
Savings from continued externalisation of home support services	-£0.821	-£0.719	
Savings from Day Opportunities project	-£0.500		
Demand management (non-Learning Difficulties) – ie reduction in Purchase of Care budgets	-£3.922	-£2.481	-£5.272
Learning Difficulties savings to be identified		-£7.000	-£8.000
Sub Total Budget Savings	-£18.728	-£12.200	-£13.272
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.357		
* Deferred Charges	-£3.272		
* Grant on Deferred Charges	£1.770		
* Grant and Contributions Deferred	-£0.048		
Increase in Area Based Grant	£0.261		
Budget Transfer regarding Local Involvement Networks to Chief Executives	-£0.344		
Budget Transfer regarding Norfolk Home Call function to Trading Standards	-£0.070		
Further budget disaggregation transfer to Children's Services mainly relating to premises	-£0.188		
Budget Transfer regarding Office Accommodation Charges	£0.141		
Sub Total Cost Neutral Changes	-£2.107		
<b>Total</b>	<b>£4.552</b>	<b>£6.368</b>	<b>£6.559</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>PLANNING AND TRANSPORTATION</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.978	£0.990	£1.002
Increase in Local Government Employers Pension Contribution	£0.143	£0.143	£0.143
Additional Highways Maintenance Inflation	£0.600	£0.600	£0.600
Highways Maintenance inflation – fuel increase	£0.150		
Passenger Transport inflation	£0.240	£0.080	
Street Lighting energy costs	£0.200	£0.600	
Traffic Lights energy costs	£0.120		
Public Transport cost pressures			£1.035
Section 38	£0.145		
Section 106	£0.101		
Increase Highways Assets by Adoption	£0.050	£0.050	£0.051
NDR examinations in public – expert witnesses	£0.050		
Minerals and Waste LDF	£0.250		
Site inspection fees reduction	£0.027		
EERA income ceasing	£0.020		
Great Yarmouth 3 <sup>rd</sup> River Crossing fees	£0.050	-£0.350	
Feasibility studies	£0.500		
Rangers/Street Scene improvements		£0.350	£0.350
Civil Parking enforcement	£0.350		
Enhancement of programme of tree inspections to reduce risk	£0.055		
Sub Total Additional Costs	£4.029	£2.463	£3.181
<b><u>Budget Savings</u></b>			
A change of Park & Ride fare structure to align with NATS strategy	-£0.140		
Accept concessionary bus passes at Park and Ride sites	-£0.016		
Eliminate Park & Ride deficit by 2011 – contingent on contract re let			-£1.635
Reduction in subsidy for local bus services	-£0.316		

Passenger Transport Group – LPSA reward grant	-£0.300		
Road Safety – LPSA reward grant	-£0.330		
Reduction in Highways Maintenance	-£1.097		
Savings to be identified		-£0.952	
Sub Total Budget Savings	-£2.199	-£0.952	-£1.635
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	£1.458		
* Grant and Contributions Deferred	-£0.378		
Debt Management Expenses	£0.011		
Increase in Area Based Grant	£0.075		
Budget Transfer regarding Office Accommodation Charges	-£0.029		
Sub Total Cost Neutral Changes	£1.137		
<b>Total</b>	<b>£2.967</b>	<b>£1.511</b>	<b>£1.546</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>ENVIRONMENT AND WASTE MANAGEMENT</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.477	£0.483	£0.489
Increase in Local Government Employers Pension Contribution	£0.069	£0.069	£0.069
Landfill Directive New Treatment Contract (Contract A)		£1.960	
Contract A – per business caser		£4.116	£0.546
Waste Disposal Landfill Tax HMG budget increase	£1.200	£1.200	
Waste Treatment and Disposal	£1.040	£1.040	
Waste Disposal Landfill Tax HMG budget increase – included in Contract A		-£1.200	
Waste Treatment and Disposal – included in Contract A		-£1.040	



Dereham HWRC		£0.400	
Sub Total Additional Costs	£2.786	£7.028	£1.104
<b><u>Budget Savings</u></b>			
Waste disposal savings	-£0.300		
Savings to be identified		-£5.983	-£0.028
Sub Total Budget Savings	-£0.300	-£5.983	-£0.028
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	£0.137		
* Deferred Charges	-£1.035		
* Grant on Deferred Charges	£0.500		
* Grant and Contributions Deferred	£0.024		
Sub Total Cost Neutral Changes	-£0.374		
<b>Total</b>	<b>£2.112</b>	<b>£1.045</b>	<b>£1.076</b>

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	2009-10	2010-11	2011-12
<b>ECONOMIC DEVELOPMENT</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.034	£0.034	£0.034
Increase in Local Government Employers Pension Contribution	£0.001	£0.001	£0.001
Sub Total Additional Costs	£0.035	£0.035	£0.035
<b><u>Budget Savings</u></b>			
Reduction in Operating Plan	-£0.004	-£0.004	-£0.004
Sub Total Budget Savings	-£0.004	-£0.004	-£0.004

<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	£0.321		
* Deferred Charges	£1.418		
* Grant on Deferred Charges	-£1.758		
* Grant and Contributions Deferred	-£0.133		
Debt Management Expenses	£0.001		
Sub Total Cost Neutral Changes	-£0.151		
<b>Total</b>	<b>-£0.120</b>	<b>£0.031</b>	<b>£0.031</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>FIRE SERVICE</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.628	£0.642	£0.656
Contract Charges	£0.072	£0.075	£0.075
Increase in Local Government Employers Pension Contribution	£0.031	£0.032	£0.032
Legacy of 2003 pay agreement – uniformed staff	£0.030		
Exceptional inflation – Derv	£0.063		
Exceptional inflation – Gas and Electricity	£0.202		
National FRS Diversity Strategy	£0.033		
Community fire protection – special premises audit	£0.025		
Enhanced fire cover in rural areas	£0.333		
Leasing – Fire Appliances and ICT Structure renewals		£0.152	£0.164
Domestic Violence and Anti-social Behaviour Co-ordinators – Loss of Grants		£0.160	
Sub Total Additional Costs	£1.417	£1.061	£0.927

