



# Norfolk County Council

at your service

## Norfolk County Council

### Minutes of the Meeting Held on 15 February 2010

**Present:** Mrs S C Gurney in the Chair

Mr A D Adams	Mr M C Langwade
Mr R Bearman	Mr S R Little
Mr W P Borrett	Mr B W C Long
Dr A P Boswell	Mr I J Mackie
Mr J S Bremner	Mrs J Mickleburgh
Mr M P Brindle	Mr I A C Monson
Mr D R Callaby	Mr J Mooney
Mr J A Carswell	Mr P D Morse
Mr M R H Carttiss	Mr D Murphy
Miss C L Casimir	Mrs J A Murphy
Mrs J R M Chamberlin	Mr G Nobbs
Mrs M Chapman-Allen	Mr W J Nunn
Baron M Chenery of Horsbrugh	Mr R E Parkinson-Hare
Mr S M Clancy	Mr J H Perry-Warnes
Mr B J E Collins	Mr G R Plant
Mr P G Cook	Mr A J Proctor
Mr D Cox	Mr P K Rice
Mr N Dixon	Mr R C Rockcliffe
Mr A J Dobson	Mr J D Rogers
Mr S Dorrington	Mr M J Scutter
Mr T East	Mr N C Shaw
Mr R A Edwards	Mr J R Shrimplin
Mr T S C Garrod	Mr R A Smith
Mr A J Gunson	Mr B H A Spratt
Mr B J Hannah	Mrs A Steward
Mr R C Hanton	Dr M Strong
Mr P A Hardy	Mrs A M Thomas
Mr D G Harrison	Mr A D Tomkinson
Mr D Harwood	Ms J S Toms
Mr M Hemsley	Mrs C M Walker
Mr H A S Humphrey	Mr J M Ward
Mr B J M Iles	Mr P A G Wells
Mr G R Jones	Mr A M White
Mr C Jordan	Mr M J Wilby
Mr J M Joyce	Mr A T Williams
Mr M A Kiddle-Morris	Mr A J Wright

**Total present: 73**

**Also Present:** - Mr S Revell, Standards Committee Chairman

## **Apologies:**

Apologies for absence were received from Mr S Bett, Mr A J Byrne, Mrs D M Clarke, Mr P Duigan, Mr S Dunn, Mr J R Herbert, Mrs S E L Hutson, Mrs D Irving, Mrs H Thompson, Dr F C Williamson and Mr R J Wright.

### **1. Minutes of the previous meeting**

The minutes of the meeting held on 18 January were confirmed as a correct record and signed by the Chairman, subject to the following amendments:

Item 3, page 5, amend "Mr Betts" to read "Mr Bett".

Item 5, page 7, final paragraph, amend second sentence to read "£1.125 of funding had already been invested to develop the scheme..."

Item 6, page 10, the Chairman said that Dr Boswell would receive a written response to his question concerning the Environment and Waste Department's response to the new Government Feed In Tariff scheme.

### **2. Chairman's Announcements**

#### **Mr Tom Eaton**

The Chairman announced that Mr Tom Eaton, former Lord Mayor of Norwich and a well known figure in the city of Norwich, had sadly passed away.

#### **Chairman's engagements**

The Chairman said that she had been privileged to meet Her Majesty the Queen at Sandringham, His Royal Highness the Prince of Wales at the University of East Anglia (UEA) and Her Royal Highness The Princess Royal in Wymondham. She had also attended the celebration of the tenth anniversary of the enthronement of the Bishop of Norwich, an event to celebrate the Chinese New Year with 250 students at the UEA and the opening of the Showman's Mart in King's Lynn.

The Chairman hosted two school council sessions with the City Academy and Reepham High School and she thanked the political assistants for their help.

#### **Paintings**

The Chairman said that she had selected paintings for the Members' Room which would be installed in the next few weeks.

#### **Retirement**

The Chairman wished Mr Richard Elliott the Chief Fire Officer and Director of Community Protection a very happy retirement.

