Norfolk County Council

Policy and Resources Committee

Date: **Monday, 23 March 2015**

Time: **10 am**

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

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

Membership

Mr G Nobbs (Chair)

Mr T Adams
Mr S Agnew
Mr M Baker
Mr M Castle
Mr A Dearnley
Mr J Dobson
Mr T FitzPatrick
Mr T Garrod
Mr D Harrison
Mr C Jordan
Mrs J Leggett
Mr S Morphew
Mr A Proctor
Mr D Ramsbotham
Dr M Strong
Mrs A Thomas

For further details and general enquiries about this Agenda please contact the Committee Officer:
Tim Shaw on 01603 222948
or email committees@norfolk.gov.uk

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A g e n d a

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

2. Minutes **(Page 5)**
To agree the minutes from the meeting held on 26 January 2015.

3. Members to Declare any Interests

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

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

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

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

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

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

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

5. Local Member Issues

Fifteen minutes for local members to raise issues of concern of which due notice has been given.
Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223230) by **5pm on Wednesday 18 March 2015**.

6. The Essex, Suffolk and Norfolk partnership with the Jiangsu Province
Presentation by Cllr Colleen Walker and Peter Manning (Head of International Trade – Essex County Council)

7	**Information Sharing – getting the framework right** Report by the Interim Director of Children's Services	**(To Follow)**
8.	**Delivering DNA** Report by Executive Director of Resources	**(Page 17)**
9.	**Re-procurement of telephony and data network services** Report by Executive Director of Resources	**(Page 22)**
10.	**Exemption to Contract Standing Orders for Homecare in the East of the County** Report by Executive Director of Adult Social Services	**(Page 29)**
11.	**Monitoring of Financial Savings 2015-16** Report by Executive Director of Finance (Interim)	**(Page 35)**
12.	**Performance and risk monitoring report** Report by Head of Business Intelligence and Performance Service & Corporate Planning and Partnerships Service	**(Page 54)**
13.	**A. 2014-15 Revenue monitoring report month 9 (December 2014)**	**(Page 80)**
	B. 2014-15 Revenue monitoring report month 10 (January 2015)	**(Page128)**
	Reports by Executive Director of Finance (Interim)	
14.	**A. 2014-15 Capital Finance Monitoring Report Month 9 (December 2014)**	**(Page178)**
	B. 2014-15 Capital Finance Monitoring Report Month 10 (January 2015)	**(Page215)**
	Reports by Executive Director of Finance (Interim)	
15.	**Annual report on the Norfolk Infrastructure Fund** Report by Executive Director, Community and Environmental Services	**(Page256)**
16	**Review of the Residential and Non-Residential Charging Policy Associated with War Veterans** Report by Executive Director of Adult Social Services	**(Page279)**

17 Exclusion of Public

The committee is asked to consider excluding the public from the meeting under section 100A of the Local Government Act 1972 for consideration of the items below on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of Schedule 12A to the Act, and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The committee will be presented with the conclusions of the public interest tests carried out by the report author and is recommended to confirm the exclusion.

18 **Delivering DNA – Exempt Annex** **(Page287)**
Report by Executive Director of Resources

Group Meetings

Conservative	9:00am	Conservative Group Room
UKIP and Independent Group	9:00am	UKIP and Independent Group Room
Labour	9:00am	Labour Group Room
Liberal Democrats	9:00am	Liberal Democrats Group Room

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

Date Agenda Published: 13 March 2015

Norfolk County Council

Policy and Resources Committee

Minutes of the Meeting Held on Monday 26 January 2015
10:00am Edwards Room, County Hall, Norwich

Present:
Mr G Nobbs (Chair)

Mr T Adams
Mr S Agnew
Mr M Baker
Mr M Castle
Mr A Dearnley
Mr J Dobson
Mr T FitzPatrick
MR T Garrod
Mr D Harrison
Mrs J Leggett
Mr S Morphew
Mr A Proctor
Mr D Ramsbotham
Dr M Strong

Substitute Members Present:
Mr B Borrett for Mrs S Gurney
Mr C Jordan for Mrs A Thomas

Other Members Present:
Mr R Bearman
Dr A Boswell
Mr R Coke
Mr H Humphrey
Mr J Joyce
Ms A Kemp
Mr P Smyth
Mrs M Somerville
Mr B Watkins
Mrs C Walker
Mrs S Whitaker
Mr T White

1. Apologies

1.1 Apologies for absence were received from Mrs S Gurney and Mrs A Thomas.

2 **Minutes**

2.1 The minutes of the previous meeting held on 1 December 2014 were confirmed by the Committee and signed by the Chairman.

2.2 It was noted that Members awaited a response regarding the final bullet point at paragraph 13.2 of the minutes.

3 **Declarations of Interest**

3.1 There were no declarations of interest

4 **Items of Urgent Business**

4.1 There were no items of urgent business.

5 **Local Member Issues**

5.1 There were no local member issues.

6 **2014-15 Revenue Monitoring Reports –Month 8**

6.1 The annexed report (6) by the Executive Director of Finance (Interim) was received.

6.2 The Committee **RESOLVED** -
To note the following:
- Revenue expenditure was forecast to underspend by £0.328m on a net budget of £308.397m.
- General Balances were forecast to be £19.000m at 31 March 2015, before taking into account the forecast underspend.

7 **2014-15 Capital Monitoring Reports –Month 8**

7.1 The annexed report (7) by the Executive Director of Finance (Interim) was received.

7.2 The Committee **RESOLVED** -
To note the following:
- The revised expenditure and funding of the 2014-17 capital programme and the changes which had occurred following the position reported elsewhere on this agenda, as set out in Section 1 of Annex A of the report.
- The progress towards the achievement of the 2014-15 programme, as set out in Section 2 of Annex A of the report.
- The proposed changes to the disposals scheduled and the impact on the capital receipts reserve, summarised in Section 4 of Annex A of the report and further detailed in Appendix 5.
- The impact of using borrowing to finance the programme on future revenue budgets, as identified in Appendix 2 of the report.

8 **Strategic and Financial Planning 2015-18**

8.1 The annexed report (8) by the Executive Director of Resources and the Executive Director of Finance (Interim) was received.

8.2 The Committee received a report that contained proposals that contributed towards the County Council setting a legal budget for 2015/16 which saw its total resources of £1.4billion focussed on meeting the needs of residents.

8.3 In the course of discussion the following key points were made:

- Mr D Harrison said that following the intervention of the Managing Director to delay the implementation of car parking changes at County Hall the Efficiency Review Group which he chaired had re-examined all the issues that were associated with staff car parking. This was because the County Council had to make savings of £440k next year on the cost of employment, which covered things like car parking and employee terms and conditions. The Efficiency Group recognised that doing nothing about the car park was not an option. The Group wanted additional ways of making savings on staff-related travel to be examined, and had asked the Managing Director to bring a range of options back to Policy and Resources Committee as swiftly as possible, looking at a combination of the following:
    - Introducing a second non-parking day
    - The potential for savings to the County Council and to individuals arising from the drop in fuel prices
    - Reintroducing the Harford shuttle bus
    - A revamped pool car scheme which was practical for people needing cars for work
    - A charge which contributed to the cost of running the car park – but took account of the impact on lower paid staff.
- It was pointed out that the saving that would arise from reducing the cost of employment remained unchanged from that set out at reference 1d on page 119 of the agenda .
- Some Members were of the view that not all of the savings identified in the report were deliverable. They said that the budget was drawing on one-off funding and use of reserves for which alternatives would be required in future years.

8.4 The Committee **RESOLVED** by nine votes in favour and with 8 abstentions:

- To agree the findings of public consultation.
- To agree the findings of equality and rural assessment, and in doing so, note the Council's duty under the Equality Act 2010 to have due regard to the need to:
    - Eliminate discrimination, harassment, victimisation and any other conduct that was prohibited by or under the Act;
    - Advance equality of opportunity between persons who shared a relevant protected characteristic and persons who did not share it;
    - Foster good relations between persons who shared a relevant protected characteristic and persons who did not share it.
- To agree and to recommend a budget to Council for those services within the remit of the Policy & Resources Committee as set out in Appendix A of the report and any associated risks and issues. It was noted that these would form part of the Committee's consideration of recommendations from service committees to enable it to recommend a sound, whole-Council budget to Full Council on 16 February 2015.

9 Consideration of Revenue and Capital Budget 2015-18

At this point in the proceedings Mr T FitzPatrick said that while he appreciated that there were very tight deadlines for the production of the budget reports these reports should have been made available to Members earlier than they were.

In reply the Chair said that while he understood and shared Mr FritzPatrick's concern several important changes outside of the control of officers had intervened in the last few weeks to create a shifting financial context for the County Council in which officers were unable to put together the reports any earlier than they had.

9 i 2015-16 Budget: Summary Report from the Managing Director

9.1.1 The annexed report (9i) by the Managing Director was received.

9.1.2 The Committee received a report that provided a summary of the strategic and financial issues facing Norfolk County Council for when it set a budget for 2015-16 and considered subsequent years.

9.1.3 In the course of discussion the following key points were made:

- In explaining the various budget reports that formed part of item 9 of the agenda the Managing Director said that the position that Norfolk County Council found itself in was not unique; the financial year 2015/16 would be a difficult one for many Councils up and down the country.
- The Managing Director said that the updated financial position showed revenue from Council Tax was better than expected. An additional £10m had been collected due to an increase in the collection fund and in the tax base.
- The Council's financial position was, however, finely balanced. A balanced budget was being recommended which aimed to continue to make improvements in Children's Services and to mitigate against the pressures in adult social services.
- The Chair said that this was an extraordinary situation to be in when the cut in government funding and other issues were taken into account.
- The Executive Director of Finance (Interim) said that the current level of Council reserves was higher than at this same time last year.
- Some Members expressed concern about the use of earmarked reserves to fill the shortfall in the budget. They said that by taking money from reserves for 2015/16 the Council could find that it had limited funds available for the use of the transformation project from April 2016 which was essential to prevent future overspends in Adult Social Services and in Children's Services.
- Some Members said that the Adult Social Care Committee had recognised the need for the Council to consider a whole Council approach to the use of reserves to fund budget reductions and that this should have been explained in the budget reports.
- It was noted that Member budget workshops would be held in March 2015 that were aimed at "reimaging" the Council's role and service design in order to reduce expenditure.

9.1.4 The Committee **RESOLVED**:

To note the report

9.ii Results of Public Consultation, and Equality and Rural Assessments

9.2.1 The annexed report (9 ii) by Head of Business Intelligence and Performance Service and Corporate Planning and Executive Director of Finance (Interim).

9.2.2 The Committee received a report that set out details of the Council's ambition and priorities for 2015-18 and the associated planning context, the findings of public consultation on the savings proposals for 2015-16 and the findings of rural and equality assessments on the savings proposals for 2015-16.

9.2.3 It was noted that while there were fewer responses to the public consultation than in the previous year there were fewer proposals to consult on which also equated to a smaller total amount of savings. A lot of time and effort had been put into analysing the responses and this information was useful for future service planning. The consultation was not only a legal requirement but also beneficial to the Council in showing that it was talking to the people of Norfolk.

9.2.4 The Committee **RESOLVED**:

- To note the findings of public consultation;
- To agree the findings of equality and rural assessment, and in doing so, noted the Council's duty under the Equality Act 2010 to have due regard to the need to:
    - Eliminate discrimination, harassment, victimisation and any other conduct that was prohibited by or under the Act;
    - Advance equality of opportunity between persons who shared a relevant protected characteristic and persons who did not share it;
- To note the findings of equality impact assessments (detailed in Appendix B of the report), and rural impact assessments (detailed in Appendix C of the report) and agree the mitigating actions for each assessment that were set out in the report.

9 iii County Council Budget 2015-18: Revenue Budget 2015 – 18

9.3.1 The annexed report (9 iii) by the Executive Director of Finance (Interim) was received.

9.3.2 The Committee received a report that set out the detailed revenue budget proposals covering 2015-16 and the different options for proposed level of Council Tax/Precept for 2015-16. The report was one of a suite of reports that supported decisions on the budget recommendations to County Council. This report was prepared on the basis of a Council Tax freeze.

9.3.3 The Executive Director of Finance (Interim) asked the Committee to reach a decision as to whether the Council's 2015-16 budget should include a Council Tax freeze (as shown at Annex D1 of the report) before it examined the different options that were set out in the report to deliver the proposed savings.

9.3.4 The Committee **RESOLVED:**

- To note the comments of the Section 151 Officer, at paragraphs 5.1 to 5.2 and 6.5 to 6.8 of the report, on the financial impact of an increase in Council Tax, as set out in paragraph 5.6 of the report, and to confirm the assumption that the Council's 2015-16 budget would include a Council Tax freeze (shown at Annex D1 of the report).

9.3.5 The Committee then received on the table extract copies of the unconfirmed minutes of the Service Committees in respect of Service and Budget Planning for 2015-18.

9.3.6 Mr T FitzPatrick said that while he appreciated that there had been very tight deadlines for the production of feedback from service committees the feedback should have been circulated to Members in advance of the meeting.

9.3.7 After a 10 minute adjournment in the meeting in order for Members to read the unconfirmed Service Committee minutes the Committee Chairs gave verbal updates on the main issues from each of the service committees.

9.3.8 The following key points were made In relation to EDT:

- The increased revenue from County Farms had been pooled into the budget for the County Council.
- The EDT Committee had requested the Policy and Resources Committee endorse a resolution about "Improvements to A47" and had recommended that the Council allocate £1m to support the Council's objectives to dual the Acle Straight. **The Policy and Resources Committee endorsed this resolution from the EDT Committee and that this is funded from EDT earmarked reserves in order for it to be forwarded onto the Council.**

9.3.9 The following key points were made In relation to Communities Committee:

- It was noted that the £450,000 which related to Fire Service savings was outside of the direct control of the Fire Service, resting instead on other Departments using fire premises.
- Mr B Borrett said that he was concerned about the risks that were associated with achieving this level of saving within the Fire Service. He said that the Policy and Resources Committee should not look to continue to reduce reserves as part of the financial plan and should allocate the savings of the Fire Service which were outside of their control to finance general and compensate the Fire Service accordingly.
- Mr B Borrett also suggested that the Chief Officers Group should take on responsibility for achieving the Fire Service savings. In reply, officers said that other departments (such as Resources) had in the past been in a

similar situation and that individual managerial responsibility for achieving savings should remain within service departments.

9.3.10 The following key points were made In relation to Adult Social Care Committee:

- Some Members echoed the concerns expressed at Adult Social Care Committee about a situation in which the reduction of transport for service users impacted more heavily on older and rural based service users in areas of the county where public transport and other alternatives were unavailable.
- It was noted that the Department intended to use the forthcoming financial year to understand the impact of the reduced transport budget and once this was known, the transport budget could be reviewed.

9.3.11 The following key points were made In relation to Children's Services Committee:

- All those who served on the Children's Services Committee were working together to ensure that the forward strategy for Children's Services linked with the essential financial plans.
- Through hard work and changes Children's Services was on track to be seen as effective in the next few years.

9.3.12 In response to more general Member questions about the revenue budget, it was noted that the arrangement for the use of the Council Tax discount on second homes (set out in paragraph 7.2 on page 24 of the agenda) was agreed as part of last year's Council's budget.

9.3.13 The Committee **RESOLVED** by nine votes in favour and with 8 abstentions:

To recommend to County Council:

- An overall County Council Net Revenue Budget of £318.239m for 2015-16, including budget increases of £99.242m and budget decreases of £89.400m as set out in Table 3 of this report and the actions required to deliver the proposed savings.
- The budget proposals set out for 2016-17 and 2017-18, including authorising Chief Officers to take the action required to deliver budget savings for 2016-17 and 2017-18 as appropriate.
- With regard to the future years, further plans to meet the budget shortfall for 2016-17 and 2017-18 are urgently developed and brought back to Members before June 2015.
- That the Executive Director of Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2015-16 Budget, to make payments, to raise and repay loans and to invest funds.

9 iv County Council Budget 2015-18: Statement on the Adequacy of Provisions and Reserves 2015-18

9.4.1 The annexed report (9 iv) by the Executive Director of Finance (Interim) was received.

9.4.2 The Committee received a report that detailed the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2015-18. It included an assessment of the Council's financial risks that should be taken into consideration in agreeing the minimum level of General Balances held by the Council.

9.4.3 In the course of discussion the following key points were made:

- The changes in general balances and in earmarked reserves were set out in Table 3 at paragraph 5.2 of the report.
- The Executive Director of Finance (Interim) said that the use of earmarked reserves was part of normal financial planning and that it was not possible to generate savings in future years without the use of reserves.
- The figure for the Waste Management Partnership Fund (mentioned at page A79 of the agenda) would be corrected to take account of a clerical error.
- It was noted that "insurance reserves" (mentioned on page A80 of the agenda) and "insurance provisions" (mentioned on page A81 of the agenda) were separate budget headings. "Insurance provisions" related to insurance claims, some of which could take a long-term to settle.

9.4.4 The Committee **RESOLVED**:

- To note the planned reduction in non-schools earmarked and general reserves of just under 58%, from £114m (March 2014) to £48m (March 2018) (paragraph 5.2), which were almost the same as last year (as at February 2014);
- To note the updated policy on reserves and provisions in Appendix C;
- To agree, based on current planning assumptions and risk forecasts set out in Appendix D of the report:
    - for 2015-16, a minimum level of General Balances of £19.2m, and
    - a forecast minimum level for planning purposes of 2016-17, £23.4m, and 2017-18, £22.1m as part of the consideration of the budget plans for 2015-18, reflecting the transfer of risk from Central to Local Government, and supporting recommendations;
- To agree the use of non-school Earmarked Reserves, as set out in Appendix E of the report;
- To agree that the Executive Director of Finance further reviewed the level of the Council's Reserves and Provisions as part of closing the 2014-15 accounts in summer 2015.

9 v County Council Budget 2015-18: Robustness of Estimates

9.5.1 The annexed report (9 v) by the Executive Director of Finance (Interim) was received.

9.5.2 The Committee received a report that set out the Executive Director of Finance's statement on the robustness of the estimates used in the preparation of the

County Council's budget that affected the recommended level of general balances held when recommending the revenue budget and capital programme.

9.5.3 The Committee **RESOLVED** by nine votes in favour and with 8 abstentions:

To agree the level of risk and set of assumptions set out in this report that underpin the revenue and capital budget decisions and planning for 2015-18.

9 vi Capital Strategy and Programme 2015-18

9.6.1 The annexed report (9 vi) by the Executive Director of Finance (Interim) was received.

9.6.2 The Committee received a report that introduced the proposed capital programme for 2015-18, to be considered and recommended for approval to the County Council.

9.6.3 The Executive Director of Finance (Interim) withdrew the final recommendation in the officer report which related to a long term strategy to apply capital receipts to fund unsupported projects, including the unfunded element of the NDR, as set out in Table 8 of the report. In reply to questions, the Executive Director of Finance (Interim) assured Members that there would be an opportunity for them to discuss this long term strategy at a future meeting. However, before the Committee could decide on this matter a greater understanding was required from the government about what the strategic infrastructure fund should be used for and how this fund could be spent.

9.6.4 The Committee **RESOLVED** by nine votes in favour and with 8 abstentions:

- To agree the proposed 2015-18 capital programme of £438.933m;
- To refer the programme in Appendix A of the report to the County Council for approval, including the new and extended capital schemes outlined in Appendix B;
- To agree the prioritisation model in Appendix C of the report;
- To agree the Capital Strategy at Appendix D of the report as a framework for the prioritisation and continued development of the Council's capital programme;
- To agree to recommend to the County Council the Minimum Revenue Provision statement attached at Appendix E of the report;
- To agree to recommend to the County Council the Prudential Indicators in Appendix F of the report;
- To note the new capital grant settlements for 2015-16 set out in Section 4 of the report;
- To note the estimated capital receipts to be generated over the next
- three years and beyond to support those schemes not funded from other sources, as set out in Table 6 of the report;

9 vii County Council Budget 2015-18: Medium Term Financial Strategy 2015-18

9.7.1 The annexed report (9 vii) by the Executive Director of Finance (Interim) was received.

9.7.2 The Committee received a report about the Medium Term Financial Strategy (MTFS) covering three years 2015-16 to 2017-18 that brought together all of the elements that were considered as part of the robust planning process for a sustainable and prudent future for the services that Norfolk County Council provided or commissioned for the people of Norfolk, and how these services would be financed.

9.7.3 The Committee noted that recommendation 2.ii in the officer report which related to a long-term strategy for applying the capital receipts to fund the unsupported element of the NRD had been withdrawn.

9.7.4 Mr J Dobson moved duly seconded by Mr T FitzPatrick:

"That in order to ensure that Members' concerns in the area of efficiencies/service priorities are properly represented in the light of the severe additional financial pressures facing the Council in the short/ medium term a Chief Officers' Advisory Group should be set up forthwith on the same lines as the now defunct Leader's Advisory Board."

9.7.5 On being put to the vote there were 8 votes in favour of the motion and 8 votes against (with one recorded abstention from Mr Agnew). On the casting vote of the Chair the motion was declared **LOST**.

9.7.6 The Committee **RESOLVED** by 9 votes in favour and with 8 abstentions:

- To note the comments of the Section 151 Officer, set out in paragraphs 1.6 and 4.3- 4.6 of the report, on the implications of a Council Tax freeze; and
- To agree the Medium Term Financial Strategy 2015-18, including the policy objectives to be achieved:
    - Revenue: – To identify further funding or savings for 2016-17 and 2017-18 to produce a balanced budget 2015-18, in accordance with the timetable set out in the Revenue Budget report; and – In subsequent years, to identify funding or savings for all three years (2016-19) to produce a balanced budget.

10 Annual Investment and Treasury Strategy 2015-16

10.1 The annexed report (10) by the Executive Director of Finance (Interim) was received.

10.2 The Committee received a report that, in accordance with regulatory requirements, presented the Council's investment and borrowing strategies for 2015-16, including the criteria for choosing investment counterparties.

10.2 The Committee **RESOLVED**:

To endorse and recommend to County Council; the Annual Investment and Treasury Strategy for 2015-16, including the treasury management Prudential Indicators detailed in Section 8 of the report.

11 Norfolk County Council Capital Constructor's Framework Renewal

11.1 The annexed report (11) by the Executive Director of Finance (Interim) and Interim Head of Property was received.

11.2 The Committee received a report that stated the current capital construction partnering framework was due to conclude in September 2015 and in order for a new framework to be implemented, procurement needed to commence shortly to ensure continuity of provision.

11.3 Mr A Proctor suggested that there should be four or five constructors for Lot 2 of the partnering construction framework (complex projects). In reply the Head of Property suggested that a decision on this matter should be reached at a later date, based on the responses that officers received to the procurement questionnaire.

11.3 The Committee **RESOLVED**:

- That the procurement of a partnering construction framework be authorised, structured to deliver all significant (greater than £300,000) construction works on behalf of Norfolk County Council, to be ready for implementation around September 2015, with the following characteristics:
    - That the framework have the ability to be utilised by other publicly funded bodies
    - That the framework have at its heart the aim of supporting the local economy and aiding the achievement of Norfolk's and other publicly funded organisations' ambitions and priorities.
    - That the framework have two lots. Lot 1 (simple projects): £300k – £3m with five to six constructors. Lot 2 (complex projects): £3m+ with the number of constructors to be decided at a later date, based on the responses to a procurement questionnaire.
- That no further consultation was required further to the Public Contracts (Social Value) Act 2012.
- That Committee delegate to Heads of Procurement and Property the finer details of Framework design, including the finer details of the OJEU evaluation model, but that the award decision be retained by Policy and Resources Committee.

12 NDR – Acquisition of "The Railway Crossing" at Thorpe End

12.1 The annexed report (12) by Managing Director of NPS Property Consultants Ltd was received.

12.2 The Committee received a report that stated the County Council had accepted a Blight Notice in respect of the property known as "The Railway Crossing" at

Thorpe End in June 2014.

12.3 The Committee **RESOLVED**:

To agree the terms set out in the report for the Acquisition of "The Railway Crossing" property at Thorpe End.

The meeting concluded at 12.35 pm

CHAIRMAN

Policy & Resources Committee

Item No 8

Report title:	**Delivering DNA**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Anne Gibson**

Strategic impact

The DNA programme was established:

- To deliver a fundamental shift of resources from routine ICT into delivering better information management, so that staff and members have the information to target their efforts most effectively.
- To deliver new, up-to-date ICT for the council
- To mitigate the risks associated with old equipment, software and datacentres

Executive summary

There are six major strands to DNA:

- Migration to a new email and collaboration service, which is complete
- An "information hub" which enables us to combine data from multiple systems – financial, social care, transport and others – and produce accurate reports and dashboards
  - The data warehouse has been completed and was used to identify 'troubled' families needing intensive support.
  - The first iteration, or "sprint", has been completed to populate the system with financial and care data
  - An initial set of reports and dashboards is being produced to exploit this data
- Electronic document management and a number of web portals
  - A successful proof of concept has now been demonstrated for linking electronic document management to the social care management system, CareFirst, in a secure way.
  - Web portal implementation will take place once the requirement has been finalised in line with the customer service strategy brought to the Communities Committee on 11 March 2015.
- Single sign-on and identity management
  - Sailpoint, a new identity management solution, is undergoing final testing. This solution will enable us to manage access to systems much more efficiently.
- The rollout of new PCs and laptops
  - We contracted for 5350 devices, of which 2320 have so far been rolled out. A number of 'bugs' which were experienced when the devices were first rolled out have now been resolved.
- Migration of servers to the HP 'cloud'
  - The security level originally specified in the contract has been increased following completion by government of a review of security markings and the publication of new official guidance, which came into force in April 2014. This has delayed server migration

- However, five test servers have now been migrated and a detailed migration plan will be complete by April

Over the five years to 2017/18, DNA is currently approximately 5.3% over budget. This will need to be managed within the ICT budget over the course of the programme.