<b><u>Budget Savings</u></b>			
Training Course reductions – suspend some non safety critical training	-£0.018		
Training equipment savings – defer purchase of some equipment	-£0.017		
National competition fees – cease participation in national competitions	-£0.005		
ICT – Radio licence and maintenance – transition to Airwave national scheme	-£0.043		
Staff saving – uniformed trainer – full time to part time	-£0.035		
Reduced recruitment costs	-£0.024		
Staff saving – commercial training – full time to casual	-£0.027		
Efficiency savings	-£0.031		
Staff saving through self service scheme re travel bookings	-£0.009		
Removal of one-off set up costs in 2008-09 for water rescue service	-£0.248		
Savings to be identified		-£0.160	
Sub Total Budget Savings	-£0.457	-£0.160	
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.267		
* Deferred Charges	£0.250		
* Grant on Deferred Charges	-£0.250		
Budget Transfer regarding Office Accommodation Charges	£0.061		
Sub Total Cost Neutral Changes	-£0.206		
<b>Total</b>	<b>£0.754</b>	<b>£0.901</b>	<b>£0.927</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
TRADING STANDARDS	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.071	£0.073	£0.076
Increase in Local Government Employers Pension Contribution	£0.029	£0.030	£0.031
Sub Total Additional Costs	£0.100	£0.103	£0.107
<b><u>Budget Savings</u></b>			
Vacancy management	-£0.020	-£0.023	-£0.027
Sub Total Budget Savings	-£0.020	-£0.023	-£0.027
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
Budget Transfer regarding Norfolk Homecall Scheme from Adult Social Services	£0.070		
Budget Transfer regarding Office Accommodation Charges	-£0.005		
Sub Total Cost Neutral Changes	£0.065		
<b><u>Base Adjustments</u></b>			
Transfer of DEFRA grant funding to RSG in 2011-12			£0.138
Sub Total Base Adjustments			£0.138
<b>Total</b>	<b>£0.145</b>	<b>£0.080</b>	<b>£0.218</b>

	2009-10	2010-11	2011-12
<b>OTHER CONSUMER SERVICES</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.022	£0.022	£0.022
Increase in Local Government Employers Pension Contribution	£0.003	£0.003	£0.003
Increase in Eastern Sea Fisheries precept	£0.025		
Sub Total Additional Costs	£0.050	£0.025	£0.025
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
Budget Transfer regarding Office Accommodation Charges	-£0.001		
Sub Total Cost Neutral Changes	-£0.001		
<b>Total</b>	<b>£0.049</b>	<b>£0.025</b>	<b>£0.025</b>

	2009-10	2010-11	2011-12
<b>LIBRARIES AND INFORMATION</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.257	£0.263	£0.268
Increase in Local Government Employers Pension Contribution	£0.061	£0.061	£0.061
Additional premises running costs (utilities)	£0.155	£0.073	£0.073
New Wymondham Library revenue consequences	£0.011		
Sub Total Additional Costs	£0.484	£0.397	£0.402
<b><u>Budget Savings</u></b>			
Service efficiencies including increased electronic processing	-£0.100	-£0.050	
Efficiencies from delivery vehicle rationalisation	-£0.030		
Withhold inflation to stock fund	-£0.025		

Withhold inflation for ICT budgets	-£0.012		
Transport lease funding no longer required	-£0.020		
Savings yet to be found		-£0.043	-£0.090
Sub Total Budget Savings	-£0.187	-£0.093	-£0.090
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.801		
* Grant and Contributions Deferred	-£0.001		
Debt Management Expenses	-£0.001		
Budget Transfer of Finance Leases to Finance General	-£0.012		
Budget Transfer regarding Office Accommodation Charges	£0.043		
Sub Total Cost Neutral Changes	-£0.772		
<b>Total</b>	<b>-£0.475</b>	<b>£0.304</b>	<b>£0.312</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
	£m	£m	£m
<b>RECREATION &amp; GRANTS</b>			

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.016	£0.016	£0.016
Increase in Local Government Employers Pension Contribution	£0.002	£0.002	£0.002
	£0.010		
Transfer budget to Record Office			
	£0.028	£0.018	£0.018
Sub Total Additional Costs			
<b><u>Budget Savings</u></b>			
Withhold inflation allowance to arts and cultural grants	-£0.010		
Sub Total Budget Savings	-£0.010		

<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
Budget Transfer of Arts and Cultural Grants budget saving to the Record Office	-£0.010		
Sub Total Cost Neutral Changes	-£0.010		
<b>Total</b>	<b>£0.008</b>	<b>£0.018</b>	<b>£0.018</b>

	2009-10	2010-11	2011-12
<b>MUSEUMS</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.091	£0.093	£0.096
Increase in Local Government Employers Pension Contribution	£0.028	£0.028	£0.028
Additional premises running costs (utilities)	£0.113	£0.030	£0.030
Continue free school admissions to Museums	£0.046		
Replacements and estates management at Gressenhall Farm and Workhouse	£0.015		
Committed costs met from reserves in prior years		£0.029	
Sub Total Additional Costs	£0.293	£0.180	£0.154
<b><u>Budget Savings</u></b>			
Catering efficiencies	-£0.010		
Charge of overhead to Renaissance in Regions	-£0.040		
Withhold inflation to budgets	-£0.009		
Gressenhall rates provision no longer required	-£0.035		
Increased income from leasing GY museums	-£0.011		
Security savings at Norwich Castle	-£0.010		
Transfer from reserves	-£0.029		

Savings yet to be found re School's Admissions	-£0.046		
Savings yet to be found – future years		-£0.074	-£0.046
Sub Total Budget Savings	-£0.190	-£0.074	-£0.046
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£1.282		
* Deferred Charges	£0.369		
* Grant on Deferred Charges	-£0.369		
* Grant and Contributions Deferred	-£0.036		
Debt Management Expenses	-£0.002		
Office Accommodation	£0.054		
Sub Total Cost Neutral Changes	-£1.266		
<b>Total</b>	<b>-£1.163</b>	<b>£0.106</b>	<b>£0.108</b>

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	2009-10	2010-11	2011-12
<b>RECORDS</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.033	£0.034	£0.034
Increase in Local Government Employers Pension Contribution	£0.010	£0.010	£0.010
Additional premises running costs (utilities)	£0.086	£0.014	£0.014
Committed costs met from reserves in prior years		£0.051	
Sub Total Additional Costs	£0.129	£0.109	£0.058
<b><u>Budget Savings</u></b>			
Transfer from reserves	-£0.051		