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

The following declared personal interests in Item 4, Budget Proposals 2010/11:

- Dr Strong, as an unpaid volunteer flood warden for Wells and an unpaid volunteer representing North Norfolk senior flood wardens on the Norfolk Resilience Forum (Voluntary Sector).

- Mr Boswell, as a member of the Waste Project Board.
- Mr Dorrington, as he owns a caravan in a flood risk area.
- Mr Hannah, as a member of the Police Authority.
- Mr Hanton, as a member of the Norfolk Constabulary.
- Mr Hardy, as a member of the Police Authority.
- Mr Iles, as a member of the Police Authority.
- Mr Joyce, as a member of the Waste Project Board.
- Mr Long, as the Environment Portfolio Holder on matters pertaining to the Waste Plant at Docking.
- Mrs Mickleburgh, as the Borough Councillor for St Margaret and St Nicholas Ward, King's Lynn, an area of high risk to flooding.
- Mr Perry-Warnes as a member of the Police Authority.
- Mr Rice, as he lives in the flood risk area.
- Mr Rockcliffe, as a family member owns property at North Beach, Heacham.
- Mr Tomkinson, as a member of the Police Authority.
- Mr Wells, as a member of the Police Authority.
- Mr Williams, as Director of Norse.

#### 4. **Budget Proposals 2010/11 – Recommendations from the Cabinet meeting held on 25 January 2010**

##### 4.1 The annexed report setting out the budget proposals was received.

The budget recommendations from Cabinet to County Council, including amendments (appended to these minutes as Appendix 1) tabled by Mr Cox at the meeting, are set out below. Mr Cox made his budget speech and recommended that the proposed budget be approved. This was seconded by Mr Murphy.

Mr Cox recommended an overall County Council Revenue Budget of £579.240m for 2010-11, including additional costs of £54.253m and budget savings of £38.844m as set out below.

<b>Table 2 – 2010-11 Revenue Budget</b>	2010-11 Base Budget £m	Additional Costs £m	Savings £m	Base Adjustments £m	Cost Neutral Changes £m	2010-11 Recommended Budget £m
Children's Services	166.447	14.693	-10.877	-0.105	2.441	172.599
Adult Social Services	212.750	15.945	-10.056		16.406	235.045
Planning and Transportation	67.325	2.468	-1.544		3.029	71.278
Environment and Waste Management	34.322	2.397	-0.291		0.035	36.463
Economic Development	1.720	0.014	-0.008		0.475	2.201
Fire Service	31.618	0.486	-0.291		-0.265	31.548

Trading Standards	3.349	0.031	-0.031		-0.005	3.344
Other Consumer Services	1.047	0.001	-0.006		-0.498	0.544
Libraries and Information	12.934	0.216	-0.111		0.035	13.074
Recreation and Grants	0.733	0.015	-0.002		-0.052	0.694
Norfolk Joint Museums	4.253	0.166	-0.150		0.328	4.597
Norfolk Records Service	1.533	0.018	-0.010		0.179	1.720
Adult Education	0.270	0.039	-0.035		0.080	0.354
Norfolk Guidance Service	0.000					0.000
Chief Executive	34.252	0.581	-0.625		1.062	35.270
Property Services	2.926	0.032				2.958
Office Accommodation	0.027	-0.002			-0.021	0.004
County Farms	0.137	0.693			-0.089	0.741
Property Management	0.332	0.008			0.061	0.401
Finance General	-16.039	16.452	-10.807		-23.201	-33.595
<b>TOTAL</b>	<b>£559.936 m</b>	<b>£54.253m</b>	<b>-£34.844m</b>	<b>-£0.105m</b>	<b>£0.000m</b>	<b>£579.240m</b>