Recommendations:

That members:

1) **Note that after initial delays, good progress is now being made on the more-routine aspects of the programme – device rollout and server migration.**
2) **Note that DNA is essential to resolving a number of critical issues for the council – in particular better information sharing and better targeting of resources - and that good progress is being made in these areas**
3) **Agree to receive an updated programme and a further financial update on 1 June 2015.**

1. Progress to date

Email and collaboration

Members will recall the disruption caused when the former, non-DNA email system suffered a catastrophic failure. That system has been decommissioned.

Rollout of more than 6000 DNA email and collaboration accounts is now complete. Email is now delivered from two highly resilient, geographically dispersed datacentres.

Information hub

The information hub includes a data warehouse; a master data management system; and visualisation and reporting tools.

The data warehouse receives data from our business systems – social care, finance, education and so forth. The data is checked for formatting and consistency before entering the warehouse.

The master data management system enables entities – people, suppliers, staff members, etc - to be matched across systems. So for example, "Joseph Smith" in one system can be matched to "Joe Smith" in another. It was this capability that enabled 630 troubled families to be identified in Norfolk, and £6M of funding to help them to be secured from CLG.

The visualisation and reporting tools enable both regular and ad hoc reports and dashboards to be provided.

The tools are now all in place and a large initial data set has been brought into the system. This includes budget, expenditure and contracts data; data from CareFirst; and externally sourced data about companies and care establishments.

This data set forms the basis for a wide range of reports. We will incrementally add further data sets to meet business needs.

The first set of reports and dashboards, based on this data, will be used for procurement and commissioning purposes and to assist in the management of social care. They will:

- Provide a better overview of procurement spend – where the money is going, which contracts and suppliers are being used, charities which are highly dependent on the council, and so forth. Drill down will be possible from the overall spend on a supplier, contract or care home to the clients being served.
- Reduce considerably the manual effort currently involved in analysing spend, helping the procurement function to operate within its reduced budget for 2015/16.
- Make delivery of savings in third party spend that have already been identified more assured and robust.

A further iteration – bringing in special educational needs transport data – is under way and will make the delivery of planned savings in this area more robust.

A steering group of senior officers has been established to establish the strategy for further iterations, including routinely bringing in data from other public bodies.

Electronic document management
Records management software has been installed and an audit of paper files is under way.

HP has demonstrated a proof of concept for linking electronic records management with the CareFirst system. This has involved integration with CareFirst's complex security model, which applies an extra layer of protection to particularly sensitive records.

Portals
Following approval of the Customer Service Strategy by Communities Committee on 11 March 2015, and subject to approval of the strategy at Council, the detailed requirements for web portals, the technical architecture, and the linkage to the customer relationship management system will be defined and work can start on implementing portals.

Single sign-on and identity management
Sailpoint, a new identity management solution, is undergoing final testing. This solution will enable us to manage access to systems much more efficiently. It has been linked into the Oracle HR system, which holds the employee records, and will automate the granting and revocation of access to systems as employees join, leave and move around.

This will reduce manual effort in ICT, improve data protection, and help control software licensing costs by revoking unnecessary access to software.

Federation (mutual trust between systems) has been implemented with Breckland and Great Yarmouth councils and with the fire service system. This enables staff to log onto their 'home' system from a partner organisation's network. Discussions are under way with Norfolk Community Health and Care about federating with them.

Laptop and desktop rollout
Of 5350 devices contracted for, 2320 have been rolled out. Rollout is now happening consistently at 150 devices per week.

Efficient working relationships have been established between the council's IT service desk and HP's support team. A number of 'bugs' which caused problems for users when the early devices were rolled out have been resolved, and service desk calls are only being received in respect of 1 in 20 machines rolled out – which is a normal ratio for rollouts of this type.

The rollout of desktop machines, for locations such as libraries, will commence shortly.

Migration of servers to the HP 'cloud'
The negotiation of the contract coincided with a fundamental review of IT security by the government. We are heavily influenced by government security standards, both because they set the 'norm' for the public sector and because we have to achieve government accreditation to remain connected to the Public Sector Network (PSN).

Detailed government guidance did not appear until April 2014 and PSN security guidance has been in a state of flux throughout the DNA programme.

The decision was taken that NCC's servers would be hosted in an environment accredited to Impact Level 3 ("IL3"), rather than IL2 as contracted. This was possible without additional charge, but has delayed server migration. However, five test servers have now been migrated successfully and a detailed migration plan will be complete by April.

2. Financial Implications

Over five years, DNA is currently approximately 5.3% over budget. The original five-year plan was £26.35M, but the current projection is £27.75M. This will need to be managed within the ICT budget over the course of the programme.

Further details are in a confidential annex.

3. Issues, risks and innovation

DNA has an impact across the authority.

Certain benefits from DNA – in particular, savings in ICT staff costs and increased reliability and resilience – can be realised entirely within the DNA programme. Other benefits – for example, reduced accommodation costs resulting from more-flexible working – will appear in other budgets and will need to be realised by other programmes.

The Information Hub, in particular, is an innovative solution and we believe that it puts us a considerable way ahead of most public bodies. The master data management facility supports information sharing cross agencies as well as internally, whilst the ability to report across systems gives much better-quality reporting.

Realising the full benefits of these developments will require cultural change, and tight integration with other programmes that will exploit the information hub's capabilities.

4. Background

Background Papers

- 8 April 2013 Cabinet report – Digital Norfolk Ambition, including a copy of the Strategic Outline Business Case.

- 8 July 2013 Corporate Resources Overview and Scrutiny Panel report – Digital Norfolk Ambition Programme

- 7 October 2013 Cabinet report: DNA update

- 14 July 2014 Policy & Resources Committee: DNA Update
- 29 September 2014 Policy & Resources Committee: DNA Update
- 1 December 2014 Policy and Resources Committee: Digital Norfolk Ambition Programme
- 11 March 2015 Communities Committee: Customer Services Strategy 2015-2020

Officer Contact

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

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

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Anne Gibson	01603 222635	anne.gibson@norfolk.gov.uk

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Policy & Resources Committee

Item No 9

Report title:	**Re-procurement of telephony & data network services**
Date of meeting:	**23 May 2015**
Responsible Chief Officer:	**Anne Gibson**

Strategic impact

We need to go to the market to replace voice and data network services, as our current contracts expire in 2016.

High performing Internet access is crucial to schools, and essential to the council's business now and in the future.

In dialogue we will discuss with the bidders how provision can be structured in such a way as to have incidental benefits of improved fixed and/or mobile broadband availability to the general public.

Executive summary

We propose to procure telephony and data network services, and some closely allied services such as internet filtering, through a procurement to be advertised in the Official Journal in or around May 2015.

The proposed contract will cover corporate requirements (offices, depots, libraries, etc) and will be marketed to schools to cover their requirements.

The contract will also be available to those organisations which currently share our network (including some district councils and the Norfolk and Suffolk Foundation NHS Trust); to all other public bodies in Norfolk; and to partner organisations in neighbouring counties.

Recommendations:

A. To approve the proposed new contractual arrangements set out at section 1B.

B. To note the list of stakeholders and stakeholder engagement to date as set out in section 1C.

C. To approve the proposed critical success factors at section 1D.

D. To approve the proposed evaluation weightings at section 1E.

1. Proposal (or options)

A. Background

1. Our contracts for the corporate voice and data network, the Norfolk Schools Internet Exchange, telephone lines and calls, and mobile telephony all expire in 2016. We need to go to the market to replace these services. The current contractual arrangements are set out in Annex A.

2. In addition to telephony and data network services, we need to procure some closely allied services such as internet filtering. The proposed procurement does not affect the DNA contract or our corporate systems such as Oracle and CareFirst.

3. Although we do not expect to place a contract notice in the Official Journal until May, we are seeking approval at this early stage as the April Policy and Resources meeting is a single-item meeting to review corporate governance.

B. Proposed arrangements

1. The new arrangements proposed are broadly as follows:

   - to enter into a single contract covering both fixed and mobile telephony
   - to offer a modular service to schools, who will be able to choose just ‘cheap bandwidth’ (a popular approach for those schools who have the technical ability to manage other services themselves) or a packaged service including, for example, web filtering and remote access;
   - for the telecoms provider, not the council, to take the commercial risk around winning and retaining schools’ business (though the council will promote the deal)
   - to seek benefits in terms of fixed and mobile broadband coverage for the general public as part of the deal.

2. Contract length is to be finalised following industry consultation but we envisage 8 years, with appropriate break points. This reflects

3. The contract will encompass:

   a. The corporate data network, which links offices, depots, libraries and other premises to each other, to the corporate data centres and to the Internet
   b. Fixed and mobile telephony including the customer service centre
   c. Connection to the public switched telephone network (PSTN) and outbound calls
   d. Mobile data to enable access to systems and services on the move.
   e. Mobile device management (MDM) to replace the Blackberry and Good for Enterprise services with a single smartphone email and calendar service.

f. Wi-Fi service in key locations to support flexible working.

g. Corporate and school internet access

h. Internet filtering

i. Other network-related services required by schools – to be confirmed in the consultation but likely to include remote access and caching

j. Room video-conferencing (not desktop video-conferencing, which is part of DNA) – we will need to talk to users and facilities management staff to get the right specification for this.

4. The management and architectural responsibilities for the network are to be defined in more detail prior to going to the market and will be refined in dialogue with the shortlisted bidders.

5. The contract will exclude:

a. ICT systems such as Oracle, CareFirst, etc

b. Schools IT systems such as schools management information systems and virtual learning environments (unless, at the margins, consultation with schools indicates that particular services should be bundled in).

c. Remote access for staff – which is part of DNA.

d. The traffic signals mesh radio system which is part of the traffic signals contract.

C. Stakeholder consultation

1. The following are seen as the key stakeholders.

a. Schools. We have had conversations with Gordon Boyd and with the services for schools team, which will continue. We have arranged consultations with:

- Norfolk Primary Heads Association
- Norfolk Secondary Education Leaders
- Norfolk Association of Special School Heads
- Norfolk Governor Network
- Selected schools technical staff (from schools who use the current service and schools who have left).

b. Other internal customers, with whom we have had preliminary consultations

- The library service.
- The fire service.
- Highways.
- The contact centre.
- All directorates, for mobile working

c. External customers – Norfolk & Suffolk Foundation Trust and Great Yarmouth and Breckland district councils. We have discussed with the Trust and arranged discussions with the Districts.

d. Potential external customers – we are already in discussion with Norfolk Community Health and Care about aspects of the proposed service and we intend to consult with the other five district councils, because a larger requirement is likely to get better prices from the market for all concerned. We are also in discussion with Suffolk CC, whose contract expires a few months after ours, to see whether a joint procurement is practicable in order to reduce procurement costs and increase market attractiveness.

e. Economic development in respect of enhanced network coverage. We have discussed with economic development colleagues.

2. We have spoken informally to a number of market participants and have recently published a Prior Information Notice and started more-formal market engagement with potential bidders.

D. Critical success factors

1. We propose the following as critical success factors for the new arrangements. These will guide officers in conducting the procurement.

Savings

a. The gross cost of the network and telephony (including mobile telephony) will have fallen from £9.58million in 2013/14 to £7.10million in 2015/16, the last year of the current contracts, as a result of renegotiation of the network contract and tendering of the telephony and mobile contracts.

b. We will be seeking substantial further savings as part of this procurement, reflecting the changes in the market since the last tender and the availability of underlying fibre broadband infrastructure as a result of the council's investment in the *Better Broadband for Norfolk* initiative

Reasonable equity of access

a. The council recognises that it is more difficult to provide high-speed access outside urban areas. However, with 53% of the county's population living in rural localities, decent connectivity for rural locations is essential.

b. Secondary schools are generally located in or around towns and cities. However, many primary schools are located in more-remote areas. Driving up standards in these schools is a particular priority for the council, which is encouraging these schools to form federations with three or four neighbouring schools.

c. Consistent, reliable and fast broadband access is essential to these rural schools, so that pupils can access a standard of education that is equivalent to their urban peers. At present, too many schools – including some in suburban areas - still rely on inadequate speeds.

d. The council is neutral as to technical solutions but will expect the successful provider to adopt an approach that provides consistent, reliable and fast access. This may well require the use of a range of solutions from a number of infrastructure providers.

Workforce Mobility

a. A significant proportion of the workforce needs to be able to access data on the move. Effective and seamless access to mobile and wireless data is therefore critical.

b. There is a requirement for more cost-effective mobile device management solutions including lower-cost secure email and calendar functionality for smart phones. We will also seek (subject to the latest developments in national security policy) an option to deploy email and calendar to staff members' personal smart phones.

c. School staff increasingly operate across multiple sites and this needs to be supported in a seamless fashion.

Commercial and technical flexibility

a. The ability to flex bandwidth and to rationalise the property estate without incurring commercial penalties is key to the council.

b. Similarly, a reasonable degree of flexibility will need to be provided to schools, which are free agents and will only use the contract if the terms are attractive.

c. We will need the contract to keep pace with changes in technology.

Social Value

a. Just as connectivity is essential to the operation of the Council and its partners, it is also essential to the economic and social sustainability of the county more generally. All businesses and communities now need high-speed broadband and mobile connectivity to be competitive.

b. The need for connectivity for Council and partner organisations across the county presents an opportunity for service providers to extend the infrastructure requirement to deliver public sector requirements, and support wider economic and social gains at the same time.

Manageability

a. The council integrates a wide range of services from different providers. It therefore requires:

- the ability to rapidly flex configurations, such as firewall rulesets;
- reliable, real-time and detailed information about network status, so that faults can be diagnosed, apportioned (between the network and other providers) and fixed rapidly.

E. High-level evaluation criteria

1. The proposed high-level evaluation criteria are:

   a. Price 45%

   b. Quality 55%, of which 10 percentage points allocated to social value (the extent delivery of the service is structured in such a way as to have incidental benefits of improved fixed and/or mobile broadband availability to the general public)

2. Rationale

1. Undertaking an open procurement, rather than running a competition under a framework agreement, is recommended for the following reasons:

   a. Using a framework agreement would not allow us to take account of social value

   b. We believe that some dialogue with bidders is required about social value and about the optimum solution for rural areas. Dialogue is not permitted when procuring under a framework.

   c. The longest contract length permitted under the most obvious framework – let by the Crown Commercial Service – is five years. We believe that this is not long enough to attract sufficient competition, because the successful bidder will need to make a substantial investment.

2. Procuring mobile and fixed telephony jointly is desirable because these services are rapidly merging.

3. Making the contract available to other public bodies is likely to enable lower prices for all concerned, because investment costs can be spread across more customers.

3. Financial Implications

1. As described the gross cost of the network and telephony (including mobile telephony) will have fallen from £9.58million in 2013/14 to £7.10million in 2015/16, the last year of the current contracts, as a result of renegotiation of the network contract and tendering of the telephony and mobile contracts.

2. We will seek substantial further reductions in cost. We will also shift the financial risk which arises if schools move away from the contract away from the council.

4. Issues, risks and innovation

1. High quality broadband is critical to the council and to schools. It is unlikely to be delivered, outside urban centres, other than by an aggregated procurement of this type.
2. There is an opportunity to obtain better broadband availability – in addition to that being delivered via the Broadband UK initiative – as a side-product of this procurement.
3. There are resource implications associated with the procurement – in particular for the procurement team, for Nplaw and for ICT – but these can generally be managed within existing resources. External project management support is required to prepare for the procurement and for the migration. We intend to fund this from the savings.
4. There is an inevitable risk associated with the changeover from the old to the new network which based on past experience will take approximately a year from contract signature. Given the expiry of the existing contract and the aging equipment currently supporting it, this cannot be avoided, and will need to be mitigated by careful planning and management.

5. Background

1. None not covered above

Officer Contact

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

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Al Collier	01603 223372	al.collier@norfolk.gov.uk

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Policy and Resources Committee

Item No: 10

Report title:	**Exemption to Contract Standing Orders for Homecare in the East of the County**
Date of meeting:	**23rd March 2015**
Responsible Chief Officer:	**Harold Bodmer – Executive Director of Adult Social Services**

Strategic impact:

Paragraph 9.12 of contract standing orders states:

> "Any exemption to these standing orders under paragraph 9.11 shall be approved in advance by the Head of Procurement and Head of Law and the granting of any such exemption relating to the award of a contract valued in excess of £250,000 shall be notified to the next meeting of the Policy and Resources Committee".

This report provides that notification.

Executive summary

In consultation with the Leader, an exemption to Contract Standing Orders has been approved to allow the Homecare arrangements in two areas of the East of the county to be extended until mid-April 2016. This would enable Norfolk to develop and jointly procure an integrated homecare service across the Great Yarmouth and Waveney CCG area with both Suffolk County Council and Great Yarmouth and Waveney CCG.

This is a real opportunity to establish new commissioning arrangements across health and social care with the benefits of:

- Joined up care provision for service users
- Securing savings in respect of continuing health care
- Improved market engagement and market shaping
- A simpler health and social care system to administer in the area

The value of the extensions is £570,000 in total. No increase in cost results from this extension: the services simply continue to be provided at the current rates.

Recommendation:

1. **Committee are asked to note this exemption to Contract Standing Orders, which has been approved by Head of Procurement and Head of Law**

1. Proposal

1.1 There is an opportunity and willingness for Norfolk County Council, Suffolk County Council and NHS Great Yarmouth and Waveney CCG Continuing Health Care to develop an integrated approach to Homecare provision across the Great Yarmouth and Waveney CCG area. In order to achieve this we need to revise the procurement timeline for the block contracts in the Eastern locality which in turn means extending the end dates of two of the four existing block contracts.

2. Financial Implications

2.1 The value of the extensions is £570,000 in total. No increase in cost results from this extension: the services simply continue to be provided at the current rates.

2.2 It is anticipated that the development of an integrated service as described would facilitate delivery of a savings target contained within the Better Care Fund which would benefit both the local authority and the CCG. This would be achieved by reducing spend on Continuing Health Care contracts.

3. Issues, risks and innovation

3.1 Without the contract extensions it would not be possible to implement the integrated service across the Great Yarmouth and Waveney area as the end dates of the existing block contracts need to be aligned to facilitate this.

4. Background

4.1 Although Adult Social Care Committee agreed at its meeting on 9th March the principle of extending these services, Contract Standing Orders paragraph 9.12 states:

"Any exemption to these standing orders under paragraph 9.11 shall be approved in advance by the Head of Procurement and Head of Law and the granting of any such exemption relating to the award of a contract valued in excess of £250,000 shall be notified to the next meeting of the Policy and Resources Committee"

Officer Contact

If you have any questions about matters contained in this paper or want to see copies of any assessments e.g. equality impact assessment, please get in touch with

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Al Collier	01603 223372	al.collier@norfolk.gov.uk

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Annex 1

64/15

Authorisation from Head of Procurement

for single quotation process – section 19 of CSO

Please complete and then print and pass to Maureen Dewath in Procurement who will review and forward to Head of Procurement

Please note: In exceptional circumstances, Head of Procurement can authorise the use of a Single Quotation Process for up to £75,000 for Services, £200,000 for Part B Services and Concessions, and £100,000 for Works

Quotation/Contract Name Homecare Block Contract	**NCC Department concerned** **Community Services**	**Company Name** Care UK
Length of Contract or requirement 24 weeks	**Aggregated Value** **£375,000**	**Contact name and extension** Geoff Empson 01502 719533

Nature of procurement (give brief details of services/goods being supplied, etc.)
Norfolk purchases the provision of Homecare services to help support people living in their own homes from a range of providers across the county via block contracts for a set number of hours covering specific geographical areas. This particular block covers the part of the Eastern Locality i.e. villages north of Great Yarmouth and is for the provision of 4400 hours care per 4 week period.

Please give full details of why a single quotation process is required and why alternative quotes are not being obtained:
The adult Social Care Committee agreed in September 2014 to adopt a new model for homecare in Norfolk that would be introduced in a phased way across Norfolk with the West and East of the county being first in November 2015.

Since then work has been progressing with both Suffolk County Council and Great Yarmouth and Waveney CCG who have agreed they would like to procure homecare jointly across the Great Yarmouth and Waveney CCG area to include Continuing Health Care.

This is a real opportunity to get into new commissioning arrangements across health and social care with the potential benefits of:
- securing savings in respect of continuing health care
- improved market management
- joined up care provision for service users

To do this, there would need be a need to delay the procurement in the East by approximately five and a half months so that the service would go live in mid April 2016 (this avoids any changes over the Christmas period which is always an operational risk and also avoids the Easter holiday)

Two of the four blocks in the East already have end dates that would fit with this timeline however we need to extend the arrangements with the other 2 providers to continue to provide services in those areas. This application is for the area covered by Care UK and requires an extension of 24 weeks

Your Name (print)	Position	Signature	Date
Geoff Empson	Head of Integrated Commissioning - East	By email.	

Head of Procurement Comments and Approval

In my capacity as Head of Procurement I have authorised/not authorised (delete as applicable) the above request

Name (print)	Signature	Date
AL COLLIER	[illegible]	25/2/15

V. McNeill approved 24-2-15 by email - copy attached to CPA.

Copy of each authorisation to be retained by Procurement

65/15

Authorisation from Head of Procurement

for single quotation process – section 19 of CSO

Please complete and then print and pass to Maureen Dewath in Procurement who will review and forward to Head of Procurement

Please note: In exceptional circumstances, Head of Procurement can authorise the use of a Single Quotation Process for up to £75,000 for Services, £200,000 for Part B Services and Concessions, and £100,000 for Works

Quotation/Contract Name Homecare Block Contract	**NCC Department concerned** **Community Services**	**Company Name** One to One
Length of Contract or requirement 11 weeks	**Aggregated Value** **£195,000**	**Contact name and extension** Geoff Empson 01502 719533

Nature of procurement (give brief details of services/goods being supplied, etc.)
Norfolk purchases the provision of Homecare services to help support people living in their own homes from a range of providers across the county via block contracts for a set number of hours covering specific geographical areas. This particular block covers largely the Gorleston part of the Eastern Locality i.e. the urban area south of the river and is for the provision of 5200 hours care per 4 week period.

Please give full details of why a single quotation process is required and why alternative quotes are not being obtained:
The adult Social Care Committee agreed in September 2014 to adopt a new model for homecare in Norfolk that would be introduced in a phased way across Norfolk with the West and East of the county being first in November 2015.

Since then work has been progressing with both Suffolk County Council and Great Yarmouth and Waveney CCG who have agreed they would like to procure homecare jointly across the Great Yarmouth and Waveney CCG area to include Continuing Health Care.

This is a real opportunity to get into new commissioning arrangements across health and social care with the potential benefits of:
- securing savings in respect of continuing health care
- improved market management
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To do this, there would need be a need to delay the procurement in the East by approximately five and a half months so that the service would go live in mid April 2016 (this avoids any changes over the Christmas period which is always an operational risk and also avoids the Easter holiday)

Two of the four blocks in the East already have end dates that would fit with this timeline however we need to extend the arrangements with the other 2 providers to continue to provide services in those areas. This application is for the area covered by One to One and requires an extension of 11 weeks

Annex 2

Your Name (print) Geoff Empson	**Position** Head of Integrated Commissioning - East	**Signature** By email	**Date**

Head of Procurement Comments and Approval

In my capacity as Head of Procurement I have authorised/not authorised (delete as applicable) the above request

Name (print)	**Signature**	**Date**
AL COLLIER	[illegible]	23/2/15

V McNeill approved 24-2-15 by email. - copy attached to CPA.

Copy of each authorisation to be retained by Procurement

Policy and Resources Committee

Item No 11

Report title:	**Monitoring of Financial Savings 2015-16**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Peter Timmins - Executive Director of Finance (Interim)**

Strategic impact

This report to Policy and Resources Committee provides an overview of the progress in delivering the savings agreed by the County Council at its meeting 16 February 2015.

Executive summary

County Council agreed savings of £36.721m as part of the 2015-16 budget setting process. This report provides details of progress in delivering these savings, concentrating on 2015-16, but also providing an overview of the later years 2016-17 and 2017-18.

The report comments on the exceptions to successful delivery, those items rated RED, and critical AMBER items.

This report will be presented to the Policy and Resources Committee at each meeting.

Members are recommended to:

a) approve the format for the regular reporting of savings tracking in 2015-16; and

b) confirm that this report provides Members with the necessary information to fulfil their scrutiny role and ensure that effective action is being undertaken by Chief Officers to deliver the agreed level of savings.

1. Savings Overview

1.1. The County Council, as part of setting its budget for 2015-16, considered proposed 2015-16 savings of £36.094m, which included a net £0.227m of additional unallocated income compared to the total savings of £36.322m reported to Policy and Resources Committee in January. The County Council's decisions amended the proposed savings total in three ways:

	2015-16 £m
Total savings proposed to County Council	-36.094
1. The deletion of Adult Services transport savings	+0.100
2. The addition of efficiency savings, held in P&R	-0.500

3. The removal of the unallocated additional funding	-0.227
Revised total	**-36.721**

1.2. The additional efficiency saving of £0.500m planned for 2015/16 will be used to support the adult social care budget.

1.3. The agreed savings of £36.721m in 2015-16, include one-off items and use of reserves totalling £6.756m as set out in Annex 1. The detailed categorisation of the total savings, and the savings identified for subsequent years of the Medium Term Financial Strategy, are shown in Table 1 below.