Saving from transfer of Arts and Cultural Grants budget saving	-£0.010		
Savings yet to be found		-£0.071	-£0.019
Sub Total Budget Savings	-£0.061	-£0.071	-£0.019
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.144		
* Grant and Contributions Deferred	£0.003		
Budget Transfer of Arts and Cultural Grants budget saving to the Record Office	£0.010		
Sub Total Cost Neutral Changes	-£0.131		
<b>Total</b>	<b>-£0.063</b>	<b>£0.038</b>	<b>£0.039</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>ADULT EDUCATION</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.022	£0.023	£0.024
Increase in Local Government Employers Pension Contribution	£0.048	£0.048	£0.048
Additional premises running costs (utilities)	£0.019	£0.005	£0.005
Sub Total Additional Costs	£0.089	£0.076	£0.077
<b><u>Budget Savings</u></b>			
Service efficiency programme	-£0.083	-£0.070	-£0.071
Sub Total Budget Savings	-£0.083	-£0.070	-£0.071
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.048		

* Deferred Charges	-£0.035		
* Grant and Contributions Deferred	-£0.034		
Budget Transfer regarding Office Accommodation Charges	£0.006		
Sub Total Cost Neutral Changes	-£0.111		
<b>Total</b>	<b>-£0.105</b>	<b>£0.006</b>	<b>£0.006</b>

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	2009-10	2010-11	2011-12
	£m	£m	£m
<b>NORFOLK GUIDANCE SERVICE</b>			

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.001	£0.001	£0.001
Increase in Local Government Employers Pension Contribution	£0.003	£0.003	£0.003
Sub Total Additional Costs	£0.004	£0.004	£0.004
<b><u>Budget Savings</u></b>			
Service efficiencies	-£0.004	-£0.004	-£0.004
Sub Total Budget Savings	-£0.004	-£0.004	-£0.004
<b>Total</b>	<b>£0.000</b>	<b>£0.000</b>	<b>£0.000</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>CHIEF EXECUTIVE (including Finance, E-Service &amp; Efficiency, Customer Access)</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.650	£0.657	£0.661
Increase in Local Government Employers Pension Contribution	£0.153	£0.154	£0.156
Coroners pay (National award)	£0.035		
Elections (one-off)	£0.605		
Coroners: increase in caseload	£0.127		
Coroners: relocation of Greater Norwich office	£0.025		
Chief executive: King's Lynn Registration Office	£0.025		
Equality and Cohesion	£0.030		
Chief executive: Independent Safeguarding Authority	£0.350		
Sub Total Additional Costs	£2.000	£0.811	£0.817
<b><u>Budget Savings</u></b>			
Withhold price inflation (mainly be reviewing IT contracts)	-£0.225	-£0.063	
Holding vacant posts – Chief Executive's	-£0.051	-£0.052	
Increased registrars fee income	-£0.008	-£0.008	
Chief Executive: efficiency savings across services	-£0.023	-£0.023	
Chief Executive: Corporate Finance efficiencies from restructuring	-£0.100		
Chief Executive: Customer Service Centre additional income	-£0.030		
Use of Reserve for Election costs (one-off)	-£0.605		
Sub Total Budget Savings	-£1.042	-£0.146	
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.379		
Debt Management Expenses	£0.001		
Budget Transfer of Finance Leases to Finance General	£0.096		
Budget Transfer regarding Local Involvement Networks to Chief Executives	£0.344		

Budget Transfer regarding Office Accommodation Charges	-£0.027		
Sub Total Cost Neutral Changes	£0.035		
<b>Total</b>	<b>£0.993</b>	<b>£0.665</b>	<b>£0.817</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>PROPERTY SERVICES</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.067	£0.069	£0.072
Sub Total Additional Costs	£0.067	£0.069	£0.072
<b>Total</b>	<b>£0.067</b>	<b>£0.069</b>	<b>£0.072</b>

	2009-10	2010-11	2011-12
<b>OFFICE ACCOMMODATION</b>	£m	£m	£m

<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	-£0.186		
* Grant and Contributions Deferred	-£0.001		
Budget Transfer regarding Services Office Accommodation	£0.016		
Sub Total Cost Neutral Changes	-£0.171		
<b>Total</b>	<b>-£0.171</b>		

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>COUNTY FARMS</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.006	£0.006	£0.006
Sub Total Additional Costs	£0.006	£0.006	£0.006
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	£0.066		
Budget Transfer regarding Office Accommodation Charges	£0.046		
Sub Total Cost Neutral Changes	£0.112		
<b>Total</b>	<b>£0.118</b>	<b>£0.006</b>	<b>£0.006</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>PROPERTY MANAGEMENT</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.003	£0.003	£0.003
Loss of income through sale of interest in Easton Quarry	£0.140		
Sub Total Additional Costs	£0.143	£0.003	£0.003
<b><u>Budget Savings</u></b>			
Rates saving on County Hall to meet property pressures	-£0.150		
Sub Total Budget Savings	-£0.150		
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			

* Capital Accounting Charges	-£0.222		
* Grant and Contributions Deferred	-£0.021		
Budget Transfer regarding Office Accommodation Charges	£0.168		
Sub Total Cost Neutral Changes	-£0.075		
<b>Total</b>	<b>-£0.082</b>	<b>£0.003</b>	<b>£0.003</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

	2009-10	2010-11	2011-12
<b>FINANCE GENERAL</b>	£m	£m	£m

<b><u>Additional Costs</u></b>			
Pay and Price Increases (2.25% Pay, 2% Prices)	£0.037	£0.037	£0.038
Increase in Local Government Employers Pension Contribution	£0.019	£0.019	£0.019
Additional insurance costs	£0.600	£0.100	£0.100
Net interest payable/receivable	£6.178	£3.730	£1.831
Increased investment in Strategic Ambitions – details to be reported to County Council on 16 <sup>th</sup> February	£0.871		
Increase in Land Drainage Precept	£0.018		
Sub Total Additional Costs	£7.723	£3.886	£1.988
<b><u>Budget Savings</u></b>			
Corporate procurement savings	-£0.400		
Remove contribution to General Balances in 2008-09	-£2.160		
Use of Strategic Ambitions Reserve	-£0.575		
Finance General efficiencies – review of income	-£0.086	-£0.056	
Sub Total Budget Savings	-£3.221	-£0.056	
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
* Capital Accounting Charges	£2.381		
* Deferred Charges	£9.390		
* Grant on Deferred Charges	-£7.439		

* Grant and Contributions Deferred	£1.573		
Debt Management Expenses	-£0.022		
Budget Transfer of Finance Leases from Departments	-£0.084		
Budget Transfer re Increase in Area Based Grant	-£2.302		
Budget Transfer regarding Office Accommodation Charges	-£0.510		
Sub Total Cost Neutral Changes	£2.987		
<b>Total</b>	<b>£7.489</b>	<b>£3.830</b>	<b>£1.988</b>

\* These changes are required to comply with the Local Authority Accounting Code of Practice but do not impact on the Council Tax calculation.