- 1 An increase in Band "D" Council Tax for 2010-11 of 1.90%, which means a Band "D" Council Tax of £1,145.07.
- 2 An initial Capital Programme for 2010-11 of £204.969m, subject to subsequent adjustment if additional external funds for capital purposes become available.
- 3 The recommendation of the Head of Finance of a minimum level of General Balances of £14m be held in 2010-11.
- 4 The transfer of the balance on the Redundancy and Pension Reserve into the Organisational Change Reserve to meet the estimated costs arising from the Organisational Review.
- 5 The Capital Strategy set out in Appendix E of the Cabinet report by the Director of Corporate Resources and the Head of Finance and the Minimum Revenue Provision Statement set out in Appendix E, paragraph 3.4.11.  
The Prudential Indicators set out in Appendix H of the Cabinet report by the Director of Corporate Resources and the Head of Finance.  
The approach on Council Tax Discount on Second Homes set out in paragraph 11.2 of the Cabinet report by the Director of Corporate Resources and the Head of Finance.  
The Council Tax calculations set out in Appendix I of the Cabinet report by the Director of Corporate Resources and the Head of Finance and the precept to be collected from the District Councils.
- 6 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 2010-11 Budget, to make payments, to raise and repay loans and to invest funds.

4.2 Mr Morse, Leader of the Liberal Democrat Group, made his budget speech and moved the following amendment to the budget, seconded by Mr Scutter.

		Administration	Reductions	Notes	Additions	Notes	Lib Dem
		Proposal					Proposal
		£m	£m		£m		£m
Children's Services		172.599			0.361	6,7	172.960
Adult Social Services		235.045			0.254	8,9	235.299
Planning & Transportation		71.278			0.494	10,11	71.772
Environment and Waste Management		36.463					36.463
Economic Development		2.201					2.201
Fire Service		31.548					31.548
Trading Standards		3.344					3.344
Other Consumer Services		0.544					0.544
Libraries and Information		13.074					13.074
Recreation and Grants		0.694					0.694
Norfolk Joint Museums		4.597					4.597
Norfolk Records Service		1.720					1.720
Adult Education		0.354					0.354
Norfolk Guidance Service		0.000					0.000
Chief Executive		35.270	-0.167	1			35.103
Property Services		2.958					2.958
Office Accommodation		0.004					0.004
County Farms		0.741	-0.680	2			0.061
Property Management		0.401					0.401
Finance General		-33.595	-1.605	3,4,5	1.210	12,13	-33.990
		579.240	-2.452		2.319		579.107

Notes

1	Reduction in Communications Team - Two editions of Your Norfolk + Others	-0.167
2	Remove administration proposal for County Farms investment	-0.680
	Reduce publishing costs across depts - shown in Finance General - To be	
3	allocated to Depts later	-0.580
4	Reduce Chairman's budget	-0.025
5	Use of Earmarked Reserves to fund Mortgage Deposit Support proposal	-1.000
	Sub total	-2.452
6	Higher Education Scholarship Scheme	0.161
7	Holt and Wells Field Study Centres Subsidy	0.200
8	Bathing Services Subsidy	0.054
9	Adult Social Services Prevention Activities	0.200
10	Disabled Access Officer	0.040
11	Young Person's Travelcard	0.454
12	Locality budgets	0.210
13	Mortgage Deposit Support	1.000
	Sub total	2.319

Total changes	-0.133
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Capital

Flood Sirens	0.800
County Farms	0.600
Holt Field Study Centre Investment	0.100
Modernising the Council	0.030
Projects to Support the Vulnerable	0.500
Sale of 200 acres of County Farm Land	-1.200
	0.830

General Balances

	£m
Forecast at 31 March 2010	14.974
Use of General Balances to fund capital expenditure in 2010-11	-0.830
Revised General Balances Forecast at 31 March 2011	<u>14.144</u>

County Council Budget at 1.86%    £579.107m    Band D Tax    £1,144.62

**Vote:** The proposed amendment set out above was then put to the vote. With 17 in favour, 2 abstentions but with a clear majority against, this motion was **LOST**.

4.3 Dr Boswell, Convenor of the Green Group, made his budget speech and moved the following amendment to the budget, seconded by Mr Bearman.

Council tax is set at 2% increase corresponding to a Band D Council Tax of £1,146.24.