Table 1: Categorisation of Savings 2015-18

	2015-16	**2016-17**	**2017-18**	**Total**
Savings	**£m**	**£m**	**£m**	**£m**
Org Change - Staffing	-4.976	-0.528	0.000	**-5.504**
Org Change - Systems	-10.800	-13.753	0.000	**-24.553**
Capital	-0.614	-0.727	0.000	**-1.341**
Terms & Conditions	-0.705	-1.102	0.000	**-1.807**
Procurement	-5.667	-1.020	-0.135	**-6.822**
Shared Services	-0.190	-0.205	-2.000	**-2.395**
Income and Rates of Return	-7.558	-6.046	-2.900	**-16.504**
Assumptions under Risk Review	4.230	5.156	0.000	**9.386**
Back office subtotal	**-26.280**	**-18.225**	**-5.035**	**-49.540**
Reducing Standards	-4.144	-6.725	-0.800	**-11.669**
Ceasing Service	-6.297	-3.090	0.000	**-9.387**
Front line subtotal	**-10.441**	**-9.815**	**-0.800**	**-21.056**
Total	**-36.721**	**-28.040**	**-5.835**	**-70.596**

1.4. The savings reporting model will be able to report in different ways from the same base data. For example, apart from by category (as above), by Committee, Department, responsible officer and RAG status.

1.5. The breakdown of savings by Committee, for 2015-16 is shown in Table 2 below. The position for all three years is set out at Annex 2.

Table 2: Savings by Committee 2015-16

	Children's Services	**Adults**	**EDT**	**Communities**	**Policy & Resources**	**TOTAL**
Savings 2015-16	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1a Organisation	-0.490	-0.250	-0.005	-0.087	-4.144	**-4.976**
1b Lean	-6.890	-0.835	-0.116	-0.242	-2.717	**-10.800**
1c Capital	0.000	0.000	-0.540	-0.074	0.000	**-0.614**

1d Terms & Conditions	-0.115	-0.099	-0.034	0.000	-0.457	**-0.705**
2a Procurement	0.000	-2.306	-1.904	-0.095	-1.362	**-5.667**
2b Shared Services	0.000	-0.150	0.000	-0.040	0.000	**-0.190**
3a Income and Rates of Return	0.000	-0.150	-0.882	-1.024	-5.502	**-7.558**
4a Change standards	-0.462	-3.350	0.170	-0.502	0.000	**-4.144**
4b Stop doing things	0.000	-6.000	-0.147	-0.150	0.000	**-6.297**
4c Change assumptions	-0.400	-3.156	0.000	0.000	7.786	**4.230**
Total	**-8.357**	**-16.296**	**-3.458**	**-2.214**	**-6.396**	**-36.721**

2. RAG Ratings

2.1. The definition of the RAG rating levels is set out in the table below.

Level	Descriptor
Red	Significant concern that the saving may not be delivered
Amber	Some concern that the saving may not be delivered or there may be a variance in the saving
Green	Confident that the saving will be delivered
Blue	Saving already delivered
Yellow	Alternative savings to be identified
Reversal	Reversal of previous year saving

2.2. The highlight report starts with the overall RAG position, as set out at Table 3. The information is derived from the detail at Annex 3. The decision to rate a project as RED, will be one arrived at by the Finance community, in consultation with Departments. This will ensure a common standard is maintained in the monitoring.

Table 3: 2015-16 Savings by RAG Status

RAG Status	Total Savings 2015-16	Latest Forecast Saving 2015-16		Children's Services	Adults	EDT	Communities	Policy & Resources
	£m	£m		£m	£m	£m	£m	£m
Red	0.000	0.000		0.000	0.000	0.000	0.000	0.000
Amber	-22.233	-22.063		-8.745	-8.665	-2.067	-0.685	-1.901
Green	-11.961	-11.961		-0.872	-4.305	-1.881	-0.969	-3.934
Blue	-17.167	-17.167		-0.740	-3.156	-1.510	-0.560	-11.201
Yellow	0.000	-0.170		0.000	-0.170	0.000	0.000	0.000
Reversal	14.640	14.640		2.000	0.000	2.000	0.000	10.640
Total	**-36.721**	**-36.721**		**-8.357**	**-16.296**	**-3.458**	**-2.214**	**-6.396**

2.3. At this point in the year, an initial review of savings has been undertaken by Business Partners, with the result that the RAG ratings and forecasts shown in Table 3 and Annex 3 have been applied. A number of new 2015-16 savings have been categorised as BLUE where the actions are certain to be delivered. These include items such as the reduction in redundancy and where decisions have been made to reduce grant payments.

2.4. The categorisation of existing savings (i.e. those identified in 2014-15 and earlier) has been derived from the existing savings tracking report, and has also been subject to review by Business Partners.

2.5. The analysis and actions on the RED savings will form the remainder of the report. Where a shortfall is revealed, the Directorate/Committee will propose alternative savings.

2.6. No savings are currently categorised as RED.

Officer Contact

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

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IN TRAN communication for all

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One-off amounts are included within the total savings set out in Table 1 above, as shown in the Table below.

Table: One-off savings 2015-18

	2015-16	2016-17	2017-18
	£m	£m	£m
One Off: Use of Earmarked Reserves (Adults)	-3.156	3.156	0.000
Use of ETD earmarked reserves	-0.500	0.500	0.000
Subtotal use of earmarked reserves	**-3.656**	**3.656**	**0.000**
One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history	-0.100	0.000	0.100
County Farms funding (one-off)	-2.000	2.000	0.000
Insurance	-1.000	1.000	0.000
Subtotal one-off items	**-3.100**	**3.000**	**0.100**
Total use of reserves and one-off items	**-6.756**	**6.656**	**0.100**

The detailed breakdown of savings by Committee, for all three years is shown in Annex 3.

Table: Savings by Committee 2015-18

	Children's Services	**Adults**	**EDT**	**Communities**	**Policy & Resources**	**TOTAL**
Savings 2015-16	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
1a Organisation	-0.490	-0.250	-0.005	-0.087	-4.144	**-4.976**
1b Lean	-6.890	-0.835	-0.116	-0.242	-2.717	**-10.800**
1c Capital	0.000	0.000	-0.540	-0.074	0.000	**-0.614**
1d Terms & Conditions	-0.115	-0.099	-0.034	0.000	-0.457	**-0.705**
2a Procurement	0.000	-2.306	-1.904	-0.095	-1.362	**-5.667**
2b Shared Services	0.000	-0.150	0.000	-0.040	0.000	**-0.190**
3a Income and Rates of Return	0.000	-0.150	-0.882	-1.024	-5.502	**-7.558**
4a Change standards	-0.462	-3.350	0.170	-0.502	0.000	**-4.144**
4b Stop doing things	0.000	-6.000	-0.147	-0.150	0.000	**-6.297**
4c Change assumptions	-0.400	-3.156	0.000	0.000	7.786	**4.230**
Total	**-8.357**	**-16.296**	**-3.458**	**-2.214**	**-6.396**	**-36.721**
Savings 2016-17						
1a Organisation	0.000	0.000	0.000	-0.052	-0.476	**-0.528**
1b Lean	-8.484	-2.000	-0.905	-1.440	-0.924	**-13.753**
1c Capital	-1.000	0.000	0.500	-0.227	0.000	**-0.727**
1d Terms & Conditions	-0.105	-0.090	-0.031	0.000	-0.876	**-1.102**
2a Procurement	0.000	-1.500	-0.350	0.000	0.830	**-1.020**
2b Shared Services	0.000	0.000	-0.005	-0.200	0.000	**-0.205**
3a Income and Rates of Return	0.000	-0.050	-0.595	-0.105	-5.296	**-6.046**
4a Change standards	-2.312	-4.050	-0.280	0.000	-0.083	**-6.725**
4b Stop doing things	0.000	-3.000	-0.090	0.000	0.000	**-3.090**
4c Change assumptions	0.000	3.156	0.000	0.000	2.000	**5.156**
Total	**-11.901**	**-7.534**	**-1.756**	**-2.024**	**-4.825**	**-28.040**
Savings 2017-18						
1a Organisation	0.000	0.000	0.000	0.000	0.000	**0.000**
1b Lean	0.000	0.000	0.000	0.000	0.000	**0.000**
1c Capital	0.000	0.000	0.000	0.000	0.000	**0.000**
1d Terms & Conditions	0.000	0.000	0.000	0.000	0.000	**0.000**
2a Procurement	0.000	0.000	0.000	0.000	-0.135	**-0.135**
2b Shared Services	0.000	0.000	0.000	0.000	-2.000	**-2.000**
3a Income and Rates of Return	0.000	0.000	0.000	0.100	-3.000	**-2.900**
4a Change standards	0.000	-0.800	0.000	0.000	0.000	**-0.800**
4b Stop doing things	0.000	0.000	0.000	0.000	0.000	**0.000**
4c Change assumptions	0.000	0.000	0.000	0.000	0.000	**0.000**
Total	**0.000**	**-0.800**	**0.000**	**0.100**	**-5.135**	**-5.835**

2015-16 Savings and RAG Status Detail

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
Adult Social Care Committee							
		1a Digital Transformation, BWOW. Organisation					
14	COM031	Further Savings from PCSS (Personal Community Support Service)	-0.250			-0.250	Green
		1b Digital Transformation, BWOW. Lean					
14	COM018	Review Care Arranging Service	-0.140			-0.070	Amber
30	COM026	Change the type of social care support that people receive to help them live at home	-0.200			-0.100	Amber
06	COM028	Electronic Monitoring of Home Care providers		-0.500		0.000	NA
		1d Digital Transformation, BWOW. T&Cs					
04	GET016	Reducing the cost of business travel	-0.099	-0.090		-0.099	Green
		2a Procurement, Commissioning. Procurement					
06	COM027	Review block home care contracts	-0.100			-0.100	Green
06	COM042	Review of Norse Care agreement for the provision of residential care	-1.000	-1.500		-1.000	Green
04	GET010	Renegotiate contracts with residential providers, to include a day service as part of the contract, or at least transport to another day service	-0.100			-0.100	Amber
04	GET011	Renegotiate the Norse bulk recharge	-0.106			-0.106	Green
		2b Procurement, Commissioning. Shared Services					
18	COM023	Integrated occupational therapist posts with Health	-0.100			-0.100	Green
18	COM024	Assistant grade posts working across both health and social care	-0.050			-0.050	Green
		3a Income generation, Trading. Sweat the assets					
20	COM019	Trading Assessment and Care Management support for people who fund their own care		-0.050		0.000	NA
08	COM025	Decommission offices, consolidate business support	-0.150			-0.150	Green
		4a Demand Management. Change Standards					

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
33	COM034	Changing how we provide care for people with learning disabilities or physical disabilities	-2.000	-3.000		-2.000	Amber
35	COM038	Scale back housing-related services and focus on the most vulnerable people	-1.200			-1.200	Green
36	COM040	Reduce the number of Adult Care service users we provide transport for	-0.150	-0.150		-0.150	Green
		4b Demand Management. Stop Doing Things					
31	COM033	Reduce funding for wellbeing activities for people receiving support from Adult Social Care through a personal budget	-6.000	-3.000		-6.000	Amber
		Sub-total Savings from 2014-17 Budget Round	**-11.645**	**-8.290**	**0.000**	**-11.475**	
		1b Digital Transformation, BWOW. Lean					
1a	ASC001	Residential care. Process improvements for more effective management of residential care beds	-0.100			-0.100	Green
3c	ASC002	Redesign Adult Social Care pathway. Work with Hewlett Packard and procurement on areas of the pathway to drive out further efficiencies	-0.395	-1.500		-0.395	Amber
		2a Procurement, Commissioning. Procurement					
1b	ASC004	Norse care rebate. The proposal is for the rebate to be allocated to the Adult Social Care revenue budget on an ongoing basis, rather than to the Adult Social Care Residential Care Reserve as previously.	-1.000			-1.000	Green
		4a Demand Management. Change Standards					
5a	ASC003	Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council	0.000	-0.900	-0.800	0.000	Green
		4c Demand Management. Change Assumptions					
NA	ASC005	One Off: Use of Earmarked Reserves (Adults)	-3.156	3.156		-3.156	Blue
		Sub-total new savings	**-4.651**	**0.756**	**-0.800**	**-4.651**	
		Alternative savings to be identified	0.000	0.000	0.000	-0.170	Yellow
		Total Savings	**-16.296**	**-7.534**	**-0.800**	**-16.296**	

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
Children's Committee							
		1a Digital Transformation, BWOW. Organisation					
08, 3a	CHI017, CHL001	Review senior management and commissioning structures	-0.180	0.000		-0.180	Amber
		1b Digital Transformation, BWOW. Lean					
21	CHI001-004	Increase the number of services we have to prevent children and young people from coming into our care and reducing the cost of looking after children	-8.140	-8.484		-8.140	Amber
21	CHI001-004b	Children's Services Review - use of one off reserves to delay savings to 2015-16	2.000			2.000	Blue
		1c Digital Transformation, BWOW. Capital					
26	CHI012	Reduce the cost of transport for children with Special Educational Needs		-1.000		0.000	NA
		1d Digital Transformation, BWOW. T&Cs					
04	GET016	Reducing the costs of business travel	-0.115	-0.105		-0.115	Amber
		4a Demand Management. Change Standards					
22	CHI005	Change services for children and young people with Special Educational Needs and Disabilities in response to the Children and Families Bill		-1.912		0.000	NA
24	CHI010	Stop our contribution to the Schools Wellbeing Service, Teacher Recruitment Service, Norfolk Music Service and Healthy Norfolk Schools Programme and explore if we could sell these services to schools	-0.215			-0.215	Green
28	CHI014	Reduce the amount of funding we contribute to the partnerships that support young people who misuse substances and young people at risk of offending		-0.250		0.000	NA
29	CHI015	Reduce funding for school crossing patrols	-0.150	-0.150		-0.150	Blue

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
		4c Demand Management. Change Assumptions					
12, NA	CHI018, CHL003	Reduced retirement costs for teachers	-0.400	0.000		-0.400	Blue
		Sub-total Savings from 2014-17 Budget Round	**-7.200**	**-11.901**	**0.000**	**-7.200**	
		1a Digital Transformation, BWOW. Organisation					
3a	CHL008	Savings in management costs in Children's Services	-0.310			-0.310	Amber
		1b Digital Transformation, BWOW. Lean					
3e	CHL004	Continued use of public transport within Looked After Children service	-0.190			-0.190	Blue
3e	CHL006	Reducing legal costs for Looked After Children	-0.430			-0.430	Green
3e	CHL007	End of ground maintenance contract for trees in schools	-0.130			-0.130	Green
		4a Demand Management. Change Standards					
4b	CHL005	Reduce subsidy for community use of school premises	-0.097			-0.097	Green
		Sub-total newly identified Savings	**-1.157**	**0.000**	**0.000**	**-1.157**	
		Total Savings	**-8.357**	**-11.901**	**0.000**	**-8.357**	

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
Communities Committee							
		1a Digital Transformation, Better Ways Of Working: Organisation					
08	RES79	Review and reduce staffing in Customer Services and Communications to reflect changes in communication practices and the business requirements of the organisation	-0.009	-0.042		-0.009	Green
		1b Digital Transformation, Better Ways Of Working: Lean					
NA		Reduced cost of ICT refresh		-0.100		0.000	NA
15	RES82	Efficiency savings arising from utilising public health skills and resources to remove duplication		-1.275		0.000	NA
		1c Digital Transformation, Better Ways Of Working: Capital					
55	FR001	Purchase different, cost effective fire vehicles for some stations	-0.074	-0.227		-0.074	Green
		2b Procurement, Commissioning. Shared Services					
16	ETD09	Enhanced multi-agency working on emergency planning	-0.040			-0.040	Amber
20	ETD24	Changes to the delivery of road safety education and evaluation to make greater use of community resources		-0.200		0.000	NA
		3a Income generation, Trading. Sweat the assets					
20	COM08	Museums - Gift Aid and Cultural Exemptions	-0.354			-0.354	Green
20	COM15	Norfolk Record Office - Increased income generation	-0.020	-0.010		-0.020	Green
48	ETD02	Charge for advice to business from our Trading Standards Service		-0.020		0.000	NA
20	RES39	Increase charges for Registration Services	-0.050	-0.050		-0.050	Green
58	RES42	Move the historical registration records to the Norfolk Record Office	-0.050			-0.050	Green
		4a Demand Management. Change Standards					
47	ETD01	Scale back Trading Standards advice to focus on the things we have to do by law	-0.250			-0.250	Blue
		4c Demand Management. Change Assumptions					
		Sub-total Savings from 2014-17 Budget Round	**-0.847**	**-1.924**	**0.000**	**-0.847**	

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
		1a Digital Transformation, Better Ways Of Working: Organisation					
2a, 2b, 2d	CMM002	Reductions in staff and increased income from car parking & ancient house museum (Thetford)	-0.078	-0.010		-0.078	Green
		1b Digital Transformation, Better Ways Of Working: Lean					
1c	CMM009	Reduction in Library Management System costs	-0.012			-0.012	Green
3b	P&R011	Review mail operations	-0.060	-0.065		-0.060	Green
3d	P&R010	Reduced consultation budget	-0.020			-0.020	Blue
NA	CMM012	Customer Services additional savings	-0.100			-0.100	Green
NA	CMM011	Library vacancy management additional savings	-0.050			-0.050	Green
		2a Procurement, Commissioning. Procurement					
1a	CMM010	Fire & Rescue Service savings generated through Priority Based Budgeting exercise - focussed on procurement efficiencies and asset management	-0.095			-0.095	Amber
		3a Income generation, Trading. Sweat the assets					
2c	CMM004	One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or it's history	-0.100		0.100	-0.100	Amber
1d	CMM007	Income generation (External hire replacement, fire testing, highways clearance, grants from Europe)	-0.450			-0.450	Green
2a	P&R031	Portal for "Norfolk Weddings" registrars additional income		-0.025		0.000	NA
		4a Demand Management. Change Standards					
3g	CMM001	Library staff reductions	-0.080			-0.080	Green
3b	CMM003	Service reviews, management savings in Customer Services	-0.090			-0.090	Blue
3e	CMM005	Reduced spend on ICT and conservation materials for Record Office	-0.032			-0.032	Green
1b	CMM008	Reduce Healthwatch budget	-0.050			-0.050	Blue
		4b Demand Management. Stop Doing Things					
4a	CMM006	Arts - reduction of arts services and grants	-0.150			-0.150	Blue
		Sub-total new savings	**-1.367**	**-0.100**	**0.100**	**-1.367**	
		Total savings	**-2.214**	**-2.024**	**0.100**	**-2.214**	

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
Environment Development and Transport Committee							
		1b Digital Transformation, BWOW. Lean					
02	ETD15	Replacement of BusNet system with SMART ticket machines	-0.100			-0.100	Blue
02	ETD26	Use of alternative existing technology to provide transport monitoring data and changes to how the council procures traffic surveys		-0.135		0.000	NA
59	GET07	Cut the cost of providing school transport (Allocate more children to public transport contracts)	-0.020	-0.020		-0.020	Green
NA	ETD33	Improving processes and working arrangements in ETD	1.000			1.000	Reversal
		1c Digital Transformation, BWOW. Capital					
59	GET08	Cut the cost of providing school transport (Incentivise entitled pupils to opt out)	-0.040			-0.040	Green
		1d Digital Transformation, BWOW. T&Cs					
04	GET16	Reducing the costs of business travel	-0.034	-0.031		-0.034	Green
		2a Procurement, Commissioning. Procurement					
17	ETD18	Renegotiate concessionary travel schemes with bus operators	-0.350	-0.350		-0.350	Blue
04	ETD23	Reduction in the number of hired highway vehicles	-0.150			-0.150	Blue
		2b Procurement, Commissioning. Shared Services					
16	ETD08	Collaboration with peer authorities for delivery of specialist minerals and waste services		-0.005		0.000	NA
		3a Income generation, Trading. Sweat the assets					
49	ETD04	Charge people for the advice they receive from us prior to submitting a planning application	-0.010			-0.010	Green
52	ETD07	Charge for site inspection reports for operators of mineral and waste sites	-0.005			-0.005	Green
20	ETD10	Attract and generate new income for Environment services with a view to service becoming cost neutral in the long term.	-0.041	-0.072		-0.041	Green
20	ETD11	Attract and generate new income for Historic Environment Services with a view to service becoming cost neutral in the long term.	-0.026	-0.046		-0.026	Green

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
20	ETD12	Full cost recovery for staff in Smart ticketing project	-0.250			-0.250	Green
20	ETD13	Full cost recovery for delivery of travel plans with developers	-0.050	-0.052		-0.050	Green
49	ETD14	Charge people for the advice they receive from us prior to submitting a planning application - pre-application services	-0.125	-0.150		-0.125	Amber
20	ETD17	Reduce NCC subsidy for park and ride service by ongoing commercialisation.	-0.075	-0.075		-0.075	Amber
20	ETD25	Increased income from delivery of specialist highway services to third parties	-0.050	-0.100		-0.050	Amber
20	ETD28	Generation of external funding and grant programme management efficiencies		-0.100		0.000	NA
		4a Demand Management. Change Standards					
51	ETD06	Scale back planning enforcement	-0.037			-0.037	Green
53	ETD19	Reduce our subsidy for the Coasthopper bus service	-0.075			-0.075	Green
16	WAS06	Harmonisation of statutory recycling credit payments	-0.166			-0.166	Green
62	WAS09	Charge at some recycling centres		-0.280		0.000	NA
63	WAS10	Reduce opening hours at some recycling centres	-0.167			-0.167	Amber
54	ETD35	Reduce highway maintenance for one year	1.000			1.000	Reversal
		4b Demand Management. Stop Doing Things					
08	ETD27	Review budget allocations for economic development projects	-0.147	-0.090		-0.147	Green
		Sub-total Savings from 2014-17 Budget Round	**0.082**	**-1.506**	**0.000**	**0.082**	
		1a Digital Transformation, BWOW. Organisation					
NA	EDT001	Management of Vacancies	-0.005			-0.005	Green
		1b Digital Transformation, BWOW. Lean					
3a	EDT002	Review of on call arrangements with Norfolk Fire and Rescue Service	-0.005			-0.005	Green
3a	EDT003	Reduce training budget	-0.025			-0.025	Blue
3b	EDT004	Reviewing all of our back office budget and systems to identify savings, e.g. process reviews, without reducing our services	-0.566			-0.566	Amber
3e	EDT005	Introduce LED street lighting	-0.250	-0.750		-0.250	Amber

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
NA	EDT014	Additional savings Business support	-0.100			-0.100	Green
NA	EDT015	Additional savings LED Street lighting	-0.050			-0.050	Green
		1c Digital Transformation, BWOW. Capital					
3f	EDT007	Use of reserves	-0.500	0.500		-0.500	Blue
		2a Procurement, Commissioning. Procurement					
1a	EDT008	Retendering of waste disposal contracts	-0.834			-0.834	Amber
1a	EDT009	Re-tendering of transport contracts	-0.370			-0.370	Green
1a	EDT012	Savings from new recycling contract	-0.200			-0.200	Green
		3a Income generation, Trading. Sweat the assets					
2a	EDT010	Highways Income	-0.200			-0.200	Green
3f	EDT011	Norfolk Energy Futures return on Investment	-0.050			-0.050	Green
		4a Demand Management. Change Standards					
NA	EDT013	Reduce highways maintenance	-0.385			-0.385	Blue
		Sub-total newly identified Savings	**-3.540**	**-0.250**	**0.000**	**-3.540**	
		Total Savings	**-3.458**	**-1.756**	**0.000**	**-3.458**	

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
Policy and Resources Committee							
		1a Digital Transformation, BWOW. Organisation					
NA		Reduction in redundancy	-2.500			-2.500	Blue
01, 3a	RES10, P&R003	Restructure staff management in Procurement	-0.050	0.000		-0.050	Green
08	RES62	Reduce staff in the Corporate Programme Office	-0.100			-0.100	Amber
08	RES68	Reduce staff in the HR Reward team	-0.018	-0.018		-0.018	Green
08	RES71	Restructure and reduce staff across HR	-0.296	-0.308		-0.296	Amber
10	RES80	Restructure the Corporate Resources department to reflect a smaller authority	-0.400			-0.400	Green
		1b Digital Transformation, BWOW. Lean					
01	RES08	Reduce staff in Procurement by introducing automated document assembly	-0.050			-0.050	Green
11	RES34	Restructure the Planning, Performance & Partnerships service, creating a new Business Intelligence function	-0.188	-0.115		-0.188	Amber
08	RES63	Reduce spend on properties with third parties	-0.200	-0.100		-0.200	Green
08	RES63	Property saving not delivered (2014-15) £0.150m of £0.300m	0.150			0.150	Reversal
09	RES65	Reduce staff supporting organisational development and learning and development	-0.039			-0.039	Green
10	RES81	Reduce printed marketing materials		-0.054		0.000	NA
		1d Digital Transformation, BWOW. T&Cs					
04	GET15	Reducing the costs of employment	-0.440	-0.860		-0.440	Amber
04	GET16	Reducing the cost of business travel	-0.017	-0.016		-0.017	Green
		2a Procurement, Commissioning. Procurement					
02	RES02	One-off ICT saving	0.010			0.010	Reversal
		3a Income generation, Trading. Sweat the assets					
20	RES64	Increase income from Nplaw	-0.058	-0.051		-0.058	Amber

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
08	RES67	Office moves for some HR teams	-0.015			-0.015	Green
NA		County Hall refurbishment savings	-0.279	-0.751		-0.279	Green
NA		Cross cutting savings	0.194			0.194	Reversal
NA		Reduced cost of borrowing	-0.103	-0.825		-0.103	Blue
NA		New Homes Bonus	-0.910	-1.529		-0.910	Blue
NA		Use of second homes money	-1.200	0.000		-1.200	Blue
		4a Demand Management. Change Standards					
01	RES11	Continued efficiencies in tendering and contract management in Procurement		-0.083		0.000	NA
		4c Demand Management. Change Assumptions					
07	RES57	One-off use of the Communication development reserve	0.122			0.122	Reversal
NA		Use of organisational change reserves (one-off)	3.000			3.000	Reversal
NA		Use of organisational changes reserve (one-off)	1.000			1.000	Reversal
NA		Use of Modern Reward Strategy reserve (one-off)	0.547			0.547	Reversal
NA		Use of Icelandic Bank Reserve (one-off)	1.453			1.453	Reversal
NA		Interest receivable/payable - change to risk appetite (one-off)	4.164			4.164	Reversal
		Sub-total Savings from 2014-17 Budget Round	**3.777**	**-4.710**	**0.000**	**3.777**	
		1a Digital Transformation, BWOW. Organisation					
3a	P&R002	Service review Communications	-0.060			-0.060	Green
3b	P&R004	Accelerate "self service" for employees/mgrs - HR/Finance/ICT		-0.100		0.000	NA
3b	P&R005	Automate more information and performance reports		-0.050		0.000	NA
3a	P&R006	Further savings for review of shared services organisation	-0.100			-0.100	Green
3a	P&R007	Reduce management hierarchies in Finance	-0.100			-0.100	Blue
3b	P&R008	Staff savings from new committee management system	-0.020			-0.020	Green
NA	P&R043	Additional Resources saving	-0.500			-0.500	Green
		1b Digital Transformation, BWOW. Lean					