## CAPITAL PROGRAMME 2009-2012

**Capital Programme - Estimates 2009-10, Commitments 2010-11 and Indicative programme 2011-12**

	2009-10 £'000	2010-11 £'000	2011-12 £'000
<b>Adult Social Services</b>			
Essential Improvements - HFE's	471	471	
HFE's (limited to homes where CSCI may withdraw registrations)	275		
Mental Health	278	278	
Essential Improvements - HFE's	417	2,420	2,420
Replacement call systems	75	75	75
<b>Adult Social Services Total</b>	<b>1,516</b>	<b>3,244</b>	<b>2,495</b>
<b>Children's Services - Education</b>			
Children's Centres and Extended Schools	11,871	6,615	778
ICT	12,970	8,221	4,132
Primary Capital Programme	7,600		
Major Projects and Targeted Capital Fund	15,706	4,996	6,000
High Growth Areas	5,104	4,753	
Compliance with DDA	1,940	2,071	1,571
SEN Review	2,904	1,610	
Modernisation	6,041	4,127	9,341
Specialised Diplomas	1,600	6,000	
Devolved Formula Capital	15,900	15,730	15,312
Minor Works			
Social Care	963	607	
Other Schemes	8,513	3,216	9,219
<b>Children's Services - Education Total</b>	<b>91,112</b>	<b>57,946</b>	<b>46,353</b>
<b>Corporate Property</b>			
Carrow House - Replacement Windows and Heating System	83		
Corporate Minor Works	900	1,180	1,220
Fire Safety Requirements	400		
Improvements to Office accommodation, Priory House, Kings Lynn	500		
County Hall Norwich - Office accommodation Strategy - 6th Floor	674		
Refurbishment of WC & Kitchen Facilities (DDA)	210		
Customer Access enhancements - County Hall	177	38	61
Land Acquisition from Police in Aylsham	175		
<b>Corporate Property - Total</b>	<b>3,119</b>	<b>1,218</b>	<b>1,281</b>



	2009-10 £'000	2010-11 £'000	2011-12 £'000
<b>Chief Executives</b>			
Asbestos Survey & removal programme	722	722	722
<b>Chief Executives - Total</b>	<b>722</b>	<b>722</b>	<b>722</b>
<b>Fire</b>			
Replacement Station (Carrow Fire Station)	2,700		
New Fire station - Boat store and enhanced ICT	200		
Retained Fire Station Refurbishment	251	251	
Training Buildings	200	200	200
Fire Capital Grant	688	852	
<b>Fire - Total</b>	<b>4,039</b>	<b>1,303</b>	<b>200</b>
<b>Joint Museums Service</b>			
Bridewell Museum Development Project	1,339		
Gressenhall Farm & Workhouse Eco- buildings	48	95	
<b>Joint Museum Service - Total</b>	<b>1,387</b>	<b>95</b>	
<b>Library Service</b>			
Libraries Refurbishments	196	196	196
<b>Library Service - Total</b>	<b>196</b>	<b>196</b>	<b>196</b>
<b>Cultural Services</b>			
St Georges Art Centre Gt Yarmouth	500	100	150
<b>Cultural Services - Total</b>	<b>500</b>	<b>100</b>	<b>150</b>
<b>Planning and Transportation - Highways</b>			
Majors Developing	10,143	28,717	46,000
Bus infrastructure schemes	1,365	1,075	900
Bus priority Schemes	1,495	375	375
Public Transport interchanges	910	650	600
Park & Ride	5,550	150	100
cycling schemes	2,150	960	887
Road Crossings	1,208	825	750
Walking schemes (Including New Footways)	3,284	2,004	900
Local Road schemes	4,328	1,890	1,775
Safer & Healthier Journeys to school	925	837	750

	2009-10 £'000	2010-11 £'000	2011-12 £'000
Local Safety Schemes	1,830	1,451	1,250
Traffic management & Traffic Calming	3,575	1,175	1,141
Other Schemes	230	30	125
Fees for future schemes	400	450	450
Retention / Land costs on Completed schemes	300	300	300
Detrunked Roads & Bridges			
Structural Maintenance	24,523	26,134	28,803
Bridge Strengthening / Bridge Maintenance	2,000	2,000	2,000
<b>Planning and Transportation - Highways - Total</b>	<b>64,216</b>	<b>69,023</b>	<b>87,106</b>
<b>Planning and Transportation - Other services</b>			
Recycling Centre - Legal Compliance	277	2,688	
Genome Analysis Centre	500	500	
Mile Cross Travellers Site Refurbishment	80		
<b>Planning and Transportation - Other services Total</b>	<b>857</b>	<b>3,188</b>	
<b>Total Programme</b>	<b>167,664</b>	<b>137,035</b>	<b>138,503</b>
<b>Funding of Programme:</b>			
General Funding from County Council Resources	65,218	51,792	52,659
External Funding	96,485	82,539	85,844
Funding from Specific Internal Resources	5,961	2,704	
<b>Total</b>	<b>167,664</b>	<b>137,035</b>	<b>138,503</b>

## PRUDENTIAL INDICATORS

**Prudential Code Indicators 2009-10****1. Background**

- 1.1 The Prudential Code for local government capital investment came into effect on 1 April 2004. It replaced the complex regulatory framework, which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation by local authorities. All borrowing undertaken is self determined under the prudential code.
- 1.2 Under Prudential arrangements, local authorities can determine their own borrowing limits for capital expenditure. The Government does retain reserve powers to restrict borrowing if that is required for national economic reasons.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that capital investment plans of local authorities are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. The Code requires the Council to set and monitor performance on:
- capital expenditure
  - affordability
  - external debt
  - treasury management
- 1.4 The required indicators are:
- **Capital Expenditure Payment Forecast**
  - **Ratio of Capital Financing costs to Net Revenue Budget**
  - **Capital Financing Requirement**
  - **Net Borrowing for Capital Purposes**
  - **Authorised Limit for External Debt**
  - **Operational Boundary Limit for External Debt**
  - **Incremental Impact of Capital Programme on Band D Council Tax**
  - **Fixed and Variable Interest Rate Exposure Limits**
  - **Upper Limits for the Maturity Structure of Borrowing**
  - **Revenue Investments Beyond 364 days**
- 1.5 Once determined, the indicators can be changed so long as this is reported to the Council.
- 1.6 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.