- **that Adult Social Services is uplifted by £2M by:**
  - i. removal of the 'Rationalisation of learning difficulties day centres buildings' item (page 24/item 7) (£600K)
  - ii. restoration of £1M to the 'Learning difficulties – Priority based budget savings' item (page 23/2 items up) so it reads -2.800. (£1M)
  - iii. restoration of the inflationary uplift to the voluntary sector (page 23/item 5) (£150K)
  - iv. review of Third Sector SLA's to be cost neutral (£200K)
  - v. a fund of £50K to assist the voluntary sector in prevention work around dementia. (£50K)
- **that Children's Services is uplifted by £350K to:**
  - vi. restore the Council's grant to the Wells and Holt field centres (£250K)
  - vii. save 5% energy across all schools to save future Council costs under Carbon Reduction Commitment (CRC) (£100K)
- **that Planning and Transportation is uplifted by £741K by:**
  - i. fast tracking the LTP and Bus Rapid Transit (BRT) systems, in particular developing a public transport corridor Rackheath-Sprowston-Norwich (£500K)
  - ii. first year costs for developing an Energy Services Company (ESCO) (£100K)
  - iii. postponing the Street Lighting switch off and developing a more flexible provision of energy and financial savings (£41K)
  - iv. develop the Sustainability Team under the Organisation Structural Review creating 5 posts, 3 of them by cost neutral transformation (£100K)

- v. Targeting near kerb side pothole fixing to prioritise road safety for cyclists and motorcyclists – cost neutral in Highways Maintenance budget
- **that the Council pursues the following additional cost neutral activities:**
  - i. create a strategic manager to coordinate and rationalise the Parent Advisor service
  - ii. corporate software licencing is strategically reviewed to save energy and costs by introducing more Open Source software
  - iii. fasttrack development of low cost video conferencing between Council buildings, centres and homeworkers
  - iv. sign up to the 10:10 campaign and run educational/media campaign to all departments on energy saving
  - v. progresses accounting for carbon use as widely as possible across departments and keeps track of progress including regular reports in O&S Panel agendas
- **that the Council fund all of the above changes by:**
  - i. reorganising capacity and cash flow in 'Buildings Schools for the Future' program. Cost neutral over 3 years. (-£500K)
  - ii. using £272K for General Balances (-£272K)
  - iii. increasing waste reduction and recycling, bring on contract framework for food waste processing, save £500K on landfill tax. (-£500K)
  - iv. placing Northern Distributor Road (NDR) project spend on hold (-£1.5M)

The Green Party Group has scrutinised the budget recommended by the Chairman of the Cabinet for the 2009/2010 budget. We accept the additional costs and savings proposals subject to the following amendments.

Proposal	Ref	Dept	Cost (+£)/Saving (-£)	£m	Tonnes CO2 <i>Indicative savings</i>
			Direct Amendments to Administration Proposals		
<b>Restore Voluntary sector uplift</b>	p.23 item 5	ASS	Restore inflationary uplift to the Voluntary sector	0.150	
<b>Third Sector</b>	p.24 item 2	ASS	Make review of Third Sector SLAs cost neutral – reuse any efficiencies in contracts	0.200	
<b>Learning Difficulty Centres</b>	p.24 item 7	ASS	Keep all centres operating as at present	0.600	
<b>Learning Difficulties Care Packages</b>	p.23 2 items up	ASS	Reduction of 'Priority Based Budgeting' carry over from 2009/10. Prioritise independence for those with LDs.	1.000	
<b>Wells and Holt study centres</b>	p.21 4 items up	CS	Restore council grant to these study centres	0.250	
<b>Postpone Street Lighting proposals</b>	p.25 3 items up	PT	Implement the motion moved at the Norwich Area Committee by City based County Councillors to postpone project and develop more flexible approach	0.041	Loss of -292 tonnes 2010/11
<b>Additional Highways maintenance inflation</b>	p.25 item 4	PT	Reduce from £511k to £250k. Highways Maintenance already enjoys an inflationary uplift.	-0.250	
<b>Near kerbside maintenance priority</b>	p.25 item 4	PT	Retarget £250k directly to near kerbside pothole fixing given dangers to cyclists and motorcyclists. Prioritise	0.250	