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
1c	EDT006	Centralise control of software licences	-0.250			-0.250	Green
1c	P&R012	Introduce a telephone expenses management system and rationalise phone lines and mobile phones	-0.050			-0.050	Green
3d	P&R013	Reduce the Chairman's budget	-0.030			-0.030	Blue
3b	P&R014	Courier savings - enforce, bring forward, digitise HR process	-0.030	-0.030		-0.030	Green
3f	P&R015	Review VAT payments made in recent years and seek to reclaim any overspend	-0.100			-0.100	Green
3b	P&R016	Switch off colour printing for shared services staff	-0.020			-0.020	Green
3b	P&R017	Further reductions in printing spend	-0.090			-0.090	Green
1c	P&R018	Org Change: Reduced ICT spend through single device convergence		-0.625		0.000	NA
1d	P&R019	Reduce expenditure on external venues	-0.100			-0.100	Amber
3a	P&R020	Reduce number of interims and temps	-0.090			-0.090	Green
NA	P&R042	Local Welfare Assistance Scheme saving	-0.725			-0.725	Blue
NA	P&R039	Share of £1.7m additional savings 2015-16 (Resources)	-0.320			-0.320	Amber
NA	P&R037	Share of £1.7m additional savings 2015-16 (Finance General)	-0.085			-0.085	Blue
		Efficiency savings (Finance General) to be redistributed	-0.500			-0.500	Amber
		2a Procurement, Commissioning. Procurement					
1c	P&R021	Pay per use ERP			-0.100	0.000	NA
1c	P&R022	New Multi Functional Devices contract 2016		-0.070		0.000	NA
1c	P&R023	Optimise car leasing and reduced mileage	-0.300			-0.300	Green
1c	P&R024	Rationalise applications and centralise all applications spend		-0.100		0.000	NA
1a	P&R025	Corporate Banking project - move to Barclays			-0.035	0.000	NA
NA	P&R038	External Audit Saving	-0.012			-0.012	Blue
NA	P&R041	Insurance (one-off)	-1.000	1.000		-1.000	Blue
3a	P&R001	Rationalise procurement functions across the organisation	-0.060			-0.060	Green

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
		2b Procurement, Commissioning. Shared Services					
3c	P&R026	Org change: Collaborative working with others (shared services)			-2.000	0.000	NA
		3a Income generation, Trading. Sweat the assets					
3f	P&R033	Interest rate increases	-0.787	-0.990		-0.787	Blue
3f	P&R034	Section 31 Compensation for business rates initiatives	-1.194			-1.194	Blue
1d	P&R027	Reduce property costs through reducing area occupied and reducing cost per square metre	-1.000	-1.000	-3.000	-1.000	Green
2a	P&R028	Stop all trading that doesn't cover costs or bring in higher revenue		-0.050		0.000	NA
2a	P&R029	Increased income from advertising	-0.050			-0.050	Green
2a	P&R030	Corporate approach to sponsorship & advertising		-0.100		0.000	NA
1b	P&R032	Increased rebate from the Eastern Shires Purchasing Organisation	-0.100			-0.100	Green
		4c Demand Management. Change Assumptions					
NA	P&R044	County Farms funding (one-off)	-2.000	2.000		-2.000	Blue
		County Farms funding (recurring)	-0.500			-0.500	Blue
		Sub-total newly identified Savings	**-10.173**	**-0.115**	**-5.135**	**-10.173**	
		Total Savings	**-6.396**	**-4.825**	**-5.135**	**-6.396**	
		Grand Total Savings	**-36.721**	**-28.040**	**-5.835**	**-36.721**	

Policy and Resources Committee

Item 12

Report title:	**Performance and risk monitoring report**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	Head of Business Intelligence and Performance Service & Corporate Planning and Partnerships Service

Strategic impact

Robust performance management is key to ensuring that the organisation works both efficiently and effectively to develop and deliver services that represent good value for money and which meet identified need.

Executive summary

This report proposes changes to the way in which performance information and analysis is reported to this Committee and the other service committees. This revised approach is in response to the challenges that the Council faces now and in the future as it manages a diminishing budget, makes fundamental decisions about what services it will deliver, how and for whom, and as it attempts to drive out the maximum value from its resources. Operating in this context, the Council will require robust performance oversight, and Members of the Committee will want to have assurance that performance remains under scrutiny and is appropriately challenged. The Policy and Resources Committee is uniquely placed to deliver this.

The changes represent a tightening up of the existing performance reporting arrangements, by ensuring a minimum set of standards for measures, indicators and reports. These minimum standards will, in turn, help ensure that clear, concise and focused performance management information is brought to Committee, facilitating a robust 'whole council' view.

This report also trials a new way of presenting performance data and analysis, in both the main body of the report and in the revised performance dashboard in Appendix A.

In reporting Q3 'whole council' performance, the paper highlights:

- Adult Social Care Committee reports that residential admissions remain off target and Norfolk remains an outlier among comparable councils – which have significant cost implications. A strategic review is underway to address the root causes of unnecessary admissions.
- Children's Services Committee reports that the numbers and costs of looked after children are reducing. In addition the percentage of schools with a 'good' or 'outstanding' rating is stable.
- Communities Committee reports difficulties in recruiting retained firefighters, the registration of deaths, falling library visits, below-target smoking cessation rates, and increased complaints.
- Environment, Development & Transport Committee reports on the growth of smart ticketing and the increased costs of disposing of residual waste.
- Sickness absence: staff sickness is just above target for the first time this year at quarter three.
- Business mileage performance is below target.
- The risk register reports progress against four risks that are medium or high risk and with 'amber' or 'red' prospects of meeting target: 'Failure to follow data protection procedures', 'Shortage of personnel', 'Insufficient capacity for business transformation' and 'Loss of core ICT systems'.

Recommendation

Committee Members are asked to:

- Agree the revised approach to performance management, including a strengthened role for the Policy & Resources committee in overseeing and assuring performance across the council, as outlined in section 3
- Review and comment on the performance information in section 4
- Review and comment on the new, trial format of the performance dashboard in Appendix A
- Consider any areas of performance that require a more in-depth analysis.

1. Introduction

1.1. Members will note that this performance report represents a changed approach from performance and risk reports brought previously to this committee and which currently go the other service committees. The changes are intended to provide a clear and concise indication of the key performance issues facing the Council. This revision of how we report key performance issues is in response to the huge challenges that the Council faces now and in the future as it manages a diminishing budget, makes fundamental decisions about what services it will deliver, how and for whom, and as it attempts to drive out the maximum value from its resources.

2. Context for changes to the way we report and manage performance

2.1. The Council Constitution sets out the role for Policy and Resources Committee – namely to lead "the process for developing the County Council Plan and the Medium Term Financial Plan and so fulfils a co-ordinating role across all other service committees. It provides a 'whole-council' view of performance, budget monitoring and risk." The Policy and Resources Committee Plan, agreed by this Committee in June 2014, articulates what this means for the committee in its day to day operation and the level of ambition that it has to oversee the work of the council:

- Ensuring performance issues are continually addressed
- Prepare and plan for the big decisions coming up
- Avoid being 'surprised' by issues cropping up without warning
- Co-ordinate work across the different committees
- Spot issues that might need to be 'referred' to other committees
- Identify issues that might need to be considered by Full Council.

2.2. Members will be aware of the financial challenges that we face as a council now and until at least 2020. In the past three years we have made savings of £140 million and in the next three years there is a requirement for savings of £189 million. The delivery of these savings will mean that the way in which we deliver services and to whom will need to change. It will also mean that we need to re-think how we can optimise the use of increasingly limited resources across all areas of the organisation.

2.3. Experience from other councils and sectors tells us that organisations undergoing significant changes risk short-to-medium term drops in performance. Operating in the context facing the Council will require robust performance oversight, and Members of the Committee will want to have assurance that performance remains under scrutiny and is appropriately challenged during a period of major change and transformation for the Council. The Policy and Resources committee is uniquely placed to deliver this.

3. Approach going forward

3.1. Previous analysis of effective performance reporting demonstrates that the best organisations have performance management arrangements characterised by:

- An understanding of the impact of external drivers
- Clear links to strategic priorities
- Showing how resources are used to achieve objectives
- Financial and non-financial performance indicators
- A view on the main risks affecting the organisation
- The 'story' of the organisation's performance – where it is strong; where it needs to improve
- An awareness of sustainability

- A clear and easy to understand look and feel to reports.

3.2. The role of the **Policy and Resources Committee** in overseeing ‘whole council’ performance information will be based on a series of underpinning principles, namely:

- Whole council – while individual service committees are responsible for monitoring and taking action on performance, a balanced view across a range of factors is a critical and distinct role for Policy and Resources
- Transparent – sharing performance, good and bad, openly and being open to constructive challenge in order to seek improvement; a ‘no-surprises’ approach
- Data-driven and evidence-based – analysis of performance should be based on reliable, robust, timely data and information which measures progress against priorities and outcomes
- Balanced – this Committee is the place where strategic resource planning, people management, and risk are considered alongside cross-council service performance. The different perspectives this gives the Committee ensures a balance of hard data, financial and non-financial measures, alongside judgements on standards and impact for residents.

3.3. **In practice, this will see this Committee reviewing and constructively challenging performance across the Council where:**

- Identified performance issues, risks and opportunities have clear whole council implications
- Performance issues require a whole council response
- Performance poses a reputational risk to the Council as a whole
- Performance issues pose a risk to the Council’s ability to set or deliver the budget.

3.4. Given the breadth of the Council’s role and the large number of performance indicators that are monitored across the Council it is intended that this report takes an exception approach, focusing on areas of performance and risk that are ‘red’ rated, which are amber and those that have significantly changed.

3.5. There may be lines of inquiry or specific issues that member of the Committee would then wish to follow up further – through subsequent reports, or more informal discussions with officers between Committees. There may also be occasions when the Policy and Resources Committee feels the input of Committee Chairs or Executive Directors as part of a performance item would support performance and risk management discussions. Clearly, this open to the Committee to consider.

3.6. It is also the intention to tighten and improve data and information for performance reports, by ensuring a minimum set of standards for measures and indicators:

a) Be quantifiable – ideally as a ‘Key Performance Indicator’ (KPI) expressed as a number or a rate

b) Be comparable – through use, on occasions, of benchmarked data with other councils or private sector counterparts

c) Be clear – so it is obvious what is being measured and why

d) Be relevant to the business – measuring something that matters to Norfolk people using services, or to the efficient and effective running of the Council

e) Have a target – so it is possible to tell when performance is acceptable

f) Be repeatable – over time, so that progress can be assessed.

3.7. **The commentary and narrative within the reports will focus on:**

a) Clarity and conciseness, and easily viewed on I-pads

b) What data means and what it is telling us

c) Highlight, first and foremost, where performance is off target

d) Outline what is being done to remedy poor performance

e) Celebrate successes that matter to Norfolk people.

3.8. The shift to this approach and style of reporting will continue to develop and be strengthened. In particular, we would want to see performance information increasingly sit alongside financial data and risk information to provide a 'complete story' around the council's big issues. In addition, we would want performance to become increasingly looking ahead at forecasting, and anticipating emerging issues, risks and opportunities.

3.9. Practically, we would anticipate that these principles would mean for committees:

- Continued quarterly performance reports (August/September Q1, November Q2, March Q3, June Q4)
- Significant performance issues or developments could be escalated/brought to Members' attention at any meeting
- Reports to have less narrative information and more data in a dashboard format (developing the approach presented in Appendix A).
- Reports to be developed to include additional information about financial performance, risk management and delivery of the change programmes.

3.10. The changes highlighted above to be applied to other committees' reporting in due course.

3.11. The Policy and Resources dashboard containing performance data is presented in Appendix A. This contains key relevant information about service performance across the Council as a whole and also the Resources Department in Q3. The performance data and analysis in the dashboard is presented in a new format. This format is intended to be more business-like, joined up, objective and clearer.

3.12. The committee risk register is summarised in section 9 of this report. There are four risks classified as being high or medium. An explanation is given of the risks and the actions being taken to mitigate them.

3.13. Detailed financial reporting is being presented to this Committee in the form of the Capital Monitoring Report (M10), the Revenue Monitoring Report (M10) and the report on Delivering Financial Savings 2015/16. To avoid duplication, financial information has not been included in this report, expect where it relates to the performance of a financial service.

3.14. The following sections (4-8), present summarised information from the Q3 Performance and Risk reports discussed at service committees earlier this month. More details can be found within these reports that can be found on the Committees website by clicking on the following links:

- Adult Social Care Committee papers
- Communities Committee papers
- Children's Services Committee papers
- EDT Committee papers

Copies of these papers are available from the Norfolk County Council Democratic Services website here http://norfolkcc.cmis.uk.com/norfolkcc/Committees.aspx

Details of the performance across the Resources Department is in section 9.

4. Summary of performance – Communities Committee

4.1. **Red Measures**

- The **availability of fire engines crewed by retained firefighters** is below target, although improving, reflecting a shortfall of staff and difficulties in recruiting people who live close enough to fire stations in rural areas
- The number of injuries in **accidental fires at home** is above target
- We are missing our target for the **timely registration of deaths that require a post-mortem or inquest**, partly as a result of legislation changes resulting in a higher number of inquests
- **Library visits** continue to fall, although there have been some issues with the electronic counting system for visitors
- 'Quit rates' for **smoking cessation** are below the target
- The January 2015 **OFSTED inspection of Adult Education** has given a rating of Inadequate (4), compared to a rating of Good (2) when last inspected in November 2011.

4.2. **Green Measures**

- The **proportion of customers who contacted us and were satisfied** with the service they receive is ahead of target at 83%
- **Museums visits** remain high and ahead of both the target and the performance last year
- **Trading Standards** remain ahead of target in all five of their indicators

5. Summary of performance – EDT Committee

5.1. **Red Measures**

- The **quality of works done under the Highway Works contract** with Lafarge Tarmac is monitored. In Quarters 2 and 3 there has been an increase in the number of times that the contractor has been required to return to site to rectify defects with construction.
- Whilst the amount of door step waste collected in Norfolk remains low, **rates of recycling** are behind those of comparable authorities, and the **cost of waste disposal** continues to rise

5.2. **Amber Measures**

- Numbers of people **killed or seriously injured on the roads** in January 2015 was significantly higher than the monthly average of the last few years.
- **Accessibility to market towns and key employment locations** within one hour from rural areas continues to be marginally off-target

5.3. **Green Measures**

- The use of **Smart ticketing on public transport** continue to grow, supported by funding from the Department of Transport
- **Optimising the winter road gritting routes** has led to savings as slightly fewer vehicles are required to cover the treated network.

6. Summary of performance – Economic Development sub-committee

6.1 Performance reporting on economic development and strategy to the Economic Development sub-committee is not based upon a 'traffic light' or 'red-amber-green' assessment. Instead, the focus is on the delivery of the Economic Growth Strategy 2012-17. Key milestones that have been achieved include:

- **Seven improvement schemes on the A47** were included as part of the Autumn Statement, and the last remaining stretch of the **A11 has been upgraded**
- The Enterprise Norfolk service to **support business start-ups** ended in December. A review of its impact is underway with its findings likely to show over 300 business start-ups were supported.
- Five significant new enquiries/leads have been identified as we seek to secure **investment in trade and inward investment** for Norfolk
- We continue to support college and training providers to meet our objectives to ensure that Norfolk's **young people have the right skills and qualifications**.

7. Summary of performance – Adult Social Care Committee

7.1. **Red Measures**

- The **number of carers supported**, is below target but improving as a result of improvement work in preparation for the Care Act. The support of carers enables people to stay in their own homes for longer.
- The **proportion of carers receiving self-directed support,** is shown as below target but recent Department of Health changes to the way the measure is calculated means current performance is around 70% and on target (Green) and will improve towards 100%.
- **Permanent admissions to residential and nursing care** are above the target. Residential homes are not always the best place for someone to be cared for. There are often alternatives, which may better meet their needs and which also be less costly to the Council. Work is underway to ensure that all options are considered before placing people in permanent residential care, wherever possible.

7.2. **Amber Measures**

- **Proportion of older people still at home 91 days after discharge** – This indicator is off target and 2% lower than at the same time last year, partially explained by the larger number of people now receiving reablement services.

7.3. **Green Measures**

- **Self-directed support** – The take up of self-directed support continues to grow and as of December 2014 the performance was above the national target of 70%, at 84.9%.

The **take up of SDS as cash payments** has also continued to grow ahead off target.

8. Summary of performance – Children's Services Committee

Performance reporting on social care and safeguarding to the Children's Services Committee and the Performance and Challenge Board is not based upon a 'traffic light' or 'red-amber-green' assessment. Instead, the focus is on the 'improvement scorecard' and improving social care and safeguarding pathways. The performance for key elements of this are below:

- **Contacts** – From July to September 2014, the number of individual contacts rose and was consistently over 3,000 per month. The number of individual contacts then stabilised over October and November, before peaking at 3,362 in December 2014. December is a peak month for contacts and January 2015 has seen a 10% fall.
- **Referrals** – The number of referrals rose from 696 in October to 740 in December. January saw a reduction in the number of referrals to 730. This is in keeping with the profile for contacts over the same period in previous years.
- **Timeliness of initial assessments** – In January 2015 only 44% of Initial Assessments were completed within the 10 working day timescale. Further analysis of the data shows that 90% of Initial Assessments where the outcome was to conduct a strategy discussion were completed in timescales, however this dropped to only 27% where the outcome was for a Core Assessment or Child In Need Plan.
- **Looked After Children** - The numbers of Looked After Children (LAC) have risen slightly since December but overall the trend continues to be downwards. In October 2014 there were 1,120 LAC and in January 2015 there were 1,074. The LAC reduction strategy continues to emphasise SMART planning for children and young people in our care with a focus on reunification with families wherever it is appropriate and safe to do so.
- **LAC with an up to date Care Plan** – The numbers of Looked After Children with an up to date Care Plan has increased from 85.2% in October to 94.9% in December. This increase has continued into the new year with 97.3% in January 2015.
- **Good or outstanding schools** - The percentage of schools judged good or outstanding by OFSTED inspectors has not changed significantly over the autumn 2014 term. For all Norfolk schools the current score is 72%, compared to 71% in July 2014. For primary schools this percentage is also 72%. For secondary schools there has been a slight drop to 62% following 2 schools that were judged to require special measures.

9. Summary of performance - Resources

9.1. **Red Measures**

- **Corporate business mileage** - Corporate business mileage - As part of the efficiency savings agreed under Putting People First, a cross-council saving of £798,000 was agreed over the three year period from 1 April 2014 and departmental budgets were reduced to reflect this saving. This indicator tracks business mileage claims to see whether departments are indeed driving down their business mileage costs. The expectation was that claims would be reduced by £291,000 in 2014/15 but in practice claims have gone down by only £12,074. Whilst this does not impact the overall saving, it does indicate that efforts to reduce business miles are not effective.
- **Council wide staff sickness (including schools)** - Since 2009/10 the average number of days sickness absence per FTE (Full Time Equivalent) recorded for the whole council (including schools) has reduced each year reaching a low of 6.96 days in

2013/14. The target for 2014/15 has been set at 0.25 days lower than 2013/14 at 6.71 days per FTE. This has missed target for the first time this year in Quarter 3.

9.2. **Surveillance Measures**

The following are surveillance measures as the performance indicators for these areas are under development.

- **County Hall refurbishment** - The County Hall refurbishment programme continues to be on track. The 8th and 7th floors are occupied by teams from Community Services and Children's Services and the 6th floor and South Wing ground floor are complete and have been occupied by teams from Community and Environmental Services and Resources.
- **Digital Norfolk Ambition** – As of 24 February 2015, 2,000 DNA machines have been issued. Work continues to identify and resolve some software issues that have been encountered. The more powerful 'I7' versions of the standard DNA laptop are at the point of testing. These high specification machines will enable more complex data analysis to be undertaken and some niche software applications to be run.
- **Levels of on-contract procurement** – This is close to the "world-class" level of 92%. This shows that most purchases are being made against long-term, negotiated contracts. Data recording issues in children's are deflating their figure, and we aim to fix this by April. The fire service figure is skewed by a couple of off-contract orders because spend is so low compared to other departments.
- **Property costs** – An internal Corporate Property Team is being formed with the aim of reducing property revenue expenditure to £19m by 2017/18. The Annual Asset Management Plan is being presented at May meeting of this committee, which will give more detail of property costs and overall performance of the Council's property portfolio.

10. Policy and Resources Committee Risk Register

10.1. The corporate risk register is reported to the Audit Committee on a quarterly basis. The last report was taken to the Audit Committee on 29 January 2015 and can be found on the Norfolk County Council Democratic Services website here.

10.2. The Policy and Resources Committee risk register reflects those key business risks at a corporate level that need to be managed by the Senior Management Teams of the services that report to the Committee and which, if not managed appropriately, could result in the organisation failing to achieve one or more of its key objectives and/or suffer a financial loss or reputational damage. A detailed risk exceptions report is presented in Appendix B.

10.3. There are four risks classified as being high or medium and that have either 'amber' or 'red' prospects for improvement:

- **Capacity for change – Insufficient capacity for business transformation**. To meet the Council's financial challenges the organisation needs to radically tranform. Without the resources needed to make these changes projects can be delivered late, not deliver the required benefits, or fail. Corporately this risk is being managed through the Corporate Programme Office and through escalation to Chief Officer Group. Prospects for improvement are currently 'amber' on the basis of amber ratings against specific departmental programmes, particularly in Children's Services and Adult Social Services.
- **Shortage of personnel for a variery of reasons** (e.g. illness, industrial action, inclement weather, includint the loss of key senior personnel).

Prospects for improvement are currently 'amber'. This risk reflects the potential damage to services levels and reputation if the council was unable to deliver key statutory responsibilities. Reductions in capacity in some key areas of expertise and skills, including in Payroll and the Employee Service Centre where there is a heavy reliance on ICT expertise to provide key areas of support which has seen significant reduction, have impacted upon this risk. Continuing organisational change and budgetary reductions over 2015/16 are likely to have a negative impact upon this risk. Partial mitigation is through the introduction of a support contract for the Oracle eBS system (providing Finance, HR , Payroll and Procurements services) commencing in March 2015 with a 3rd party supplier.

- **Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services**. Prospects for improvement are currently 'amber'. The focus is upon ensuring that ICT solutions are designed, implemented and operated in ways that help prevent significant losses of key services and so provide a high degree of resilience. As part the DNA programme, ICT systems and services were due to migrate to Tier 3 (National infrastructure) data centres during 2014 to mitigate this risk.
- **Failure to follow data protection procedures.**
  Prospects for improvement are currently 'amber'. Poor management of sensitive and personal data and information can lead to breaches of the Data Protection Act, cause distress and harm to service users and staff and result in significant financial and reputational damage. To mitigate this risk a number of measures have been put in place, including: creation of the Information Compliance Group (ICG); mandatory data protection and information security courses for all staff; communications plans to remind staff of mandatory procedures; introduction of a standard procedure for notifying, investigating and addressing the causes of breaches of the DPA; and processes that help ensure that recipient information is accurate before data is sent out of the council.

11. Recommendation

Committee Members are asked to:

- Agree the revised approach to performance management, including a strengthened role for the Policy & Resources committee in overseeing and assuring performance across the council, as outlined in section 3
- Review and comment on the performance information in section 4
- Review and comment on the new, trial format of the performance dashboard in Appendix A
- Consider any areas of performance that require a more in-depth analysis or further scrutiny in future reports.

12. Financial Implications

There are no significant financial implications arising from performance dashboards or the suggested approach to performance management.

13. Issues, risks and innovation

Performance reporting brings together complex information in order to assist members with decision making and understanding of issues facing the organisation. Over time these will develop alongside Committee plans to drive a number of complex issues. They will help to monitor and manage issues and risks to the services we deliver.

14. Officer Contact

14.1. If you have any questions about matters contained please get in touch with:

Officer Name: Debbie Bartlett
Tel No: 01603 222475
Email address: debbie.bartlett@norfolk.gov.uk

Officer Name: Jeremy Bone
Tel No: 01603 224215
Email address: Jeremy.bone@norfolk.gov.uk

IN TRAN communication for all

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

Policy and Resources Committee

Appendix A

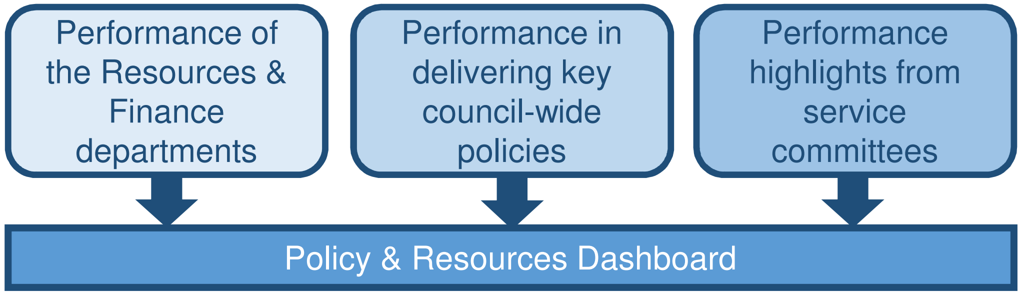
Performance Dashboard

This month’s headlines:

- Staff sickness has missed target for the first time this year in Quarter 3 – though the long term trend remains downwards.
- Procurement practice across the council is improving, evidenced by reduced retrospective ordering and more budget being spent ‘on contract’.
- Mileage claims have not reduced as expected, despite good performance in some areas. Whilst this does not impact the overall saving, it does indicate that efforts to reduce business miles are not effective.
- The Adult Social Services Committee highlights off-target performance in support for carers and residential and nursing care admissions
- The Children’s Services Committee reports reduced Looked After Children numbers and costs. The Ofsted ratings of primary schools have improved significantly, though ratings for secondary schools are slightly down.
- The Communities Committee reports reducing library visits and off-target availability of retained fire fighters.
- The EDT Committee highlights low levels of waste collected, but also low levels of recycling in comparison with other county authorities.