- 1.7 Attached is a diagrammatic view of the indicators, setting out the relationship between indicators and their bases of calculation. The diagram shows for example, that the decision to finance capital expenditure from borrowing will increase outstanding debt on the balance sheet; which in turn results in interest payable on borrowing. Interest payable on borrowing is then compared with the net revenue budget to calculate the ratio of capital financing costs to net revenue budget indicator. Interest payable is also used to calculate the incremental impact on Band D Council Tax.

## 2. The Indicators

- 2.1 The actual **capital expenditure** that was incurred in 2007-08 and the latest estimates of capital expenditure in 2008-09 (as contained in the latest Finance Monitoring Report) are shown below. The table also shows estimates for future years, as detailed in the Capital Programme 2009-10 – 2011-12:

<b>Capital Expenditure Payment Forecast</b>					
	<b>2007-08 Actual £m</b>	<b>2008-09 Revised Estimate £m</b>	<b>2009-10 Estimate £m</b>	<b>2010-11 Estimate £m</b>	<b>2011-12 Estimate £m</b>
Children's Services	99.803	90.210	91.112	57.946	46.353
Adult Education	0.136	0.086	0.000	0.000	0.000
Adult Social Services	3.700	10.107	1.516	3.244	2.495
Planning & Transportation	63.792	59.632	65.073	72.211	87.106
Fire & Consumer Services	0.358	2.280	4.039	1.303	0.200
Library & Info Service	1.643	2.443	0.196	0.196	0.196
Norfolk Joint Museums	0.598	1.286	1.887	0.195	0.150
Corporate Resources	11.893	13.972	3.841	1.940	2.003
Finance Leases	1.578	0.089	0.000	0.000	0.000
<b>Total</b>	<b>183.501</b>	<b>180.105</b>	<b>167.664</b>	<b>137.035</b>	<b>138.503</b>

The Capital Programme report seeks approval for the overall level of programme based on the level of capital financing costs contained within the draft revenue budget.

- 2.2 The **ratio of capital financing costs to net revenue budget** shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from council taxpayers and government. Estimates of the ratio of capital financing costs to net revenue budget for the current and future years, and the actual figures for 2007-08 are:

<b>Ratio of Capital Financing Costs to Net Revenue Budget</b>					
	<b>2007-08 Actual</b>	<b>2008-09 Revised Estimate</b>	<b>2009-10 Estimate</b>	<b>2010-11 Estimate</b>	<b>2011-12 Estimate</b>
	5.03%	7.65%	9.66%	9.84%	9.63%

The ratios increase over the period as new capital borrowing increases the level of outstanding debt.

The impairment charges in the 2007-08 Statement of Accounts relating to changes in property valuations have no impact on the Council tax, but have reduced the ratio shown above for that year.

- 2.3 The **capital financing requirement** represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or other sources of external funding. Estimates of the end of year capital financing requirement for the Council for the current and future years and the actual capital financing requirement at 31 March 2008 are:

<b>Capital Financing Requirement</b>					
	<b>31-03-08 Actual £m</b>	<b>31-03-09 Estimate £m</b>	<b>31-03-10 Estimate £m</b>	<b>31-03-11 Estimate £m</b>	<b>31-03-12 Estimate £m</b>
	547.207	598.534	647.725	671.030	689.732

The capital financing requirement measures the County Council's underlying need to borrow for a capital purpose.

- 2.4 The guidance on **net borrowing for capital purposes** advises that:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.”

Net borrowing refers to the County Council's total external borrowing net of any temporary cash investments. The Council already works within this requirement.

- 2.5 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases. It is recommended that Council approve the 2009-2010 and future years limits.

For 2009-2010 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

As required by the Code, the Council is asked to delegate authority to the Head of Finance, within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long term liabilities. Any such changes made will be reported to the Cabinet.

<b>Authorised Limit for External Debt</b>				
	<b>2008-09 £m</b>	<b>2009-10 £m</b>	<b>2010-11 £m</b>	<b>2011-12 £m</b>
Borrowing	710.946	746.601	762.976	780.826
Other long term liabilities	9.477	13.574	14.703	15.360
<b>Total</b>	<b>720.423</b>	<b>760.175</b>	<b>777.679</b>	<b>796.186</b>

These proposed limits are consistent with the indicative Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements.

- 2.6 The Code also requires the Council to approve an **operational boundary limit for external debt** for the same time period. The proposed operational boundary for external debt is the same calculation as the external debt limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring.

Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified again. The Council is asked to delegate authority to the Head of Finance, within the total operational boundary for any individual year, to make any required changes between the separately agreed figures for borrowing and other long-term liabilities.

<b>Operational Boundary Limit for External Debt</b>				
	<b>2008-09 £m</b>	<b>2009-10 £m</b>	<b>2010-11 £m</b>	<b>2011-12 £m</b>
Borrowing	602.409	647.540	669.496	687.346
Other long term liabilities	9.477	10.574	11.703	12.360
<b>Total</b>	<b>611.886</b>	<b>658.114</b>	<b>681.199</b>	<b>699.706</b>

- 2.7 The Council's actual external debt at 31 March 2008 was £583m. This is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

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

<b>Incremental Impact of Capital Programme on Band D Council Tax</b>		
<b>2009-2010</b> £0.14	<b>2010-2011</b> £1.27	<b>2011-2012</b> £1.26