			road safety.		
<b>NDR/Programme Management</b>		PT	Put NDR on hold	-1.501	>25000 tonnes per year of postponement
<b>NDR/Programme Management</b>		PT	Fast track LTP/Bus Rapid Transit (BRT) developments	0.500	target: 1000 tonnes annually per BRT radial route
<b>Reduce Landfill Tax commitments</b>	p.25 3 items up	EW	Increase waste reduction, bring on the long-awaited contract projects. Cut landfill tax by £500k (£1.51m -> £1.01m).	-0.500	Methane GHG savings
<b>Rephase Building Schools for Future</b>	p.20 item 7	CS	Reduce the capacity changes to this program – cost neutral over 3 years (£1.56m, £0.5m, -£1m → £1.06m, £0.75m, -£0.75m)	0.500	
			Sub total Balance	0.240	
			<b>Saved public services</b>	2.741	
			<b>Savings</b>	-2.501	
			<b>GREEN PARTY INITIATIVES – NEW COSTS</b>		
<b>ASS Preventive Care schemes</b>		ASS	Invest in HomeShield and in extending Alzheimer's Choir (Singing for the Brain), early dementia assessment across Norfolk	0.050	
<b>Establish Energy Services Company</b>		PT	To develop a year-on-year sustainable revenue stream of £4.5m/year from 2012/2013. Upfront costs of £100k/year for carbon management business manager.	0.100	target: £4.5m revenue stream and 11000 tonnes (and increasing) annually from 2012/2013
<b>Develop sustainability Team</b>		PT	Review structure in OSR to create 5 fte new posts. 2 posts through additional funding, and 3 posts via cost neutral business transformation in Environment and Waste directorate. Ensure future parity with other shire county capacity in sustainability.	0.100	Target: save £100k and 1000 tonnes incrementally year-on-year
<b>Fast track schools and energy savings</b>		CS	Save 5% across all schools in 2010/11 – ensure better CRC league table position when CRC kicks in for schools buildings in 2011. Saving £273k (in schools budget).	0.100	978 tonnes in 2010/11
			<b>Additional investments</b>	0.350	
			<b>GREEN PARTY INITIATIVES – COST NEUTRAL</b>		
<b>Parent Support Advisor</b>		CS	Develop strategic management post (by cost neutral means) to coordinate the Parent Support Advisor service across the county. Future pay-off in reduced Looked After Children and social problems.	0.000	
<b>Software Licence Review</b>		IT	Strategic Review of corporate software licensing to save in future years.		



			Reduce large Microsoft licence fees (by taking year out), and introduce Open Source systems and Energy Saving software and hardware.	0.000	
<b>Video Conferencing</b>		IT	Roll out cheap, easy to install video conferencing between NCC buildings, centres and homeworkers as part of Broadband campaign.	0.000	Unquantified benefits in reduced travel
<b>Organisational 10:10 programme across all departments</b>		All	Sign up to 10:10 and run educational/media campaign to all departments on energy saving.	0.000	Unquantified benefits
Running Sub-total				0.590	
<b>Adjust Council Tax</b>					
General Balances (forecast £14.97m)				-0.272	
2% instead of 1.9%				0.332	
<b>Total Balance</b>				<b>£0.000</b>	

Council Tax differential – the Green Party propose Council Tax increase at 2.00%.  
Band D Tax £1,146.24. Budget of £579.586m.

**Vote:** The proposed amendment set out above was then put to the vote. With 7 in favour and 11 abstentions but with a clear majority against, this motion was **LOST**.

4.4 Mr Nobbs, Leader of the Labour Group, made his budget speech and moved the following amendment to the budget, seconded by Mrs Walker.