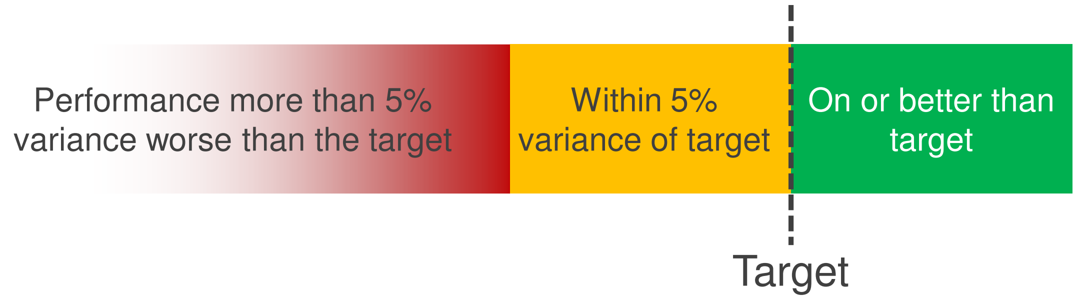
Dashboard overview

The Policy & Resources Committee dashboard presents key indicators covering three areas:



Performance vs Targets

In most cases performance is measured against a target to allocate a green, amber or red alert. This means:



Risks

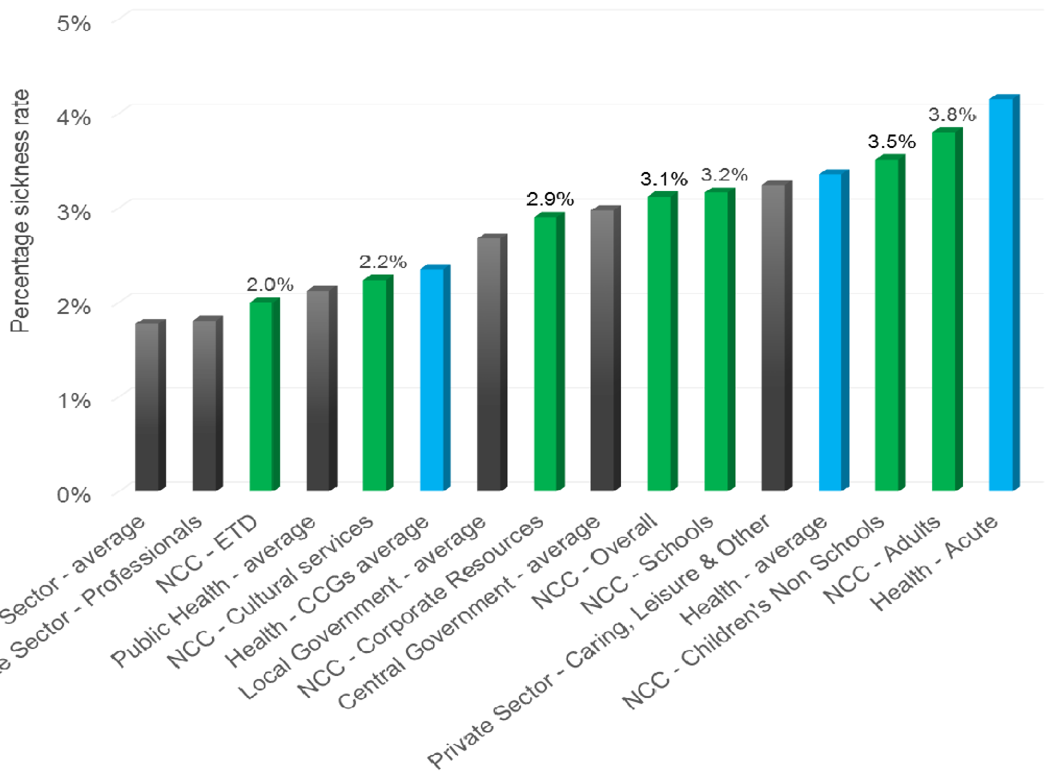
Where relevant each page will have a table showing the pertinent medium to high level risks for that area that have been scored as being red against their prospects for mitigation:

Risks (medium and high risks with red prospects of mitigation)	**Score**	**Prospects**

People

- Sickness levels generally declining over time
- Quarter 3 historically has the most sickness absence
- Benchmarking information shows mixed performance against local authority, health service, central government and private sector rates

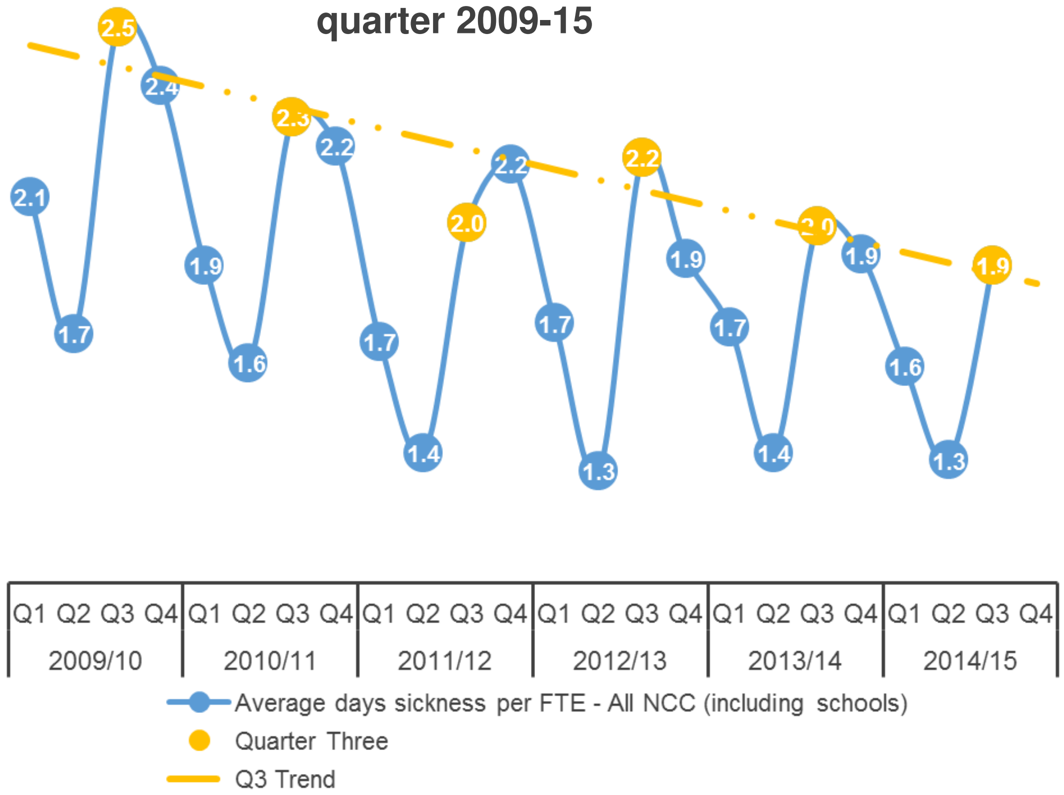
Comparison of Norfolk County Council Services with other organisation types and sectors



Sources: NCC, Office for National Statistics and Health and Social Care Information Centre

Risks (medium and high risks with red prospects of mitigation)	Score	Prospects
No risks meet the criteria		

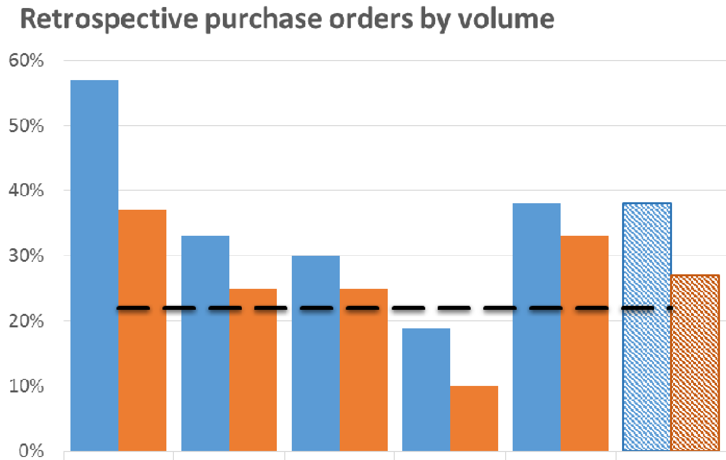
Average days sickness per Full Time Equivalent (FTE) member of staff by quarter 2009-15



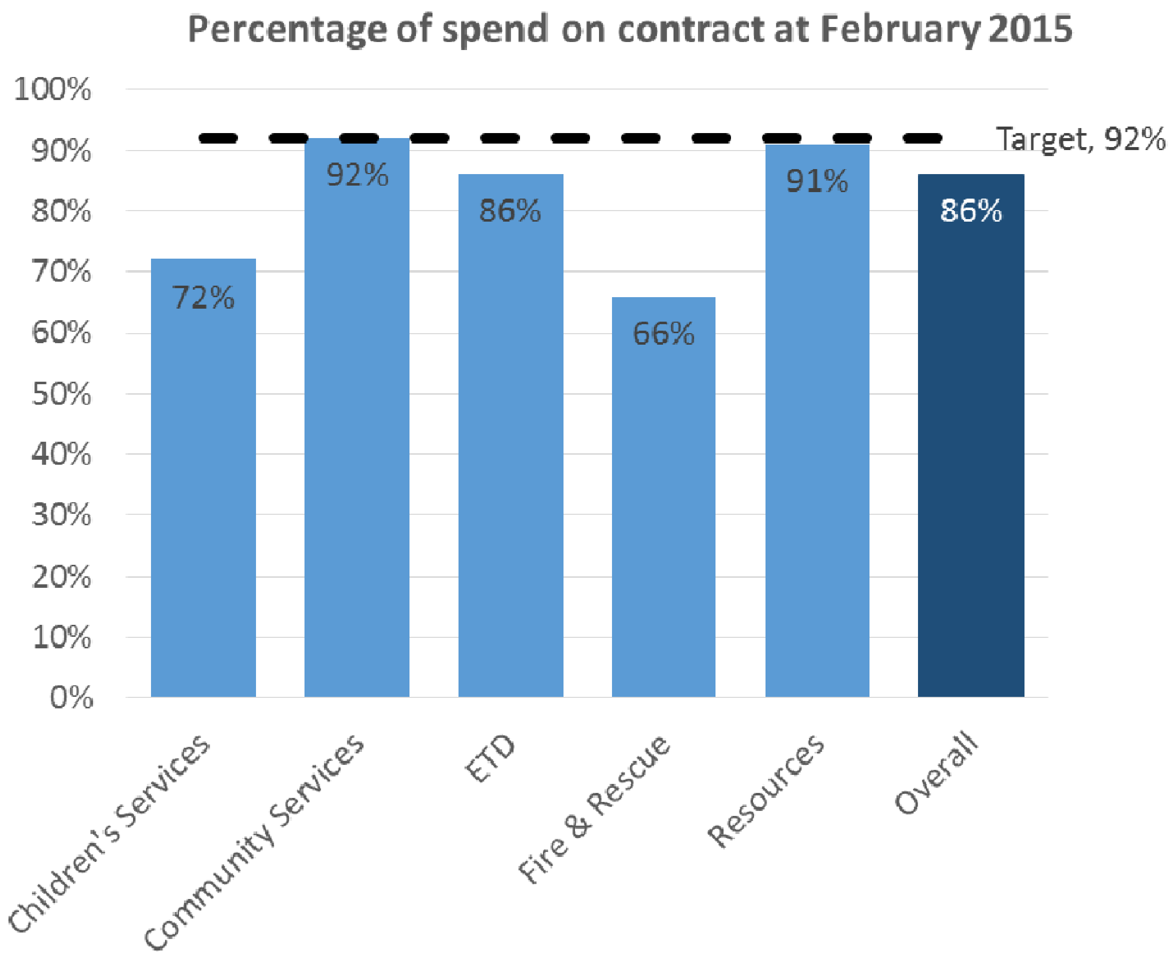
What does this tell us? There has been a continuing reduction in sickness levels over the last few years although authority-wide targets remain difficult to achieve.

Procurement

- Low rates of retrospective purchase orders, and high levels of spend 'on contract', would show that we are buying things in a planned and considered way using good practice.
- There is no local government benchmark for retrospective purchase orders, but the industry average is 22%. Our figure is 27%.
- Good progress has been made in the last year, but performance is still too variable and the rates in Children's and Resources/Finance are too high.



	Children's Services	Community Services	ETD	Fire & Rescue	Resources	Average
Feb-14	57%	33%	30%	19%	38%	38%
Feb-15	37%	25%	25%	10%	33%	27%
Industry Average	22%	22%	22%	22%	22%	22%

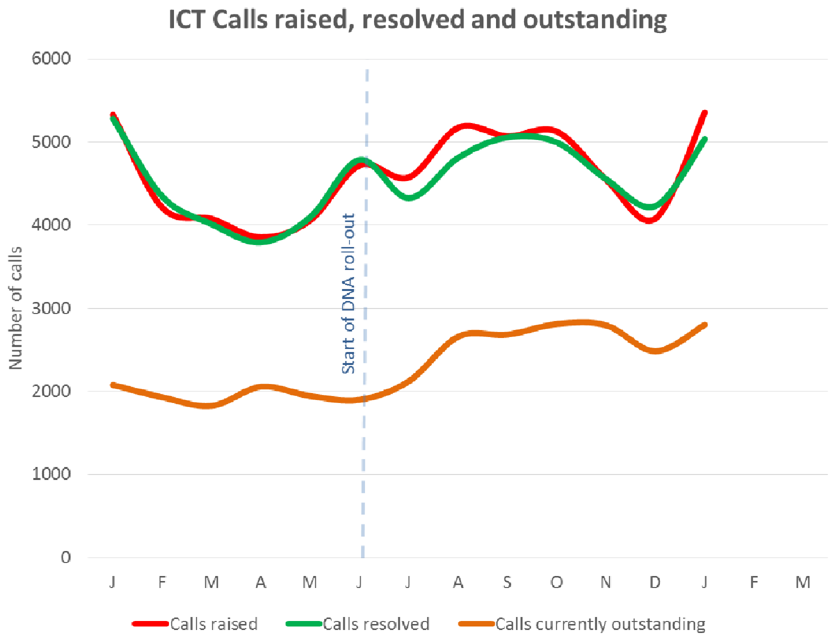


? **What does this tell us?** On-contract spend is close to the "world-class" level of 92%. This shows that most purchases are being made against long-term, negotiated contracts. Data recording issues in children's are deflating their figure, and we aim to fix this by April. The fire service figure is skewed by a couple of off-contract orders because their spend is so low compared to other departments.

ICT

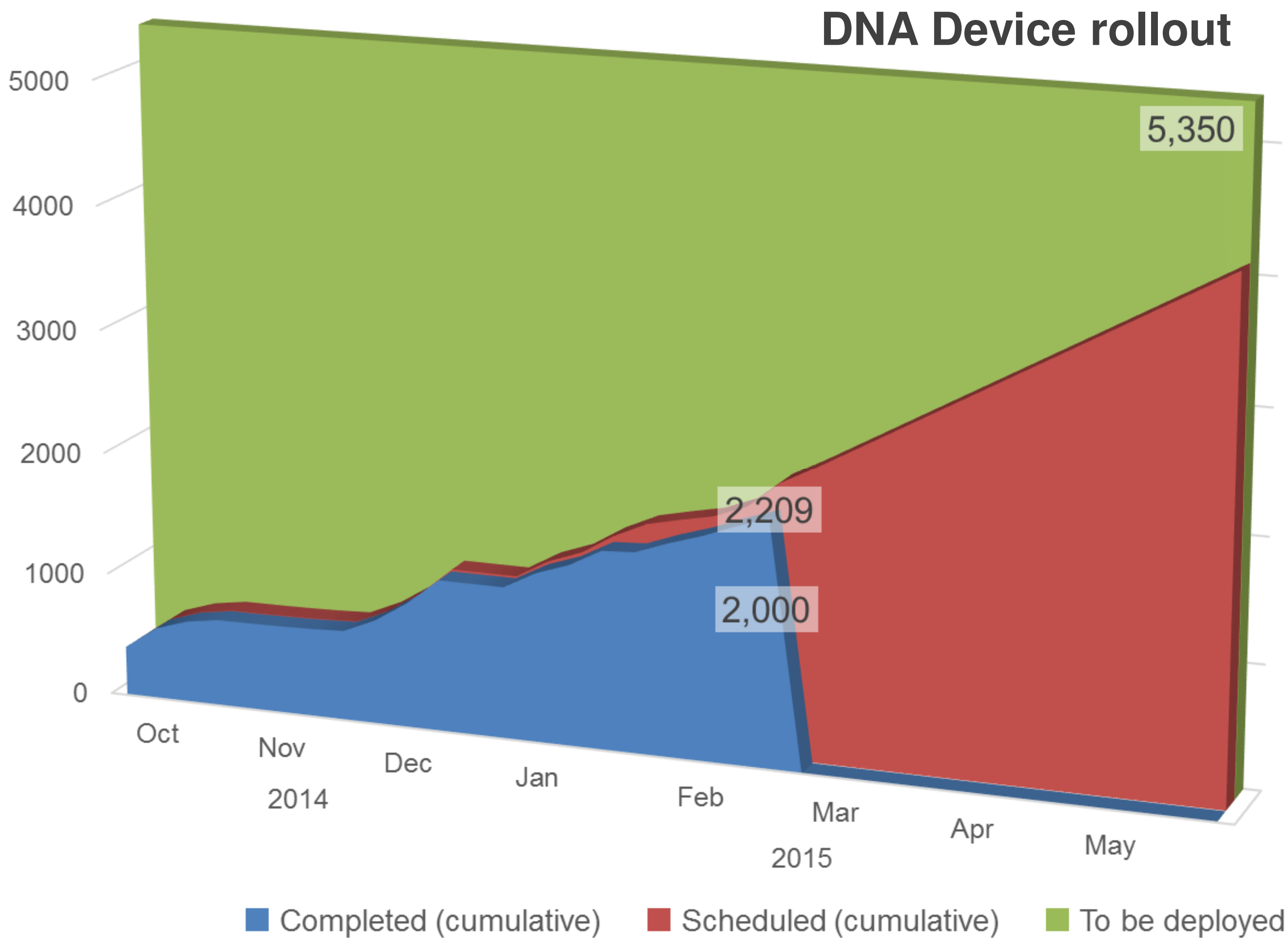
DNA will provide:

- Simple, fast and easy to use IT.
- Staff will have new standard laptops which are compact, light and fast and software that can connect and work with others both inside and outside NCC.



What does this tell us? Most calls are able to be resolved quickly. The DNA roll out in August prompted an expected increase in calls. Some 'system issues' relating to the roll out have increased the number of outstanding calls, but fixes provided by contractor HP should bring this number down in future reports.

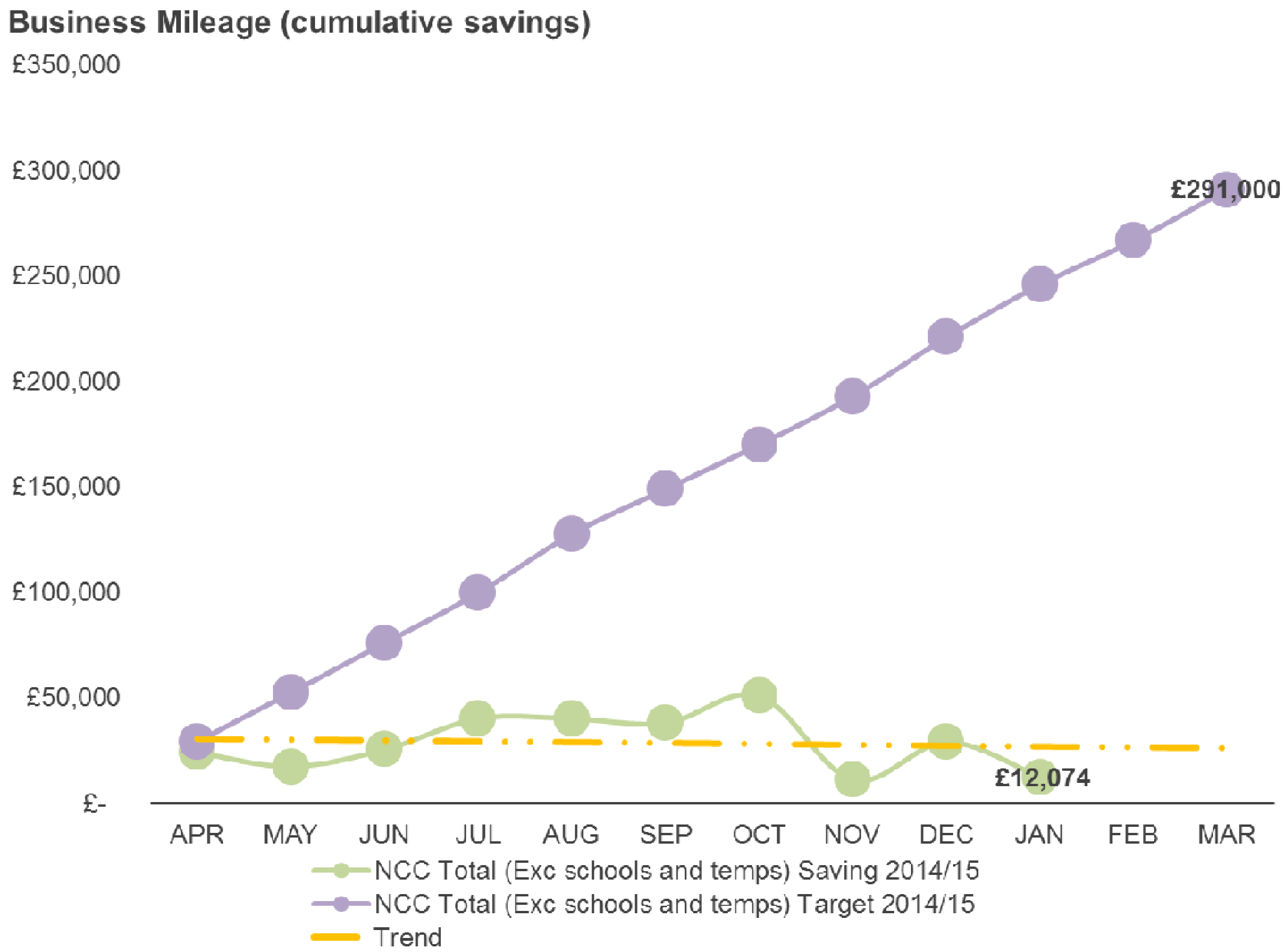
Risks (medium and high risks with red prospects of mitigation)	**Score**	**Prospects**
No risks meet the criteria		



Business mileage

Reduce the cost of business mileage

- 20% reduction target over 3 years
- Equates to a total saving of £798k
- Reasonable performance in two areas, off target in two others

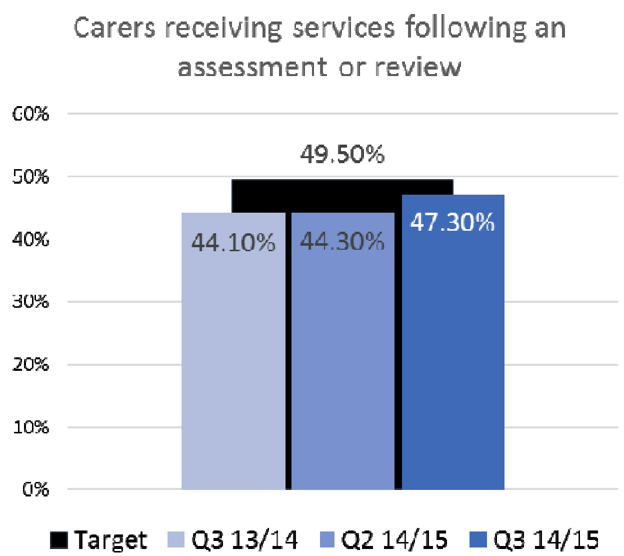


What does this tell us? With budgets reduced by £291,000 in 2014/15 the expectation was for services to deliver savings in their business mileage costs to cover the saving. Whilst this does not impact the overall saving, it does indicate that efforts to reduce business miles are not effective.