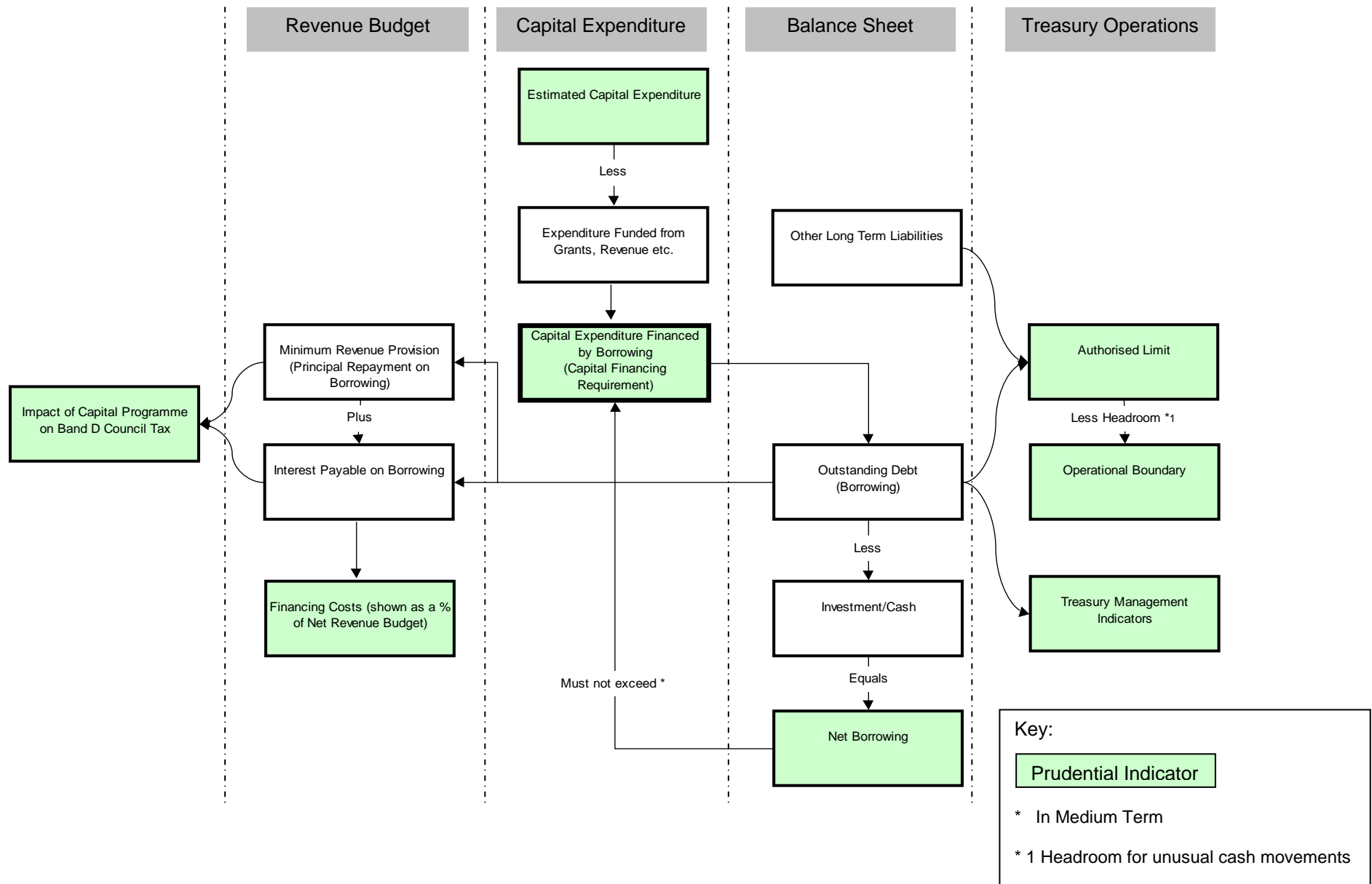
This reflects the cumulative impact of funding new capital schemes and associated capital commitments each year.

- 2.9 It is further recommended that the County Council set an **upper limit on its fixed interest rate exposures** for 2009-2010, 2010-2011 and 2011-2012 of 100% of its net outstanding principal sums.
- 2.10 It is recommended that the Council set an **upper limit on its variable interest rate exposures** for 2009-2010, 2010-2011 and 2011-2012 of 30% of its net outstanding principal sums. This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments. This is consistent with policy followed in previous years.
- 2.11 It is recommended that the Council set an **upper limit for the maturity structure** of its borrowings, which has been determined in order to reduce the Council's exposure to large fixed rate sums falling due for refinancing in any one year. Again these limits follow existing treasury management policy and are unchanged from 2008-2009.

	<b>Upper limit</b>
Under 12 months	15%
12 months and within 24 months	15%
24 months and within 5 years	45%
5 years and within 10 years	75%
10 years and above	100%

- 2.12 For **revenue investments** the maximum period for which cash can be invested in 2009-10 is 364 days. The Council currently has some fixed deposits that are greater than 364 days. Our exposure will reduce during the year as existing fixed deposits approach maturity and no new investments are made greater than 364 days. Therefore, It is estimated that in 2009-10, the maximum level of Council funds invested for periods greater than 364 days will be no more than 15%.

## DIAGRAMMATIC PRESENTATION OF PRUDENTIAL INDICATORS





**Annual Investment and Treasury Strategy 2009-10**

**1. Background**

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Sector (the Code) was adopted by the County Council in November 2002. The Code requires local authorities to produce a Treasury Strategy for the year ahead.
- 1.2 The CIPFA Code defines Treasury Management activities as "the management of the Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."
- 1.3 Complementary to the CIPFA Code, the Government has issued investment guidelines for Local Authorities. The guidance requires local authorities to produce an Annual Investment Strategy.
- 1.4 This report combines the reporting requirements of both the CIPFA Code and the Government's Annual Investment Strategy.
- 1.5 The County Council has delegated responsibility for the implementation of its treasury management policies and practices to the Council's Cabinet. Day to day execution and administration of treasury management decisions has been delegated to the Head of Finance. Treasury management consultancy services are provided by external advisors (Butlers). The Council also receives information and guidance from a number of professional sources operating in the financial markets, such as money brokers and investment managers. Corporate Finance staff regularly partake in a number of practitioner networks and organisations which share treasury management information and best practice.

**Economic Overview**

- 2.1 The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy makers who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession.
- 2.2 The sharp downturn in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand should result in a very steep decline in inflation in the year ahead. In the Government's recent pre-Budget Report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. Inflation considerations will not

therefore be a constraint upon Bank of England policy action. Indeed, the threat of deflation strengthens the case for further reductions in interest rates.

- 2.3 The Government's November 2008 pre-Budget Report did feature some fiscal relaxation (e.g. a temporary VAT reduction), but it also highlighted the very poor health of public sector finances. The measures proposed thus far are considered by some to be insufficient to kick-start the economy. The onus for economic stimulation may fall upon monetary policy and the Bank of England.
- 2.4 The Bank of England will continue to ease monetary policy and the need to drive commercial interest rates, currently underpinned by the illiquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. A Bank Rate of 1% (or lower) now seems a distinct possibility and short-term LIBOR (investment) rates of below 2% may result. Only when the markets return to some semblance of normality will official rates edge higher.
- 2.5 Long-term interest rates (PWLB Borrowing) will be the victim of conflicting forces. The threat of deep global recession should drive bond yields to yet lower levels as equity weakness increases the demand for bonds. But the prospect of exceptionally heavy gilt-edged issuance in the next three years (totaling in excess of £100bn per annum), as the Government seeks to finance its large deficit, suggest that there is a significant risk that bond yields (long-term interest rates) will move higher.
- 2.6 The table below presents the expected movement in interest rates over the medium term\*.