	Administration Proposal	Reductions	Notes	Additions	Notes	Labour Proposal
	£m	£m		£m		£m
Children's Services	172.599			0.917	5, 6	173.516
Adult Social Services	235.045			0.437	7, 8, 9	235.482
Planning & Transportation	71.278			0.041	10	71.319
Environment & Waste Management	36.463					36.463
Economic Development	2.201					2.201
Fire Service	31.548					31.548
Trading Standards	3.344					3.344
Other Consumer Services	0.544					0.544
Libraries and Information	13.074					13.074
Recreation and Grants	0.694					0.694
Norfolk Joint Museums	4.597					4.597
Norfolk Records Service	1.720					1.720
Adult Education	0.354					0.354
Norfolk Guidance Service	0.000					0.000
Chief Executive	35.270					35.270
Property Services	2.958					2.958

Office Accommodation	0.004					0.004
County Farms	0.741					0.741
Property Management	0.401					0.401
Finance General	-33.595	-7.707	1,2,3,4			-41.302
	579.240	-7.707		1.395		572.928

## Notes

1	Use of Earmarked Reserves	-1.733
2	Use of General Balances	-0.974
3	Efficiency saving	-3.000
4	Efficiency saving from review of NCC spend with NORSE	-2.000
	sub total	-7.707
5	Voluntary Organisations	0.667
6	Wells and Holt study centres	0.250
7	Review Services Level Agreements with the Third Sector	0.133
8	Cease subsidy for bathing service	0.054
9	Charging for day care	0.250
10	Adjustment to street lighting policy	0.041
	sub total	1.395
	Total changes	-6.312

County Council Budget at 0.0% £572.928m      Band D Tax      £1,123.74

**Vote:** The proposed amendment set out above was then put to the vote. With 3 in favour, 2 abstentions, but with a clear majority against, this motion was **LOST**.

The meeting adjourned at 13.10pm and reconvened at 13.37pm.

4.5 Mr Scutter then proposed an amendment to the Conservative Budget proposal, that the £250k subsidy to the Wells and Holt Field Study Centres be reinstated. This proposal was seconded by Mr Joyce.

**Vote:** The proposed amendment was then put to the vote. With 16 in favour, 3 abstentions, but with a clear majority against, this motion was **LOST**.

4.6 Mr Spratt then proposed that the budget debate be closed to allow members to vote on the original Budget proposal. This proposal was seconded by Mr Collins.

**Vote:** With 38 in favour, 17 against and 5 abstentions, this motion was **CARRIED**.

4.7 Mr Cox then moved the substantive motion, encompassing as a whole the recommendations relating to the 2010/11 Budget as set out earlier in these papers.

**Vote:** With 44 votes in favour, 18 against and 1 abstention, this motion was **CARRIED**.

**RESOLVED** Accordingly.

**5. Annual Investment and Treasury Strategy 2010/11 – Recommendations from the Cabinet meeting held on 25 January 2010**

5.1 Mr Cox recommended the Annual Investment and Treasury Strategy 2010-11.

**RESOLVED**, to approve

- 1) The adoption of the four specific clauses contained within CIPFA's Code of Practice for Treasury Management in the public sector, together with the proposed Treasury Management Policy Statement.
- 2) The Annual Investment and Treasury Management Strategy for 2010-11, including the treasury management Prudential Indicators set out in section 9 of the Cabinet Report, with the amendments suggested by the Cabinet Member for Finance and Performance (as set out in the report).

**6. Organisational Review – Recommendations from the Cabinet meeting held on 25 January 2010**

6.1 Mr Cox recommended the Organisational Review to Council.

**RESOLVED**, to approve

- 1) The changes to Chief Officer posts outlined in the PwC report (annexed to the Cabinet report), and agree that amendments be made to Articles 6 and 12 and Appendixes 6, 7, 15 and 23 of the Constitution in line with these proposals and delegate authority to the Head of Democratic Services and Head of Law to make the necessary amendments and any other consequential changes to the Constitution, the proposals being:-
  - The post of Director of Corporate Resources (formerly designated as Director of Corporate Resources and Cultural Services) will have management responsibility for:-
    - Democratic Services
    - Shared Support Services including Procurement, Human Resources & Organisational Development, Finance, ICT, Legal Services Programme Management Office and Planning, Partnership and Performance
    - Business transformation and improvement
  - The post of Director of Environment, Transport and Development will have management responsibility for:-
    - Highways
    - Planning Regulatory and Consumer Protection Services
    - Emergency Planning
    - Environment and Waste
    - Travel Planning Services
    - Economic Development and Strategy
  - The post of Director of Community Services (formerly designated as Director of Adult Social Services) will have responsibility for:-
    - Adult Social Care Services