Adult Social Services

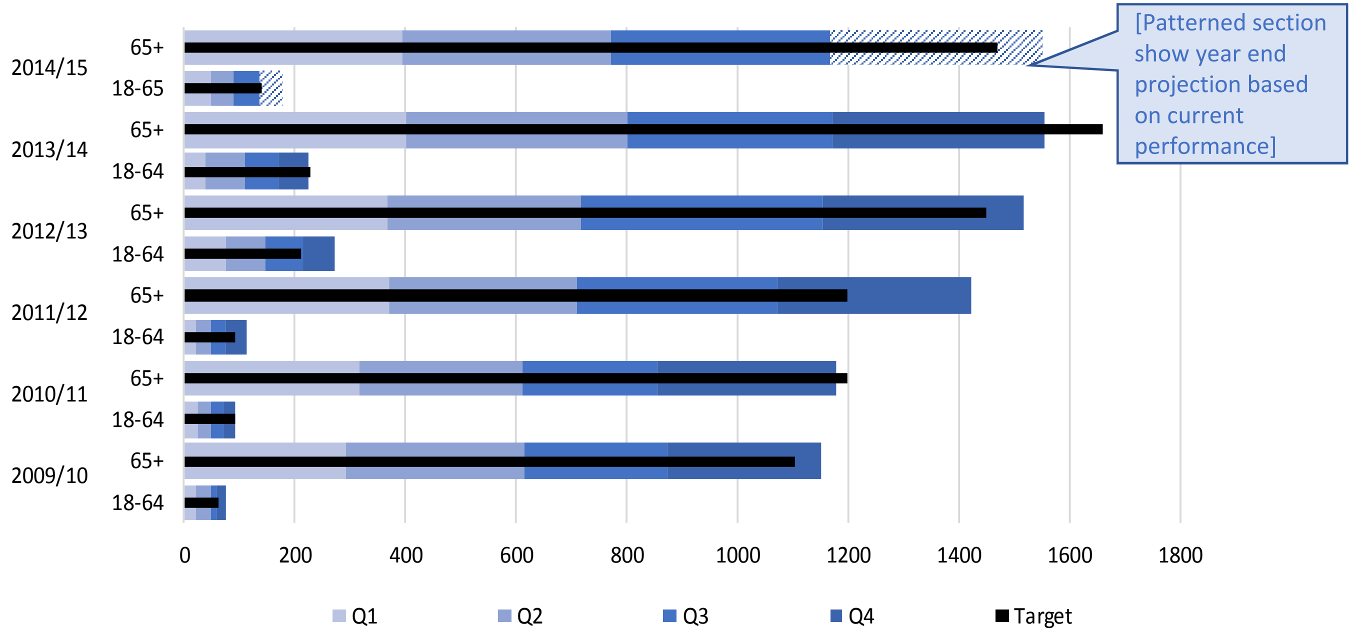
Overview
- Most performance indicators ‘on target’
- Residential care admissions a driver for high cost care packages and in-year budget pressures
- Carer’s support important to delivering new duties under Care Act.

Support for carers
- Performance this quarter shows improvement over last quarter and the same time last year
- Drive to achieve assessments and review target following improvements to services – may hit target



Risks (medium and high risks with red prospects of mitigation)	**Score**	**Prospects**
No risks meet the criteria.		

Admissions to permanent residential and nursing care
- Benchmarking statistics suggest that not all of the increases in recent years are demographically driven – particularly as there are no demographic ‘drivers’ for rising 18-64 numbers. This contention is prompting a whole-system review of how we support people to be independent and prevent the need for long term care
- Some evidence that short term actions are reducing unnecessary admissions in-year – but unlikely to hit target



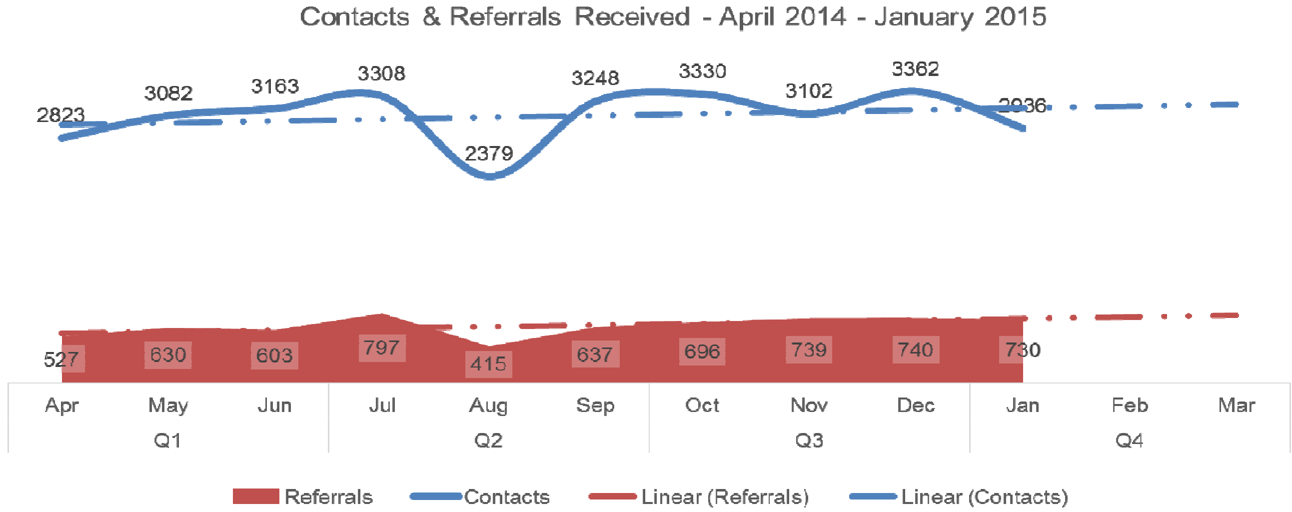
What does this tell us? Residential and nursing care admissions reflect demand – but also the extent to which the council helps prevent people from needing long term care.

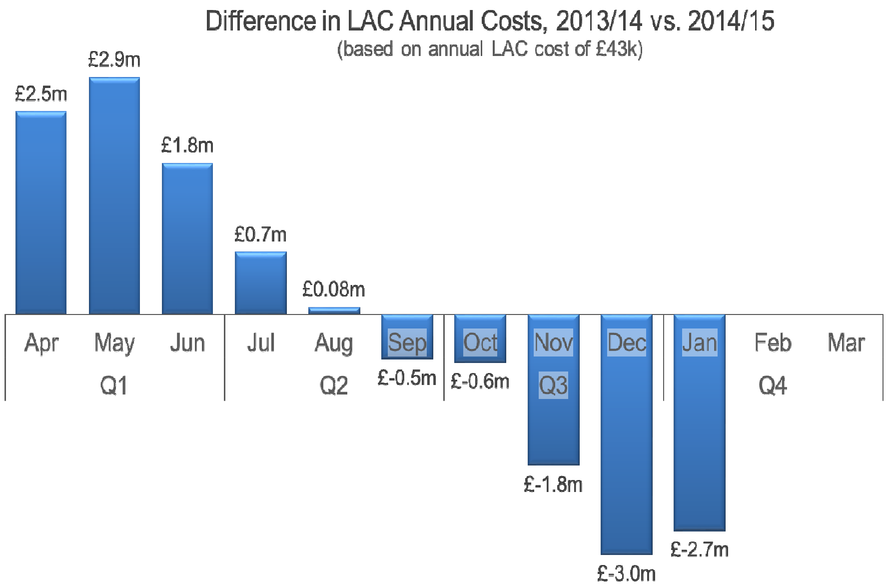
Children's Services

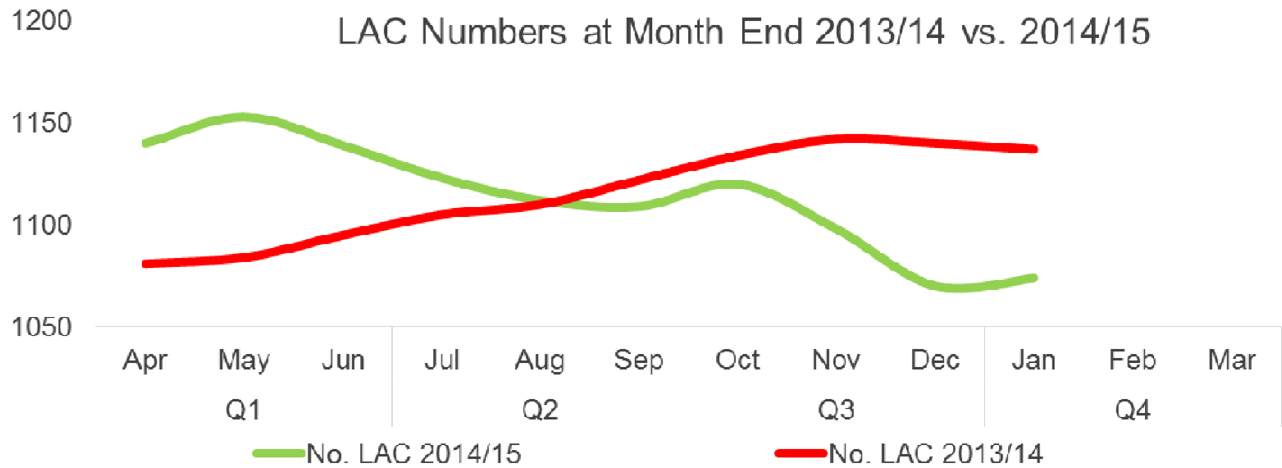
Overview

- The overall trend for contacts and referrals continues to rise, putting increased pressure on the front door of children's social care.
- The current cost of Looked-After Children is £2.7m lower at the end of January 2015 than at the same point in 2014. If the current trend continues, we are on course to hit the target of 1,060 LAC by 31st March 2015.

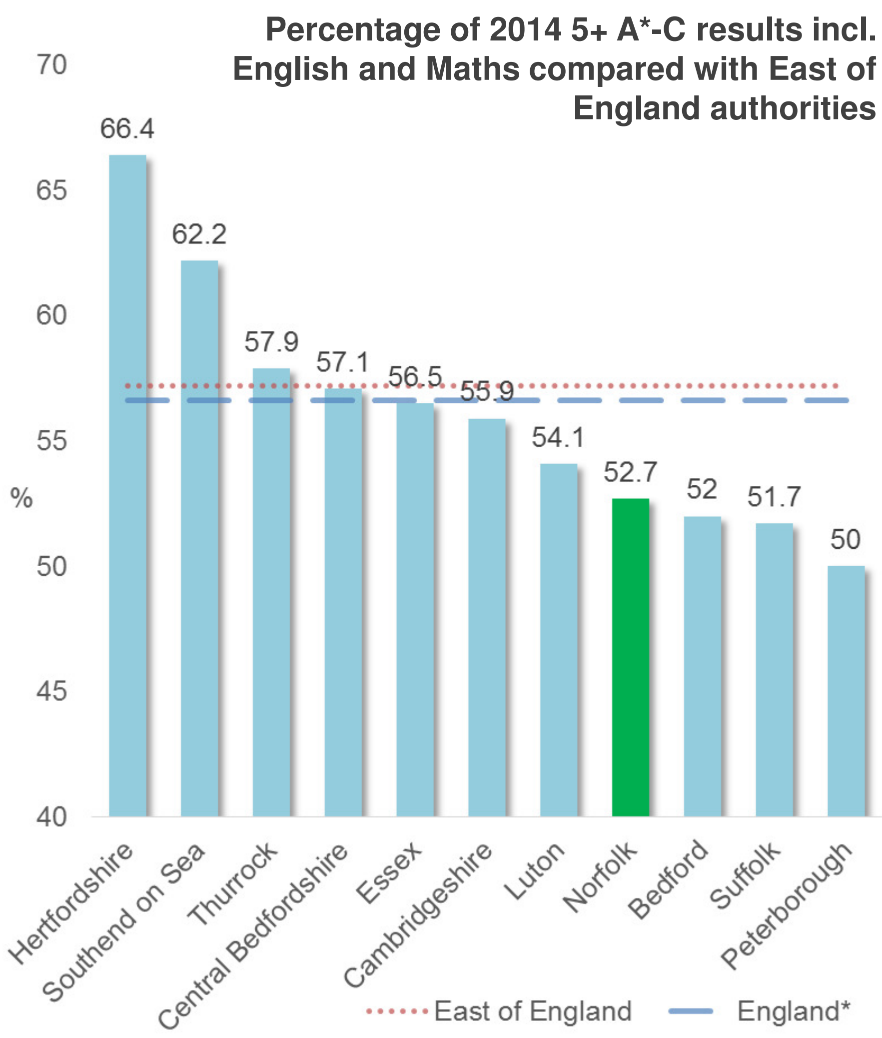
Risks (medium and high risks with red prospects of mitigation)	Score	Prospects
Lack of Corporate capacity and capability in particular ICT and BIPS reduces the ability of Children's Services to improve	25	Red



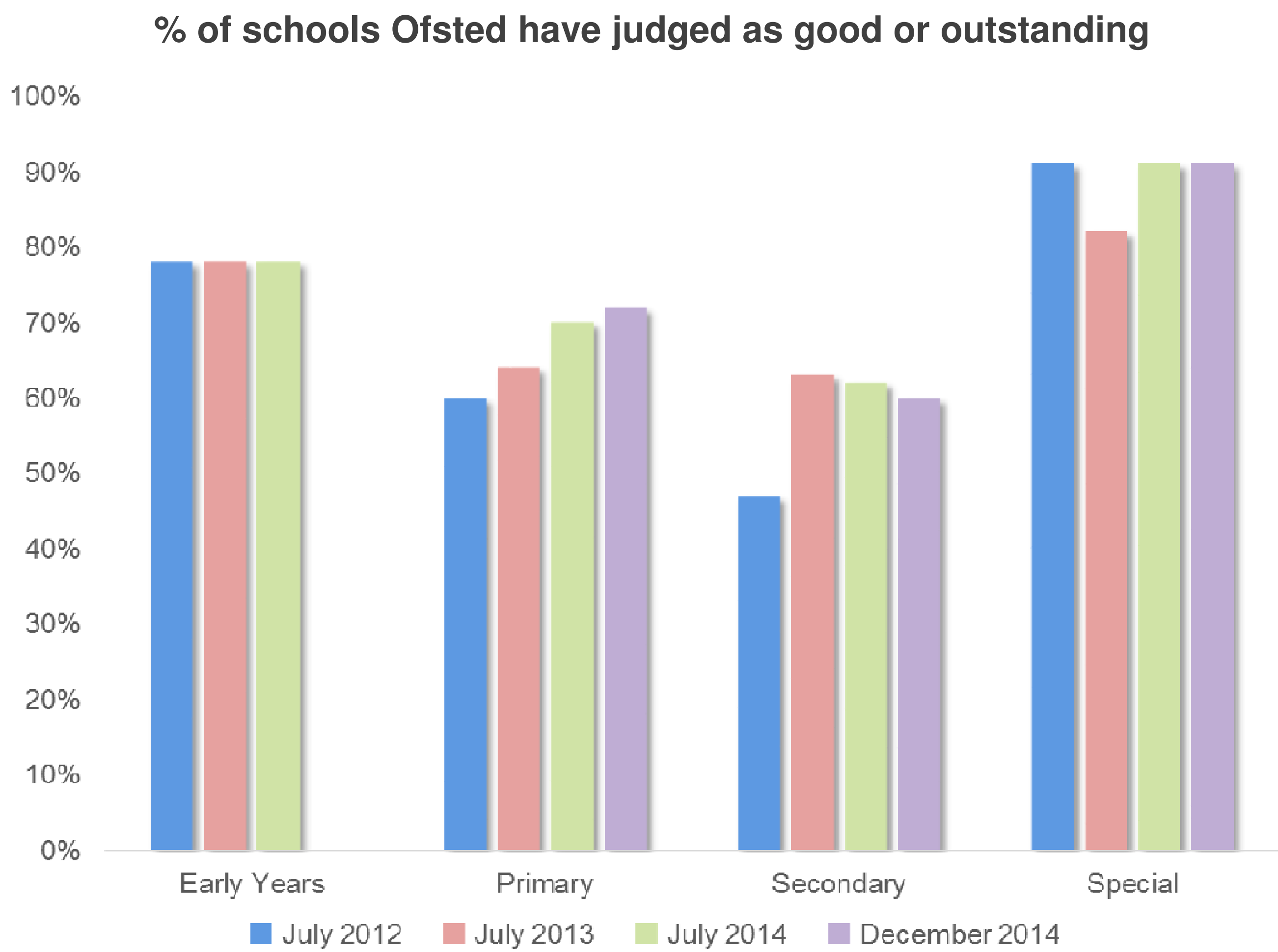




Children's Services

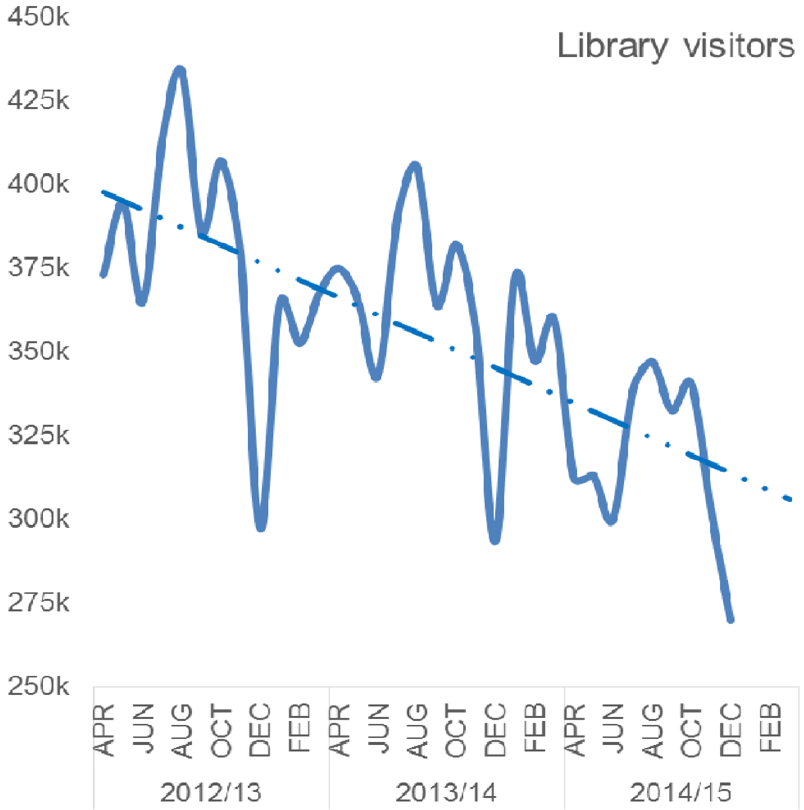


*state-funded schools only, including Academies



What does this tell us? Despite improvements in primary schools there remains a downward pressure in secondary school judgements.

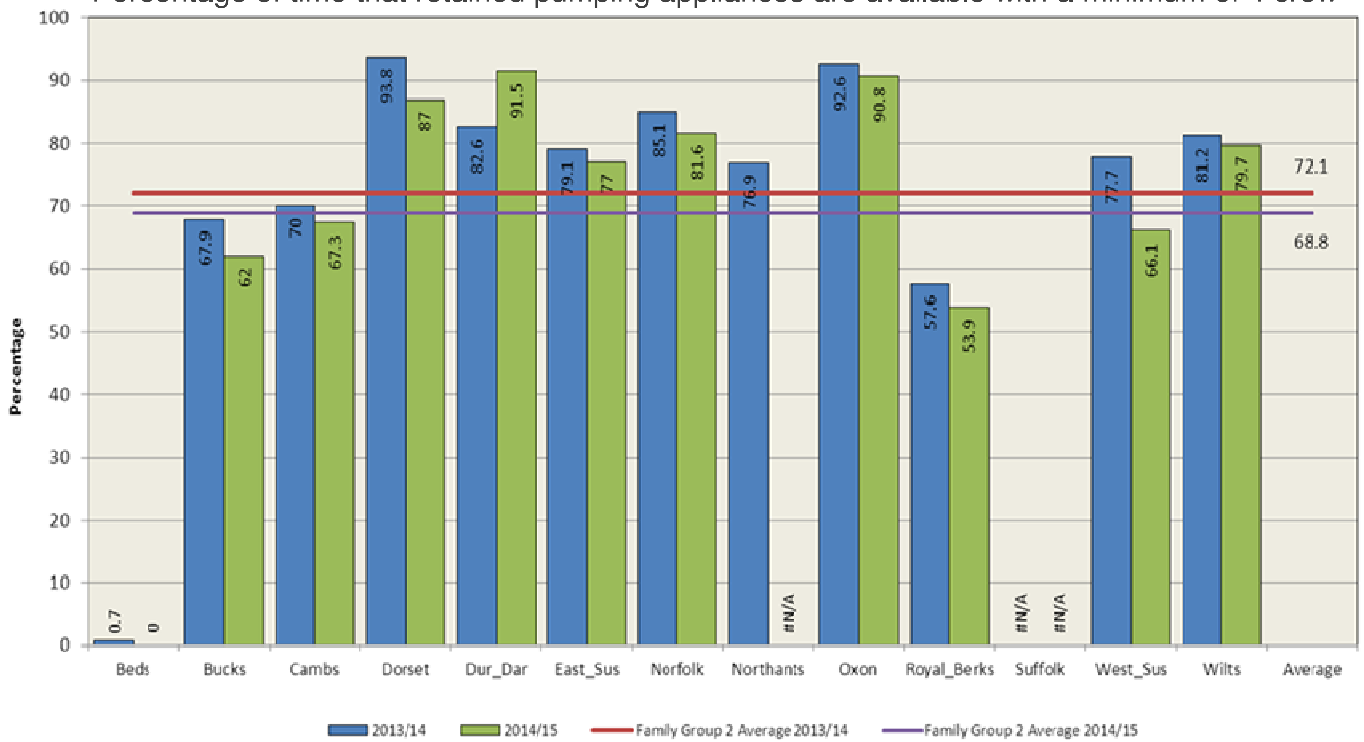
Communities



What does this tell us? Whilst the seasonal trend of library visits remains similar to previous years, the number of physical visits has fallen in 2014/15. There have been some issues with the electronic counting system for visitors, that are being resolved.

Risks (medium and high risks with red prospects of mitigation)	Score	Prospects
NFRS Shortage of emergency response personnel including key incident managers through industrial action	25	Red
NFRS Failure to assure that standards of operational competency for fires in the built environment are in place	16	Red
NFRS Failure to manage budgets effectively over the next Comprehensive Spending Review	16	Red

Percentage of time that retained pumping appliances are available with a minimum of 4 crew

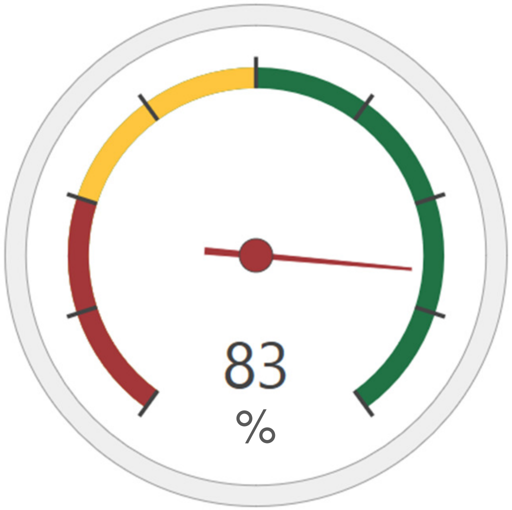


What does this tell us? Availability of retained firefighters to crew fire engines is significantly under our 90% target, yet is still above the comparator average.

Communities

Customer Services

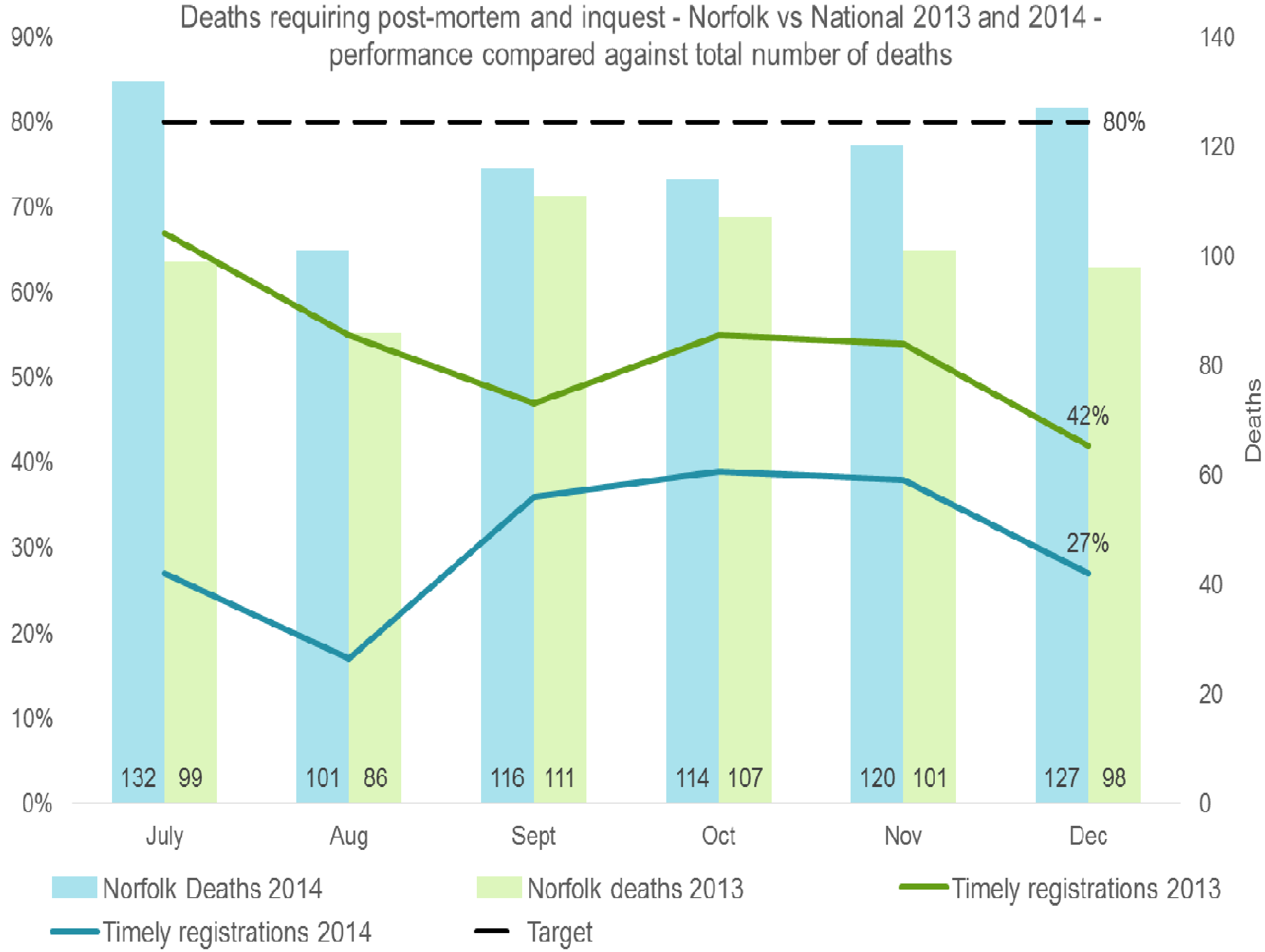
- 83% of 9,508 surveys indicate customers were satisfied with the service they received



What does this tell us? This feedback allows us to quickly respond to customers' issues, and also monitor response to any changes we make to services. This is proving particularly valuable for the website. A significant amount of work is currently taking place with Adult Social Care web pages to improve content and prepare for the Care Act with effect from the 1 April 2015.