Financial Year	Investment Rates			Borrowing Rates		
	Base Rate (Annual Average %)	Money Rates (Annual Average %)		PWLB Rates (Annual Average %)		
		3 Month	1 Year	5 Year	20 Year	50 Year
2009/10	1.0	1.6	1.8	2.4	3.9	3.8
2010/11	1.7	2.1	2.8	3.2	4.1	4.0
2011/12	2.4	2.8	3.6	4.0	4.3	4.1

\* Source: Butlers (Jan 2009)

- 2.7 The uncertainty over future interest rates and the state of financial markets increase the risks associated with treasury activity. This is taken into account in the proposed Investment Strategy for 2009-10.

### 3. Investment Strategy 2009-10

3.1 There are 3 key considerations to the treasury management investment process. Ranked in order of importance they are:

- security of principal invested,
- liquidity for cash flow, and
- investment return (yield).

Each investment is considered in the context of these 3 factors.

3.2 The criteria for choosing investment counterparties set out below provide a sound approach to investment in 'normal' market circumstances. Whilst Members are asked to approve this criteria, under the current exceptional market conditions the Head of Finance will temporarily restrict further investment activity to those counterparties considered of higher credit quality, rather than the minimum criteria set out for approval. In practice this means that current suspension of overseas banks will remain, with investments only being made with 'high quality' UK banks and financial institutions. This restriction will remain in place until the banking system returns to "normal" conditions.

3.3 The Council works closely with its external Treasury Advisors to determine the criteria for 'high' credit rated institutions. The rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties (see Section 4). This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For example, if an institution is rated by all three agencies, two meet the Council's criteria, the other does not, the institution will fall outside the lending criteria.

3.4 The minimum criteria for inclusion on the Council's 'Approved Authorised Counterparty' List is shown in the table below. These minimum criteria represent a very high standard of credit quality:

		<b>Fitch</b>	<b>Moody's</b>	<b>Standards &amp; Poor</b>
<b>UK &amp; Overseas Banks &amp; Building Societies</b>				
	Short Term Rating	<b>F1</b>	<b>P-1</b>	<b>A-1</b>
	Individual Rating	<b>B/C</b>	<b>C+</b>	-
	Support Rating	<b>3</b>	-	-
	Long Term Rating	<b>A-</b>	<b>A3</b>	<b>A</b>
	Sovereign Status*	<b>AAA</b>	<b>AAA</b>	<b>AAA</b>

<b>Money Market Funds</b>	<b>AAA</b>	<b>AAA</b>	<b>AAA</b>
<b>UK Government</b>	<b>AAA</b>	<b>AAA</b>	<b>AAA</b>
<b>UK Financial Institution with Government Guarantee of Deposits</b>	-	-	-
<b>Local Authorities</b>	-	-	-

\* Sovereign Status applies to Overseas Banks and Building Societies (see para. 3.5 below).

- 3.5 An additional restriction is to be applied to all new investments in overseas financial institutions. This strategy requires that a country must be assigned an AAA 'sovereign' rating by all three credit rating agencies for it to meet the Council's counterparty criteria in future. Further restrictions have been applied to the lending limits assigned to overseas counterparties (see Section 4).
- 3.6 The Head of Finance is responsible for maintaining the Approved Authorised Counterparty List in accordance with the above criteria. The List is actively managed on a day to day basis and when an institution no longer meets the above criteria it is immediately removed. The List is reviewed at least once a year for any possible additions.  
**Note by Head of Democratic Services** – The List reflecting the ratings above is attached at the Appendix to this Strategy, updated from the version presented to Cabinet to reflect latest information available.
- 3.7 All cash invested by the County Council in 2009-10 will be Sterling deposits, invested in accordance with the Approved Authorised Counterparty List.
- 3.8 The Government's investment guidelines require the County Council to detail the difference between 'Specified' and 'Non-Specified' Investments.
- 3.9 Specified Investments offer "high security and high liquidity". They are Sterling denominated and have a maturity of less than one year. Investments with UK Government and local authorities (so long as they meet the denomination and maturity criteria) automatically qualify as Specified Investments. In addition, institutions with "high" credit ratings are deemed to be Specified Investments.
- 3.10 Non-Specified Investments are those investments that do not meet the criteria of Specified Investments.
- 3.11 Un-rated subsidiary banks, that rely in-part on the credit rating of the parent bank, are classified as Non-Specified Investments. This categorisation does not in anyway detract from the credit quality of these institutions, but is merely a requirement of the Government's guidance.
- 3.12 The Council's Approved Authorised Counterparty List therefore includes both Specified and Non-Specified Investment institutions.

- 3.13 The benchmark for County Council investments is a return above the 7-day London Interbank Bid (LIBID) rate. Year to date in 2008-09, the Council has outperformed the benchmark. Performance will continue to be monitored and reported to Cabinet on a monthly basis and detailed in the Treasury Management Annual Report following year-end. Monitoring information relating to the Council's treasury management activity is now also considered at each meeting of the Corporate Affairs Review Panel (CARP).
- 3.14 The Council's internally managed cash resources fluctuate daily. The average level of internally managed cash resources is forecast to be some £229M in 2009-10.
- 3.15 The maximum time period for all new investments in 2009-10 is 364 days. The Council currently has some fixed deposits that are greater than 364 days. The maximum investment exposure for periods greater than 364 days can therefore be set at the existing exposure total of 15%. Our exposure will reduce during the year as existing fixed deposits approach maturity and no new investments are made greater than 364 days.
- 3.16 Since the beginning of October 2008 we have seen Base Rates cut by 3.5% (from 5% to 1.5%). The expectation is that Base Rates will be reduced further during 2009. There are clear operational difficulties arising from the current economic crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness prohibits this.
- 3.17 The County Council has been investing 'overnight' only during this period, as global financial events and details of specific government support measures have unfolded. It is proposed that there is a gradual lengthening of the investment period (initially up to 3 months) moving towards the maximum of 364 days as market conditions improve.
- 3.18 The total 2009-10 budget provision for interest receivable is £6M.