- Cultural Services
- Community Safety
- The post of Director of Children's Services will have responsibility for services for children and young people.
- The post of Chief Fire Officer (formerly designated as Chief Fire Officer and Director of Community Protection) will have responsibility for Fire and Rescue Services.
- The post of Head of Customer Services and Communications will have responsibility for:-
  - Customer Access and customer insight (research and feedback)
  - Citizen engagement and consultation
  - Public affairs and media management
  - Marketing and communications

**7. Local Area Agreement Refresh – Recommendations from the Cabinet meeting held on 25 January 2010**

7.1 Mr Cox recommended the Local Area Agreement Refresh to Council.

**RESOLVED**, to approve the refreshed Local Area Agreement targets for submission to the Secretary of State.

The meeting concluded at 2.20pm.

**CHAIRMAN**



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## **County Council Meeting – 15 February 2010**

### **Item 4: Budget Proposals 2010/11**

#### **Variation to recommendations from Cabinet to be proposed by the Leader of the Council**

##### **1. Background**

The County Council is required within its 2010/11 budget to make provision for the estimated loss arising from its exposure to Icelandic Investments when the banks collapsed in October 2008.

The 'Council Plan and Budget 2010 -13' report to Cabinet on 25 January (paragraphs 4.4 to 4.12) set out the latest position on recovery from Icelandic Banks and reported a current estimated recovery level of £23.6m.

It was also reported that the Council had submitted an application to the Government for a Capitalisation Direction amounting to £10.223m. This would allow the Council to treat the loss as capital expenditure, for which borrowing can be undertaken, rather than as revenue expenditure.

The report to Cabinet included provision of £1m to meet the financing costs (principal and interest) of that borrowing.

The Council were informed on 29 January that the Government has refused the Council's application. As noted in the Cabinet report (para 4.11), in the event of the application being refused, the remaining options open to the Council are to use reserves or to reapply for a Direction in 2010/11.

In the light of the Government decision, it is proposed to make appropriate provision in the budget by the use of reserves. The reserves to be earmarked for this purpose will be identified when the accounts are closed for 2009/10 and the affected reserves will be adjusted in 2010/11. A replenishment strategy will also need to be agreed at that time.

The Head of Finance is satisfied that, in the short term, a sum of some £10m can be identified from reserves, subject to a replenishment strategy being agreed for those reserves so earmarked.

The precise level of recovery of the Council's investments with the three Icelandic Banks remains uncertain. The impairment value above is based upon latest information from the Administrators of the banks and will change.

## **2. Variation to Recommendations**

The following amendments are required within the County Council papers:

### **Page 15, Table 2:**

- increase Finance General line: Additional Costs by £9.223m from £7.229m to £16.452m and Savings by £9.223m from £1.584m to £10.807m.
- increase Total line: 'Additional Costs by £9.223m from £45.030m to £54.253m and Savings by £9.223m from £25.621m to £34.844m.

A revised Table 2 is attached.

### **Annex 1, pages 42 and 43 (column 2010-11)**

- Delete line: 'Provision for additional debt repayment re: Icelandic Banks impairment value (£1m)
- Insert new line under additional costs: Icelandic Banks: estimated impairment value (£10.223m)
- Insert new line under savings: Icelandic Banks, use of reserves to offset impairment value (£9.223m).
- The sub total for additional costs is now £16.452m and for budget savings is now £10.807m

Note: the difference of £1m between the two insertions represents the £1m already funded within the overall net Council budget and approved at Cabinet on 25 January 2010.

A revised table for Finance General is attached.