Registration Service

- The failure to register deaths in the seven days following a death where the coroner has been involved continues to be an issue

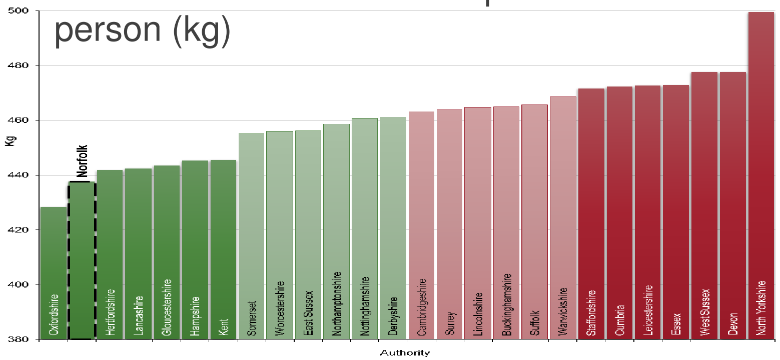


EDT

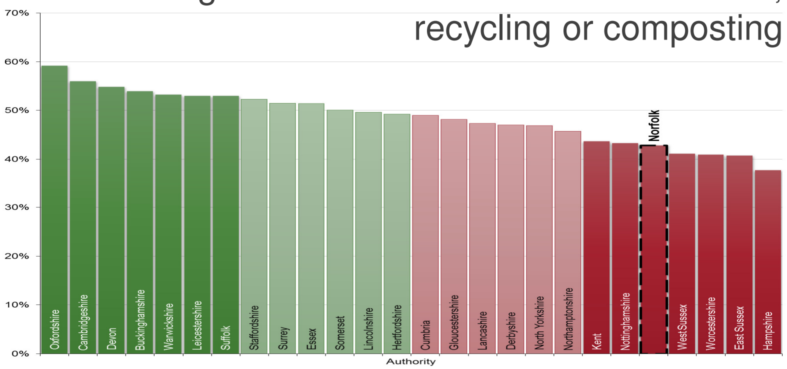
Waste, recycling and disposal

- Doorstep collection of waste is low
- Proportion sent for recycling is low
- Disposal costs rising

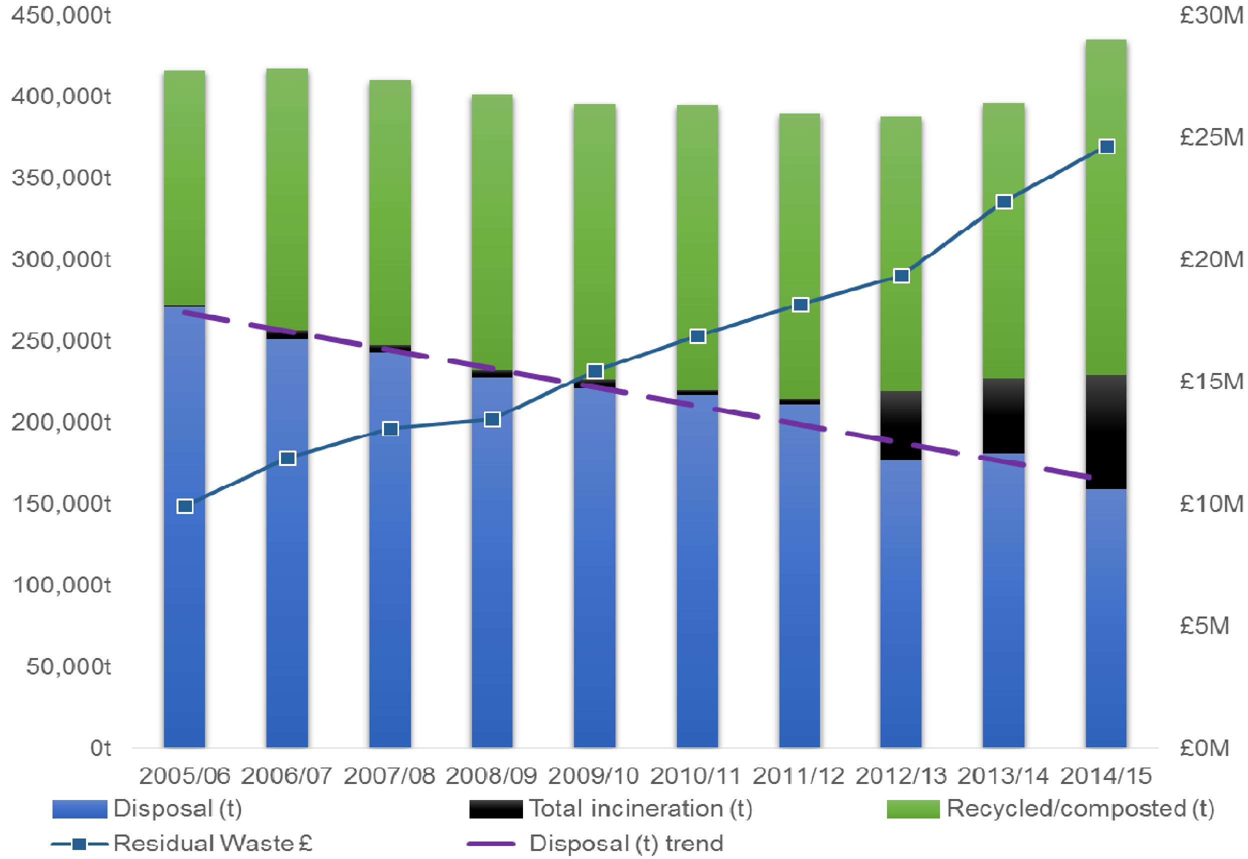
Collected household waste per person (kg)



Percentage of household waste sent for reuse, recycling or composting



Risks (medium and high risks with red prospects of mitigation)	Score	Prospects
Failure to divert waste from landfill	20	Red
Inability to reduce the Park & Ride subsidy to an acceptable level	12	Red

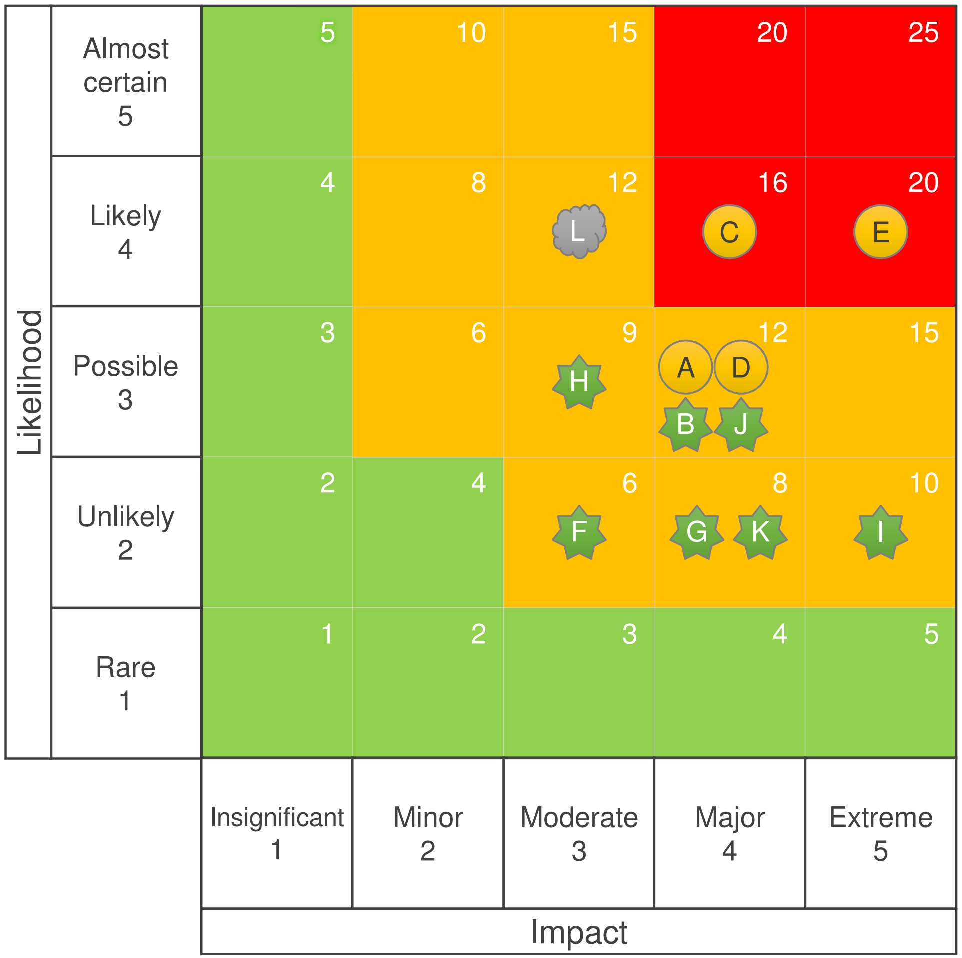


? **What does this tell us?** In recent years more waste has been moved away from landfill and into incineration in order to try and reduce the ever increasing cost of dealing with Norfolk's residual waste. Despite this, and the increased emphasis placed on recycling, residual waste tonnages continue to grow and result in escalating financial pressures.

Policy and Resources Committee Risks

The grid represents the risk model of likelihood and impact.

On track
Slightly off track
Unlikely to mitigate within timescale
New – no progress yet



	Risk
A	Capacity for change - Insufficient capacity for business transformation
B	Staffing - The speed and severity of change in work activities
C	Shortage of personnel for a variety of reasons e.g. illness, industrial action, inclement weather etc., including loss of key senior personnel
D	Loss of key ICT systems
E	Failure to follow data protection procedures
F	Liability for legal challenge to procurements conducted by ESPO
G	Failure of tender process
H	Failure to deliver planned revenue budget savings in 2014/15
I	Failure to effectively manage County Hall refurbishment and maintenance
J	Loss of internet connection and the ability to communicate with Cloud provided services
K	Successful cyber attack
L	Failure to enter into and manage traded services on a sound commercial basis

Appendix B

Risk Number			RM0200				**Date of update**			25 November 2014	
Risk Name			Capacity for change - Insufficient capacity for business transformation								
Risk Owner			Anne Gibson				**Date entered on risk register**			01 April 2011	
Risk Description											
The proposals require significant transformation and change to services and there is a risk that there will be insufficient capacity to re-design services and implement new ways of working. Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.											
Inherent			**Current**			**Target**					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
3	4	**12**	3	4	**12**	2	4	**8**	Mar-17	**Amber**	
Tasks to mitigate the risk											
• Corporate Programme Office established and rigorously reviews and reports progress of the Council's business transformation programme (Norfolk Forward) on a monthly basis within a formal governance and reporting structure. • Capacity and resource planning is a key part of this agenda to ensure successful delivery of the strategic outcomes • Any issues are addressed by the Norfolk Forward Strategic Programme Board through prioritisation of projects or where necessary the utilisation of the cost of change budget • The corporate performance framework looks at four themes, (Managing change, Managing the budget, Quality and Performance of Services and Outcomes for Norfolk people). This enables us to assess the impact our change priorities have on our business as usual performance and resources.											
Progress update											
Summary statement: Resource issues impacting the delivery of the NCC change programme are being addressed at a departmental level in the first instance and where there are issues which require priority decisions or additional funding they will be escalated to COG for resolution. Resource requirements for broader 'business transformation' activities which do not fall under the NCC change programme are currently being managed within each Directorate. Process, Behaviour and Planning: Project and programme resource pinch points are being addressed at project and programme board level for resolution and escalated to RMT only when they cannot be resolved. Systems and Management Information: The Portfolio and Resource Management System (PRMS) is now rolled out across Shared Services Programme and the large Directorate Transformation Programmes. This enables demand for shared services to be identified at a project level which will provide information for resource planning in shared services. The first pilot using this application for resource management is underway in the corporate programme office (CPO) and following a lessons learnt review in January 2015 the potential for a wider rollout for shared services will be discussed.											

Appendix B

Risk Number	RM14097				**Date of update**				15 December 2014	
Risk Name	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel									
Risk Owner	Audrey Sharp				**Date entered on risk register**				01 April 2013	
Risk Description										
The risk of a shortage of personnel could result in inadequate capacity to deliver our services, reputational damage for the organisation, and litigation in the case of being unable to deliver our key statutory obligations. This is particularly the case with Payroll specialist and Oracle functional/ technical staff given the high level of payroll legislative changes (Real Time Information, Pension Scheme changes (LGPS 2014, TP & NHS 2015)) impacting at the same time as extensive organisational change.										
Inherent			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	4	4	**16**	3	2	**6**	Mar-15	**Amber**
Tasks to mitigate the risk										
Business Partners / HR Service Manager / HR workforce planning team Ensure key skills for critical activities are documented to support redeployment of staff in the event of needing staff to support critical activities.										
Progress update										
11 March 2014: Arrangements established for bringing together focused Org Review Team to support change programme. Retention of specialist resource agreed to March 15. Continuing management of high demand on Payroll and ESC staff due to LGPS2014, TP and RTI. 11 Dec 14: Payroll service delivery is at increasing risk as a result of the erosion of Oracle expertise within NCC combined with increasing statutory requirements. This has been mitigated by the introduction of a support contract commencing 24 Dec 14 with a 3rd party supplier however the detailed working arrangements, responsiveness and quality of service provision (an increased risk given some areas of concern identified during contract evaluation) are, as yet, untested. More generally the expectation is that significant and intensive HR activity will be required to support the wider organisation achieve the necessary budget reductions in 15/16 and thereafter. This will also be at a time when the HR fuction is undergoing its own transformation and reduction in size reducing available capacity and skills.										

Risk Number	RM14100			**Date of update**					02 December 2014	
Risk Name	Loss of key ICT systems									
Risk Owner	Anne Gibson			**Date entered on risk register**					01 April 2013	
Risk Description										
Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.										
Inherent			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	**12**	3	4	**12**	2	3	**6**	Mar-15	**Amber**
Tasks to mitigate the risk										
Ensure ICT solutions are designed, implemented and operated to provide the agreed level of resilience.										
Progress update										
ICT systems and services will migrate to Tier 3 (National infrastructure) data centres as part of DNA during 2014. As part of this work HP will deliver a Business Continuity plan and Disaster recovery plan for the services transferring and update them as the work progresses. The corporate Business Continuity Team will be directly involved. Update of 7 August to be followed up by a review of the BIA and individual ICT plans, Infrastructure plans review to be completed in draft by the end of October. New solutions are designed by the Systems and Solution Integration team and DNA solution by the HP architects to include appropriate resilience.										

Appendix B

Risk Number	RM13968						**Date of update**		25 November 2014	
Risk Name	Failure to follow data protection procedures									
Risk Owner	Anne Gibson						**Date entered on risk register**		30 September 2011	
Risk Description										
Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.										
Inherent			**Current**			**Target**				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	**15**	4	5	**20**	1	4	**4**	Mar-15	**Amber**
Tasks to mitigate the risk										
An Information Compliance Group (ICG) has been set up with responsibility for developing policies and procedures and monitoring compliance with the DPA. New staff, volunteers, and contractors' employees do not have unsupervised access to the council's computer facilities or personal data until they have completed the data protection and information security courses (e-learning and workbook based options are provided). Refreshers at no longer than 3-year intervals are mandatory. Completion of courses is monitored and 'overdue' completions are reported to COG and line managers. In areas where sensitive personal data is held, a) rules have been introduced to ensure that recipient information is accurate before the data is sent out of the council, and b) communications plans to reminding staff of procedures are in place. A standard procedure for notifying, investigating, categorising the seriousness, and addressing the causes of, breaches of the DPA is now in place. Incidents are notified to and logged by the Corporate DP Officer who submits weekly reports to the Chief Information Officer and monthly updates to the ICG. COG, advised by the Chief Information Officer and the Monitoring Officer, is required to confirm whether a breach should be notified to the Information Commissioner. In future regular reports to be provided to Departmental SMTs. Further recommendations around the organisation information compliance status have been submitted and approved by COG. These recommendations are now being drawn up into a formal plans.										
Progress update										
An Information Management Shared Service has been established to integrate all information activities, including Information Compliance and Information Security. Practioners will be co-located, and common processes and procedures introduced where they do not already exist. Formal launch of the service took place on 02 May 2013. Reviewed 21 November 2013 - recommendations of Information Compliance Group presented to, and agreed by COG. Agreed no change to prospects and current scoring due to increased actions implemented and highlighted following recent breaches. Reviewed 04 February 2014 - no change. Reviewed 16 May 2014 - no change to scoring, however target date to be extended to 31 March 2015. 29-08-14 - IM has rolled out a DP Workshop programme for Children's Services specifically targeting DP within a social care environment. 30-09-14 - Working with Comms and OD the IM service are working to develop an organisation DP campaign centred on protecting and governing citizen centric personal information. 01-10-14 - IM are working with the business community to undertake a physical file audit to ensure robust Information Governance practices are embedded within the culture of the organisation. 25-11-14 - The Physical File Audit as a corporate project is underway, and will be undertaking a pilot with in Children's Service Social Care in the first instance with a project report due the beginning of January.										

.Policy and Resources Committee Item No 13 A

Report title:	**2014-15 Revenue monitoring report month 9 (December 2014)**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Executive Director of Finance (Interim)**
Strategic impact This report gives details of the forecast outturn position for the 2014-15 Revenue Budget, General Balances, and the Council's Reserves at 31 March 2015, together with related financial information.	

Executive summary

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

Members are recommended to note the following:

- **Revenue expenditure is forecast to underspend by £0.919m (previous month £0.328m) on a net budget of £308.397m.**

- **General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast underspend.**

1. Introduction

The Annex to this report summarises the Authority's 2014-15 financial position at the end of month 9: December 2014.

2. Evidence

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

The annex also summarises:
- Changes to the approved budget
- The impact of planning assumptions
- Performance against savings targets
- Treasury management
- Payments, debt and purchase order performance
- The Council's corporate risk register

3. Financial Implications

As stated above, revenue expenditure is forecast to **underspend** by £0.919m on a net budget of £308.397m. Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers are mandated to explore measures to reduce or eliminate potential over-spends in-year, for example by reducing expenditure, to minimise the call on reserves.

4. Issues, risks and innovation

Risk implications

4.1 Officers have considered all the implications which members should be aware of. Specific risks are summarised in the Council's corporate risk register. A summary of corporate risks, together with associated financial implications is shown in Appendix 13 to the attached report.

4.2 Apart from those listed in the report, there are no other implications to take into account.

5. Background

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

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Annex A

Norfolk County Council

2014-15 Revenue Finance Monitoring Report Month 9

Report by the Executive Director of Finance (Interim)

1 Introduction

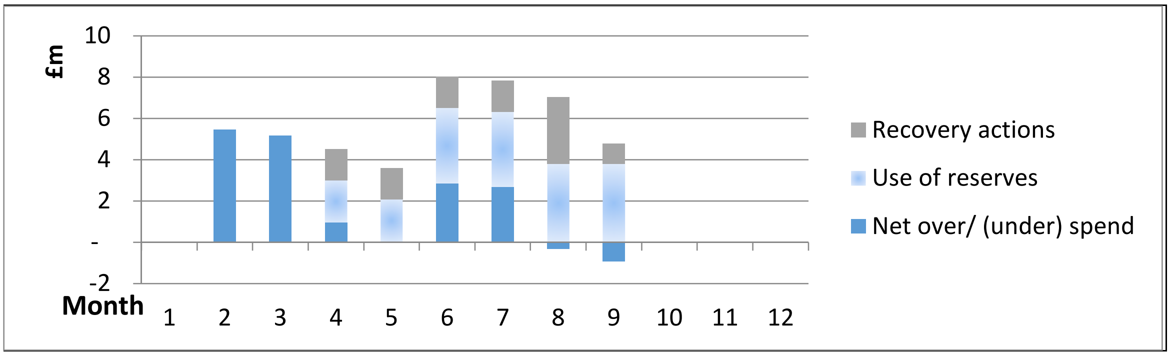
1.1 This report gives details of:

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

2 Summary of financial monitoring position

2.1 At the end of December (month 9):
Revenue expenditure is forecast to **underspend** by £0.919m (month 8: forecast underspend £0.328m), after identified recovery actions and approved use of reserves, on a net budget of £308.397m. The chart below shows the month by month trend.

Chart 1: forecast revenue outturn 2014-15, by month, after recovery actions and approved use of reserves: Month 9 underspend of £0.919m.



- The change from a forecast overspend last month to the forecast underspend this month is primarily the result of a one-off underspend of £0.591m in Finance General resulting from the NJC two year pay award, costing less than budgeted in the current year.

- Chief Officers are expected to deliver measures to reduce or eliminate the overspend in-year, for example by reducing expenditure, to minimise the call on reserves.

- General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast underspend.

- During November, Norfolk County Council agreed a full and final settlement in respect of the Willows energy from waste project. The last payment was made on 28 November, in line with the anticipated total cost of £33.7m. Section 6 to this report sets out the composition and use of the reserve used to fund the settlement.

- The Council has earmarked revenue reserves forecast to be £44.713m at 31 March 2015, which reflects the Willows settlement, and other movements including the approved use of reserves necessary to address budgetary pressures. The Council separately holds Reserves in respect of Schools estimated to be £33.575m at 31 March 2015.

- As at 31 March 2014 Norfolk County Council's reserves as a proportion of its net budget are significantly lower than the average for English shire counties. The underlying comparison is set out in Appendix 14 to the period 7 report reported to Policy and Resources Committee on 1 December 2014 and repeated in this report.

3 Agreed budget, changes and variations

3.1 The 2014-15 budget was agreed by Council on 17 February 2014 and is summarised in Appendix 1. The table below has been revised for the change in directorate structures with effect from 1 December 2014. The budget has been monitored in accordance with the timetable at Appendix 2.

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

Service	Approved net budget (adjusted)	Budget last period	Changes to budget December 2014	Revised budget
	£m	£m	£m	£m
Children's Services	161.903	161.966	-	161.966
Adult Social Services	248.597	249.724	-	249.724
Community and Environmental Services	171.198	171.188		171.188
Resources	25.983	25.457	-	25.457
Finance and Property	10.246	10.275	-	10.275
Finance General	-309.530	-310.213	-	-310.213
Total	**308.397**	**308.397**	**-**	**308.397**

3.2 The Council's total net budget has not changed during the year to date. Apart from the changes to reflect the new management structure, no further re-allocations between services have taken place this month.

3.3 The approved net budget shown has taken into account discussions at County Council on 17 February resulting in a one-off £1m allocation not reflected in the papers prepared in advance of the meeting. This allocation is for supporting personal care/wellbeing services for older people and is funded from revenue saving on deferring borrowing for 2014-15 only.

3.4 Significant new in-year revenue grants over £0.100m are listed in Appendix 3. Following the end of this reporting period (P9) the DCLG confirmed an additional grant of £0.230m. The purpose of this grant is to pursue interventions which reduce the risk of avoidable admissions or readmissions into hospital, or help people return to their home from hospital when it is appropriate to do so.

4 Control of growth, cost pressures and savings targets

4.1 **Planning assumptions:** The key cost pressures identified during the preparation of the 2014-15 budget (budget book page 10) are shown in Appendix 4 along with a brief narrative showing the status in each of the following areas.

Table 2: 2014-15 key planning assumptions

Key planning assumptions	Impact £m	Status
Government funding reductions	24.786	Cost pressure realised
Pay and price inflation	14.260	General price inflation rate remain marginally lower than forecast. Agreed pay increases are within budget assumptions.
Demographics	11.590	Long term demographic pressures still apply
Willows Power and Recycling Centre	8.000	Cost pressure realised with settlement agreed November 2014.

"Demographics" refer primarily to Looked after Children and Adult Social Services demographic growth planning uncertainties.

4.2 **Savings targets:** The key savings targets required for the preparation of a balanced 2014-15 budget are shown in Appendix 5.

4.3 Forecast savings of £64.235m coupled with recently identified savings and use of community services reserves of £2.275m are £1.757m (previous month £1.780m) short of the budgeted £68.267m savings target. Savings in CES, Resources and Finance General remain on track. The number and cost of Looked After Children is a continued pressure in Children's Services as is transport procurement, and arrangements relating to reviews of agreements for mental health and care services in Adult Social Services. A full analysis of savings is shown in Appendix 5.

4.4 **Termination of Willows Energy from Waste contract**: As reported to County Council on 27 May, Cabinet of 7 April 2014 resolved to allow the Willows Energy from Waste contract to terminate for planning failure. The contract was formally terminated on 16 May 2014. Contractual termination costs were estimated at £33.7m, with a reserve created for that amount.

4.5 On 28 November, the County Council agreed a full and final settlement in line with the £33.7m reserve, removing the risk of further costs being incurred. Further details are included in section 6.