#### **4. Counterparty Lending Limits**

- 4.1 Average daily cash balances are forecast to be around £229M during 2009-10. When pooled with investments managed on behalf of other bodies (Norfolk Police Authority, Norfolk County Services Ltd, NPS Property Consultants Ltd, Norfolk Probation Board and the Norfolk Pension Fund) the average daily cash balance increases to approximately £285M.
- 4.2 Lending limits are assigned to each counterparty on the County Council's Approved Authorised Counterparty List.
- 4.3 Our existing lending limits have been reviewed with regard to the level of cash balances and current market conditions and the following limits are proposed for 2009-10:

Limit (£M)	Fitch		Moody's		Standards & Poor	
UK Banks						
£35M	Short Term	F1+	Short Term	P-1	Short Term	A-1+
	Long Term	AA-	Long Term	Aa3	Long Term	AA-
UK Banks						
£25M	Short Term	F1	Short Term	P-1	Short Term	A-1
	Long Term	A-	Long Term	A3	Long Term	A
£20M	UK Building Societies					
£10M	Overseas Banks and Building Societies#					
£35M	Money Market Funds					
£100M*	UK Government – Debt Management Account Deposit Facility					
£10M	Local Authorities					

**#Note:** For Overseas Banks and Building Societies, a 'country exposure' limit of £20M is to apply in future. This is in addition to the individual counterparty limit of £10M.

**\*Note:** In view of the uncertainties in the banking and financial markets at the time, urgent business approval was sought in November 2008 to change the 'Lending Limit' assigned the Debt Management Account from £35M to £200M. This limit has been subject to on-going review and will now be reduced to £100M.

- 4.4 Lending limits will continue to be reviewed, taking into account forecast cash balances and the current investment environment.

## **5. Borrowing Strategy 2009-10**

- 5.1 For the County Council, borrowing is required to fund its capital investment and relates principally to long term loans (i.e. loans in excess of 364 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.
- 5.2 The main source of long term loans is the Public Works Loan Board (PWLb), which is part of the UK Debt Management Office (DMO). The level of interest rates charged by the PWLB is linked to the rate at which the government borrows and is usually significantly cheaper than an equivalent market (commercial) loan.
- 5.3 The maximum period for which loans can be advanced by the PWLB is 50 years. During the last two to three years, as part of prudent debt management, the Council has taken advantage of the low rates that have prevailed at the mid to longer end of the yield curve.
- 5.4 Year to date the Council has borrowed £21M to support the 2008-09 capital programme. All borrowing has been secured at low rates of interest (4.39%).

- 5.5 Total external borrowing currently stands at £602M. The borrowing requirement for the coming year is estimated to be £53M. The 2009-10 budget provision for interest payable is £31M. This covers interest on existing loan debt and provision for all new borrowing.
- 5.6 Longer-term fixed interest rates are at risk of being higher over the medium term. The Head of Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast (Section 2).
- 5.7 The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and 'hedge' against the expected fall in investment returns during the medium term.
- 5.8 The level of outstanding debt and composition of debt in terms of individual loans is kept under review. The PWLB provides a facility to allow the restructure of debt including premature repayment of loans and encourages local authorities to do so when circumstances permit. This can result in net savings in overall interest charges.
- 5.9 There may be opportunities to undertake debt restructuring exercises during the year. With the likelihood of a steepening of the yield curve debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter-term debt. The Head of Finance and Butlers will monitor prevailing rates for any opportunities during the year.

## **6. Leasing**

- 6.1 It is anticipated that leasing facilities totalling £5M will be drawn-down in 2009-10, relating to a variety of vehicles and general equipment. In recent years there have been significant changes in the regulations affecting leasing in the public sector, resulting in more freedom and flexibility. As a consequence, the Council's leasing policy has been replaced with comprehensive leasing guidance reflecting industry best practice. External leasing advice continues to be provided by Sector Treasury Services Ltd.

**List of Approved Counterparties for Lending****Appendix**

	<b>Limits £'M</b>
<b>UK Banks</b>	
Abbey National Plc	35
<b>BANCO SANTANDER CENTRAL HISPANO GROUP</b>	<b>35</b>
HSBC Bank Plc	35
Bank of Scotland Plc	35
Lloyds TSB Bank	35
<b>LLOYDS BANKING GROUP</b>	<b>35</b>
National Westminster Bank	25
Royal Bank of Scotland	25
<b>ROYAL BANK OF SCOTLAND GROUP</b>	<b>25</b>
Barclays Bank	35
Northern Rock Plc	35
<b>UK Building Societies</b>	
Nationwide BS	20
Yorkshire BS	20
Coventry BS	20
Chelsea BS	20
Leeds BS	20
Norwich & Peterborough BS	20
<b>Other Financial Institutions</b>	
Debt Management Account Deposit Facility	100
Local Authorities	10
Money Market Funds	35
<b>Overseas Banks</b>	
<b>Australia</b>	
National Australia Bank	10
Clydesdale Bank	10
<b>NATIONAL AUSTRALIA BANK GROUP</b>	<b>10</b>
Australia & New Zealand Banking Group	10
Commonwealth Bank of Australia	10
Westpac Banking Corporation	10
<b>Canada</b>	
Canadian Imperial Bank of Commerce	10
Bank of Montreal	10
Bank of Nova Scotia	10
National Bank of Canada	10
Royal Bank of Canada	10



Toronto-Dominion Bank	10
<b>Denmark</b>	
Danske Bank	10
<b>Finland</b>	
Nordea Bank Finland	10
<b>France</b>	
Calyon	10
Credit Agricole	10
<b>CREDIT AGRICOLE GROUP</b>	<b>10</b>
BNP Paribs	10
Credit Lyonnais	10
Societe Generale (SG)	10
<b>Germany</b>	
BHF-Bank	10
Deutsche Bank AG	10
<b>Netherlands</b>	
Internationale Nederlanden Bank/ING Bank	10
ABN AMRO Bank	10
Rabobank	10
<b>Singapore</b>	
Development Bank of Singapore	10
Oversea Chinese Banking Corp	10
United Overseas Bank	10
<b>Sweden</b>	
ForeningsSparBanken (Swedbank)	10
Skandinaviska Enskilda Banken	10
Svenska Handelsbanken	10
<b>Switzerland</b>	
Credit Suisse First Boston	10
<b>United States</b>	
Bank of America, N.A.	10
Bank of New York	10
JP Morgan Chase Bank	10
State Street Bank & Trust Company	10
Wachovia Bank, N.A.	10

**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.