**3. This amendment does not affect the overall net budget of the County Council (£579.240m), nor the calculation of council tax for 2010/11.**

<b>Table 2 – 2010-11 Revenue Budget</b>	2010-11 Base Budget £m	Additional Costs £m	Savings £m	Base Adjustments £m	Cost Neutral Changes £m	2010-11 Recommended Budget £m
Children's Services	166.447	14.693	-10.877	-0.105	2.441	172.599
Adult Social Services	212.750	15.945	-10.056		16.406	235.045
Planning and Transportation	67.325	2.468	-1.544		3.029	71.278
Environment and Waste Management	34.322	2.397	-0.291		0.035	36.463
Economic Development	1.720	0.014	-0.008		0.475	2.201
Fire Service	31.618	0.486	-0.291		-0.265	31.548
Trading Standards	3.349	0.031	-0.031		-0.005	3.344
Other Consumer Services	1.047	0.001	-0.006		-0.498	0.544
Libraries and Information	12.934	0.216	-0.111		0.035	13.074
Recreation and Grants	0.733	0.015	-0.002		-0.052	0.694
Norfolk Joint Museums	4.253	0.166	-0.150		0.328	4.597
Norfolk Records Service	1.533	0.018	-0.010		0.179	1.720
Adult Education	0.270	0.039	-0.035		0.080	0.354
Norfolk Guidance Service	0.000					0.000
Chief Executive	34.252	0.581	-0.625		1.062	35.270
Property Services	2.926	0.032				2.958
Office Accommodation	0.027	-0.002			-0.021	0.004
County Farms	0.137	0.693			-0.089	0.741
Property Management	0.332	0.008			0.061	0.401
Finance General	-16.039	16.452	-10.807		-23.201	-33.595
<b>TOTAL</b>	<b>£559.936m</b>	<b>£54.253m</b>	<b>-£34.844m</b>	<b>-£0.105m</b>	<b>£0.000m</b>	<b>£579.240m</b>

	2010-11	2011-12	2012-13
FINANCE GENERAL	£m	£m	£m

<b><u>Additional Costs</u></b>			
Basic Inflation – Pay (2010-11 0%, 2011-13 1%)		0.002	0.002
Basic Inflation – Prices (2% prices, 4% transport)	0.056	0.063	0.070
Additional 0.7% contribution to pensions (1% for 2011-13)	0.013	0.019	0.019
Borrowing costs to replace decrease in capital receipts through new policy for County Farms (N.B part of £1m proposals reported to Corporate Affairs Overview and Scrutiny Panel)	0.320	0.320	0.320
Icelandic Banks: estimated impairment value	10.223		
Provision for insurance claims incurred but not reported (IBNR)	1.800		
Eastern Sea Fisheries precept	0.025		
Land drainage precept	0.061		
2 <sup>nd</sup> Homes Council Tax adjustment	0.224		
Net interest payable	3.730	5.444	
Sub Total Additional Costs	16.452	5.848	0.411
<b><u>Budget Savings</u></b>			
Efficiencies – review of income budgets	-0.056		
Reduction in member expenses	-0.027		
Removal of excess pay award provision in 2009-10	-0.001		
Organisational Review savings	-1.500	-0.375	
Icelandic Banks: use of reserves to offset impairment value	-9.223		
Net interest receivable			-2.236
Savings to be identified		-5.473	
Sub Total Budget Savings	-10.807	-5.848	-2.236
<b><u>Cost Neutral Changes, i.e. which do not impact on the overall Council Tax</u></b>			
*Depreciation charges	1.531		



*Revenue expenditure funded from capital under statute (REFCUS) charges	-15.780		
*Grant on REFCUS charges	19.390		
Debt management expenses	0.029		
*Grant and contributions deferred	-13.386		
Finance leases: budget transfer from Finance General to Fire Service	-0.281		
Eastern Sea Fisheries – transfer from Other Consumer Services to Finance General	0.499		
Budget transfer from Libraries re: Mobile library finance lease	0.011		
Fire JCB finance lease budget transfer from Fire	0.148		
Transfer of Area Based Grant to other services	-15.362		
Sub Total Cost Neutral Changes	-23.201		
<b>Total</b>	<b>-17.556</b>	<b>0.000</b>	<b>-1.825</b>

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