5 Revenue outturn – forecast over/underspends

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

5.2 The latest projection for the 2014-15 revenue outturn shows a net projected overall **underspend** of £0.919m, after identified recovery actions and approved use of reserves.

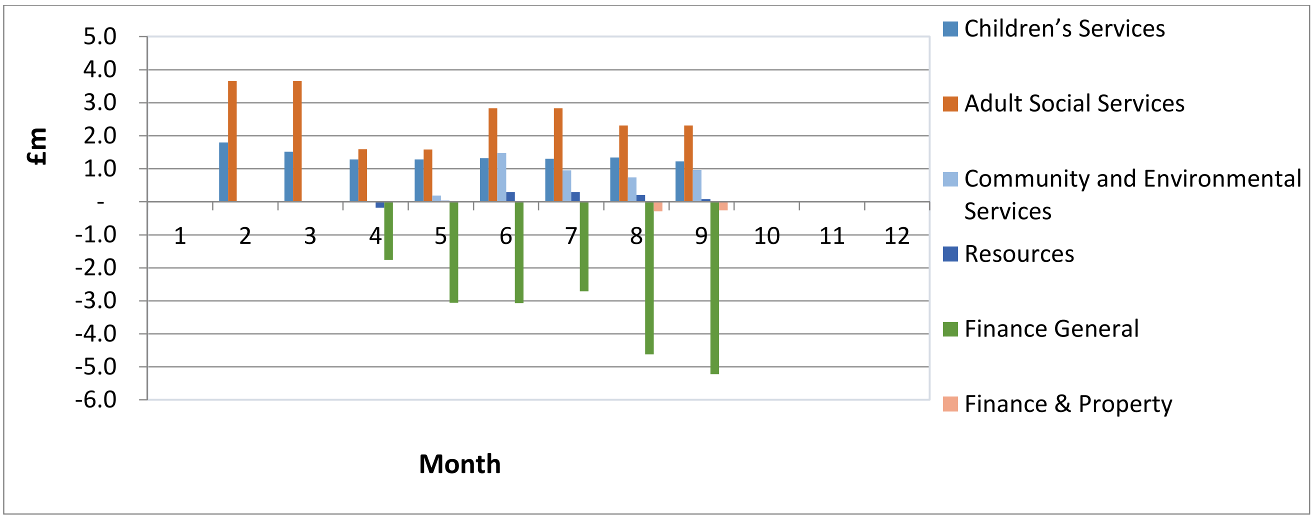
5.3 Details of all projected under and over spends for each service, together of areas where mitigating action is being taken, are shown in Appendix 6, and are summarised in the following table:

Table 3: 2014-15 projected budget variations by service

Service	Revised Budget £m	Projected net (under)/ over spend after use of reserves £m	%	RAG
Children's Services	161.966	1.224	0.8%	A
Adult Social Services	249.724	2.305	0.9%	A
Community and Environmental Services	171.188	0.959	0.6%	A
Resources	25.457	0.076	0.3%	G
Finance	10.275	-0.262	-2.5%	G
Finance General	-310.213	-5.221	-1.7%	G
Totals	**308.397**	**-0.919**	**-0.3%**	

5.4 The following chart shows service outturn projections by month:

Chart 2: service revenue outturn projections 2014-15, by month, after recovery actions and approved use of reserves



- The main differences since last month is a one-off underspend of £0.591m in Finance General resulting from the NJC two year pay award costing less than had been budgeted in the current year.

6 Analysis by subjective type

6.1 The Council publishes a budget each year which is analysed both by service and by subjective category (Appendix 1). Changes to the budget occur during the year, for example when additional sources of income become available. The net effect of changes to budgets is shown below, with further details in Appendix 7.

Table 4: 2014-15 subjective budget movement

	Approved budget	Re-all'ns and internal re-charges	Budget incl re-charges	Periods 1-9	Current budget
	£m	**£m**	**£m**	**£m**	**£m**
Employee Related Expenditure	**529.601**		**529.601**	-1.378	528.223
Premises Related Expenditure	**44.531**		**44.531**	1.779	46.310
Transport Related Expenditure	**52.143**	0.520	**52.663**	0.093	52.756
Supplies & Services	**154.176**	0.032	**154.208**	7.698	161.906
Third Party Payments	**455.408**		**455.408**	-4.234	451.174
Transfer Payments	**24.681**		**24.681**	8.396	33.077
Support Services & Recharges	**45.099**	25.356	**70.455**	-3.449	67.006
Capital financing	**106.240**	0.009	**106.249**	-0.428	105.821
Total Expenditure	**1,411.879**	**25.917**	**1437.796**	**7.892**	**1445.688**
Business Rates	**(314.370)**		**(314.370)**		-314.370
Government Grants	**(475.276)**		**(475.276)**	5.440	-469.836
Other Grants & Reimbursements	**(87.754)**		**(87.754)**	-9.692	-97.446
Customer & Client Receipts	**(103.673)**	(4.052)	**(107.725)**	0.481	-107.244
Interest	**(1.832)**	1.832			
Recharges	**(48.492)**	(30.398)	**(78.890)**	-4.118	-83.008
Capital Depreciation	**(72.085)**	6.701	**(65.384)**		-65.384
Council Tax	**(308.397)**		**(308.397)**		-308.397
Total Income	**(1,411.879)**	**(25.917)**	**(1,437.796)**	**-7.892**	**-1445.688**

6.2 Adjustments during the year to date relate mainly to internal recharges which were netted off in the published budget resulting in lower gross income and expenditure than shown in the current budget. A full month my month analysis of budget changes by subjective heading is shown in Appendix 7. The "Council Tax" line effectively represents the net budget, which remains unchanged.

7 General balances and reserves

General balances

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

Table 5: forecast general balances

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

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

Earmarked reserves levels and forecasts

7.2 A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. The Council carries a number of reserves with totals as follows:

Table 6: budget and forecast reserves

	Forecast balance 31.3.15 when budget approved (Feb 2014)	Actual balances b'fwd 1.4.14	Previous month forecast 31 March 2015	Current forecast 31 March 2015
	£m	£m	£m	£m
Earmarked reserves - non schools	32.931	77.669	47.174	44.713
Residual Waste Treatment Contract Reserve	11.000	19.065	0.000	0.000
Reserves for Capital Use	6.270	1.755	3.887	3.887
Earmarked reserves - schools	37.661	43.075	35.796	33.575
Total	**87.862**	**141.564**	**86.857**	**82.175**

As part of the budget setting process, non schools reserves were forecast to reduce significantly during the year. Since the last report, the largest change relates to the use of a £1.8m general ICT reserves to fund the DNA project. Movements on the Reserves for Capital use are explained in the receipts section of the Capital Monitoring Report.

7.3 The decrease in forecast schools' reserves is accounted for by a reduction in LMS balances due primarily to anticipated academy conversions and forecast use of balances in-year. The change this month relates to a net £1.024m additional dedicated school spend from the schools contingency fund (ref Appendix 6), and the full use of the £1.197m Building Maintenance Partnership Pool which has come to the final year of a five year scheme.

7.4 A full list of reserves can be found in Appendix 8. This appendix also lists the Council's accounting provisions, which are amounts put aside to fund future liabilities or losses which are certain or very likely to occur, but where the amounts or dates when they will arise are uncertain.

Comparison with other authorities

7.5 A report produced in October 2014 by the Society of County Treasurers based on statistical returns as at 31 March 2014 shows the following:

Table 7: reserves as a proportion of net budget 31 March 2014

	Non ring-fenced reserves (earmarked and unallocated)	Unallocated reserves
Average for SCT members	28%	5%
Norfolk County Council	20%	3%

On both measures, Norfolk County Council's total reserves as a proportion of net budget (revenue support grant, retained business rates and council tax) is significantly lower than the average for English shire counties, with Norfolk in the lowest quartile. Details can be found in Appendix 14.

Residual Waste Treatment Contract Reserve

7.6 On 28 November, the County Council agreed a full and final settlement in line with the £33.7m reserve set aside in May for ending The Willows energy from waste project.

7.7 A last payment of nearly £5.9m was made on 28 November 2014, bringing the overall settlement in line with the anticipated total cost of £33.7m reported to Council in May 2014.

7.8 The Residual Waste Treatment Contract Reserve has been set aside and used as follows:

Table 8: Creation and use of Residual Waste Treatment Contract Reserve

	£m
Opening balance 1 April 2014, before transfer of excess general balances	19.1
The opening balance comprised transfers from excess general balances, transfers from underspends, and other initiatives including 2013-14 savings in Community Services (£1.3m), ETD (£0.8m), Fire (0.4m) and Resources (£2.5m).	
Outturn 2013-14 – excess of general balance over minimum requirement	1.3
Savings in 2014-15 (total £5.350m)	
Norse contributions	1.0
Sale of property – substituted for current revenue funding of capital project	0.7
Waste procurement arrangements	0.6
Household waste reserve	1.0
Savings in 2014-15 – Approved by County Council	
Reduction in funding set aside for redundancies based on past trends	1.0
Service reductions - Libraries	0.1
Service reductions – Road maintenance	0.9
Budget 2014-15 cost pressure: Willows Power and Recycling Centre planning uncertainty (ref Appendix 4)	8.0
Total set aside	**33.7**

Payments to July 2014 – forex and interest risk costs	(11.8)
Payment August 2014 – planning inquiry costs	(1.3)
Payment September 2014 – interim	(13.7)
Payment November 2014 – interim	(1.0)
Payment November 2014 – final	(5.9)
Balance	**Nil**

The settlement has removed the risk of further costs being incurred in future

8 Treasury management, payment performance and debt collection

8.1 Treasury management: the corporate treasury management function ensures the efficient management of all the authority's cash balances. During period 9, on 10 December 2014, a dividend of £0.104m received from the Administrators of the Icelandic Bank Kaupthing Singer & Friedlander, and arrangements are in place for a further recovery of funds in February 2015. A detailed treasury management update is included as Appendix 9.

8.2 Payment performance: approximately 460,000 invoices are paid annually. In December 2014, 97.3% (November 95.7%) were paid within a target of 30 days from receipt, against a target of 90%. A month by month analysis is shown in Appendix 10.

8.3 Debt recovery: Each year the County Council raises over 120,000 invoices for statutory and non-statutory services totalling over £900m. Outstanding debt: the value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council.

8.4 An extensive debt collection analysis is shown at Appendix 11 including:

- A summary of 2013-14 debt collection performance: the percentage of debt raised that was successfully collected within 90 days ranged between 95% and 99% in 2013-14, against a local authority average of 92%.
- Collection performance for December 2014: 92.4% (previous month 92.2%) of invoices were collected within 30 days
- Levels of outstanding debt – secured £9.77m and unsecured £25.38m (previous month £9.61m & £27.12m respectively) and
- Debts written off (ref paragraph below).

8.5 For the period 1 April 2014 to 31 December, 632 debts less than £10,000 have been written off following approval from the Executive Head of Finance. These debts totalled £255,168.17. No debts over £10,000 have been written off.

8.6 Since December 2014, people have been able to pay their Norfolk County Council invoices using a 24-hour automated local rate telephone payment line. The line uses a touchtone recognition system to allow customers to pay their invoices, using a debit or credit card. During working hours, callers have the option of talking to a customer services advisor. The Council hopes to roll the service out to student transport and concessionary transport in 2015. Details of the use and success of this service will be presented in future reports.

9 Purchase order performance

9.1 Whenever a commitment is made to purchase goods or services, a purchase order should be raised in advance. The Council's objective is that ultimately there should be no 'retrospective' purchase orders – orders raised after the invoice has been received with a target of no more than 5% by April 2015.

9.2 Performance against this objective is measured in two ways:

- by value – the value of spending via retrospective orders as a percentage of total spending; and
- by volume – the number of retrospective orders as a percentage of all orders.

9.3 As can be seen in Appendix 12, performance on both measures has improved. Compared to the same month last year, average retrospective spending has reduced from 24% to 15% by value, whilst the proportion of orders which are retrospective has fallen from 39% to 33%.

10 Financial risk management

10.1 The Council's risk management processes seek to identify, analyse, evaluate and treat risks. This is done through all levels of the organisation, and summarised at departmental and corporate level.

10.2 Risks which affect corporate or strategic objectives are gathered in the corporate risk register. The Council's Audit Committee receives reports on key corporate risks, progress on their treatment and corporate risk management performance on a quarterly basis.

10.3 An analysis of corporate risks, together with associated financial implications is shown in Appendix 13.

10.4 There are currently three risks which are classed as high or "red", being the risks associated with:

- Failure to meet the long term needs of older people
- Failure to follow data protection procedures
- Looked After Children overspends

Further details of timescales, and mitigation targets are shown in Appendix 13.

10.5 Since the last report, risks (non-financial) associated with embedding the current council committee system have been removed from the register. One new risk has been added: "failure to enter into and manage traded services on a sound commercial basis". The target date for managing this risk is 31 December 2015.

10.6 The "red/amber/green" analysis has not changed for the prospect of meeting target risk scores by target date. The current risk status of the County Hall refurbishment project has improved. However, the current likelihood of risks associated with shortages of personnel for a variety of reasons, including loss of key senior personnel has slightly increased.

11 Medium Term Financial Strategy

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

Table 9: MTFS 2014-17 action and status

MTFS 2014-17 action	**Current status**
County Farms: To review the economic case for the investment in and returns from County Farms	A member working group has been set up to review County Farms strategy and policy, The 5 January 2015 working group agreed a contribution of £2.5m to support the 2015-16 revenue budget.
Carbon – to consider the stretch target proposed by the October 2013 Corporate Resources Overview and Scrutiny Panel for the 2015-18 MTFS.	A Carbon and Energy Reduction Programme Report was presented to the September EDT Committee This shows that there have been savings across all services of 17.1% when compared to the 2008-09 baselines. The Council is working towards achieving 50% by 2019-20, with a particular focus on transport (including business mileage) and street lighting.
Other medium term budget objectives	**Risks**
EU funding target: to achieve savings of £750,000 each in 2015-16 and 2016-17 – to contribute towards adult care services	The original EU funding target is not likely to be deliverable for 2015-16. The Economic Programmes Team is continuing to work on and identify funding opportunities.
Business rates	**Commentary / uncertainty**
The County Council's Business rates income assumptions are based on "NNDR1" returns are required by the DCLG and prepared by district councils in January.	The January 2014 NNDR returns forecast growth above the government set baseline of £0.175m, and this was incorporated into the Council's budget agreed by Council in February 2014. District Councils have submitted updated NNDR1 forecasts of Business Rates for 2015-16 to DCLG. As a result, additional income of £0.227m has incorporated into the Finance General section of the 2015-16 Budget. There may also be a further adjustment to budgets when the districts have finalised the 2014-15 outturn position in May 2015.

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Appendices

Appendix 1: Approved budget

Appendix 2: Monthly timetable

Appendix 3: In-year grant funding

Appendix 4: Planning assumptions

Appendix 5: Savings

Appendix 6: Projected outturn for each service

Appendix 7: Revenue projections by subjective

Appendix 8: Projected earmarked reserves and provisions

Appendix 9: Treasury management

Appendix 10: Payment performance

Appendix 11: Debt collection

Appendix 12: Purchase order performance

Appendix 13: Corporate risk register summary

Appendix 14: Reserves as a proportion of net budget 2013-14 – SCT comparison

Appendix 1

Approved budget 2014-15

Agreed by Council 17 February 2014

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

Funded by	
Council tax	-308.397
Total	**-308.397**

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

Budget monitoring timetable 2014-15

Table A2: Budget monitoring timetable 2014-15

Accounting Period	Accounting Month Period End	Finance report prepared	MEMBERS & PUBLIC circulation	Meeting	Forecast net overspend/ (underspend)
					£m
April	30-Apr				
May	31-May	Fri 27/06/2014	Fri 04/07/2014	Mon 14/07/2014	
June	30-Jun	Fri 25/07/2014	Thu 28/08/2014	Fri 05/09/2014	5.157
July	31-Jul	Fri 29/08/2014	Fri 19/09/2014	Mon 29/09/2014	0.958
August	31-Aug	Thu 25/09/2014		Mon 27/10/2014	0.025
September	30-Sep	Mon 27/10/2014	Fri 21/11/2014	Mon 01/12/2014	2.852
October	31-Oct	Thu 27/11/2014		Mon 01/12/2014	2.673
November	30-Nov	Fri 02/01/2015	Fri 16/01/2015	Mon 26/01/2015	-0.328
December	31-Dec	Wed 28/01/2015		Mon 23/03/2015	-0.919
January	31-Jan	Thu 26/02/2015	Fri 13/03/2015	Mon 23/03/2015	
February	28-Feb	Thu 26/03/2015		Mon 01/06/2015	
March	31-Mar (provisional)	Thu 30/04/2015		Mon 01/06/2015	
Outturn	31-Mar (final)	tbc		Mon 01/06/2015	

In-year Grant Funding

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

Table A3a: New grant funding > £100,000 since 1 April 2014

New Grant Funding	**Details**	**£m**
PE and Sports Grant	New unconditional DfE grant for the improvement of PE and sports in schools: increase of £1.7m since P6 figure last reported.	2.874
Universal Infant Free School Meals Grant	Grant to enable schools to provide free school meals to all pupils in reception, year 1 and year 2.	5.395
DCLG Transformation Challenge Award funding	Grant resulting from successful joint bid by Norfolk and Suffolk NHS Foundation Trust for government funding to help support new mothers with postnatal depression and puerperal psychosis – preventing babies and young children needing to come into care.	0.623
Business Rates cap compensation grant	Compensation for the reduced income from business rates as a result of the 2% cap on the small business rates multiplier.	1.195
Special Educational Needs and Disability (SEND) Implementation Grant	The purpose of this grant is to provide support to local authorities in England towards additional expenditure lawfully incurred or to be incurred by them in implementing SEND reforms.	0.639
Total at P9		**10.726**
Additional funding from the DCLG via a DoH s31 grant (confirmed 27 January 2015).	The purpose of this grant is to pursue interventions which reduce the risk of avoidable admissions or readmissions into hospital, or help people return to their home from hospital when it is appropriate to do so.	0.230
	Total in-year grants > £100,000 to date	**10.956**

The following grants have been confirmed to fund existing schemes for which no budget was originally set due to uncertainties at the time of the budget:

Table A3b: Grant funding > £100,000 since 1 April 2014, continuation of previous schemes not confirmed at time of budget

New Grant Funding	**Details**	**£m**
Troubled Families Grant	Government programme designed to help troubled families.	3.178
Adoption Reform Grant	Government grant designed to recognise the programmes of change underway in the area of adoption.	2.410
	Total in-year grants > £100,000 to date	**5.588**

Financial Plan – 2014-15 planning assumptions

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

Table A4: key financial planning assumptions 2014-15

Planning assumption 2014-15	Financial impact	Latest position
	£m	
Significant funding pressures		
Government funding reductions	24.786	No change in assumption. Note: the council tax freeze grant was anticipated in the 2014-15 base budget.
Significant cost pressures		
Pay inflation	1%	As at 18 November, the national employers and the trade unions have reached agreement on a pay award for 'Green Book' employees (Scales A to O). This is a two-year deal which runs until 31 March 2016. Employees earning £14,880 (Scale C, salary point 11) and above received a 2.2% pay increase from 1 January 2015, with higher percentage increases for those earning less than this. As a result a one-off Finance General underspend of £0.591m has been generated in the current year.
Price inflation	14.260 (includes pay and price inflation)	Price inflation has only been forecast where there is a contractual need or where it is known that price increases will occur. Rates of inflation applied to budgets differ between 0% where inflationary increases have been withheld, to an expected 7% rise in the contract price for electricity. Some budgets will experience price rises linked to CPI which was forecast at 2.34%. The Consumer Prices Index (CPI) grew by 0.5% in the year to December 2014, down from 1.0% in November. (Source: ONS.gov.uk).
Demographics – primarily increases in Looked after Children and Adult Community Services demographic growth	11.590	Community Services – Adult demographic pressure of £6.934m was based on the latest ONS statistics for population growth and expenditure trends. More assessments were undertaken in the first 6 months of 2014-15 indicating continued pressures within this area. Learning Difficulties demographic pressures were calculated by forecasting the number of service users transitioning from Children's Services and estimates of expected growth in adult service users. The Children's Services demographic pressure was revised to £3.931m in November 2013 taking into account the number of looked after children (LAC) being 84 above target. Service changes to prevent children coming into care are being implemented. The number of children in care has fallen from 1,153 in May 2014 to 1,060 at the beginning of January 2015 - a drop of more than eight percent. At the same time the number of looked after children has been increasing nationally.
Willows Power and Recycling Centre planning uncertainty	8.000	On 28 November, the County Council agreed a full and final settlement in line with the £33.7m reserve. This crystallised the cost pressure and has removed the risk of further costs being incurred.

Appendix 5

Financial Plan 2014-15 savings

Table A5a: savings 2014-15 by category and by service

	Children's Services	Adult Social Services	CES - Cultural	CES – former ETD	CES - Fire	Resources	Finance & Property	Finance General	Total
Categorisation of Saving	£m	£m	£m	£m	£m	£m	£m	£m	£m
Organisational Change - Staffing	0.375	0.460	0.260	1.250	0.499	2.769	0.000	0.000	5.613
Organisational Change - Systems	6.610	1.340	0.212	3.340	0.381	2.074	1.100	0.000	15.057
Procurement	0.521	3.900	0.000	6.400	0.000	0.094	0.000	0.000	10.915
Shared Services	0.000	1.804	0.260	0.050	0.000	0.000	0.000	0.000	2.114
Capital	0.000	0.000	0.000	0.200	0.724	0.000	0.000	0.000	0.924
Terms & Conditions of Employees	0.126	0.108	0.000	0.038	0.000	0.016	0.003	0.000	0.291
Income & Rates of Return	0.000	0.000	0.361	1.623	0.043	0.411	0.000	5.138	7.576
Assumptions under Risk Review	0.484	0.000	0.000	0.150	0.036	3.201	0.000	7.220	11.091
Reducing Standards	2.790	2.200	0.931	1.151	0.000	0.073	0.000	0.000	7.145
Cease Service	0.474	2.615	0.010	0.300	0.087	0.000	0.000	0.000	3.486
Budgeted Savings	**13.160**	**14.702**	**2.034**	**14.502**	**1.770**	**8.638**	**1.103**	**12.358**	**68.267**
P09-15 Forecast Savings	**11.517**	**12.427**	**2.034**	**14.502**	**1.770**	**8.638**	**1.103**	**12.358**	**64.349**
New identified use of reserves	**0.000**	**2.275**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**2.275**
Variance	**-1.643**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**-1.643**

Savings Variance	Children's Services	Adult Social Services	CES - Cultural	Total
Categorisation of Saving	£'000	£'000	£'000	£'000
Organisational Change - Staffing	0.000	0.000	0.000	0.000
Organisational Change - Systems	-1.978	0.000	0.216	-1.762
Procurement	-0.269	-0.250	0.000	-0.519
Shared Services	0.000	-0.200	-0.220	-0.420
Capital	0.000	0.000	0.000	0.000
Terms & Conditions of Employees	0.000	0.000	0.000	0.000
Income & Rates of Return	0.000	0.000	0.004	0.004
Assumptions under Risk Review	0.484	0.000	0.000	0.484
Reducing Standards	0.120	-1.800	0.000	-1.680
Cease Service	0.000	-0.025	0.000	-0.025
Use of reserves	0.000	2.275	0.000	2.275
Total	**-1.643**	**0.000**	**0.000**	**-1.643**

As at P09-15 forecast savings of £64.349m coupled with newly identified savings and use of reserves of £2.275m are £1.643m short of the budgeted £68.267m savings target.

Savings in CES Transport, Environment and Development, CES - Fire, Resources and Finance General are all on track.

The number and cost of Looked After Children are not reducing as planned leading to a forecast saving shortfall of £1.978m. There is also a shortfall in Children's procurement savings around purchasing yellow buses and leasing mini-buses totalling £0.269m.

This shortfall in Children's Services have been offset slightly by an additional £0.484m saving for reduced retirement costs for teachers, achieving a saving of £0.120m early to reduce funding for school crossing patrols.

Adult Social Services are £0.250m short on a saving to review the agreement with the Mental Health Trust, £1.800m short on the saving to reduce the number of service users we provide transport for, £0.200m short on the saving for joint senior management posts with Health and £0.025m short on the saving to charge people who fund their own social care the full cost of transport.

Adult Social Services have also identified use of £2.275m of the Prevention Reserve, which was set up to mitigate the risk in delivering the prevention savings.

CES – Cultural have a £0.040m shortfall in the renegotiating joint museums funding saving, a £0.056m shortfall in the museums income generation saving, and a £0.180m shortfall in the sharing of library buildings with other organisations savings. These are offset by additional savings of £0.060m in the museums VAT exemption saving (netted off against the income shortfall in the table above), £0.036m additional savings controlling spend in museums and £0.180m additional savings controlling spend in libraries.

Projected revenue outturn by service analysis

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

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

Service	Revised Budget £m	Service total projected overs spend £m	Service total projected (under) spend £m	Net total over / (under) spend £m	%
Children's Services	161.966	8.299	-7.075	1.224	0.8%
Adult Social Services	249.724	12.363	-10.058	2.305	0.9%
Community and Environmental Services	171.188	2.479	-1.520	0.959	0.6%
Resources	25.457	0.369	-0.293	0.076	0.3%
Finance and Property	10.275	-	-0.262	-0.262	-2.5%
Finance General	-310.213	-	-5.221	-5.221	1.7%
Totals current month	**308.397**	**23.510**	**-24.429**	**-0.919**	**-0.3%**
Previous month	308.397	24.600	- 24.928	-0.328	-0.1%

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

Reconciliation between current and previously reported underspend

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

	£m
Forecast 2014-15 over/(under)spend previous month	**-0.328**
Movements in current period - summary	
Children's Services	-0.114
Adult Social Services	-
Community and Environmental Services	0.223
Resources	-0.132
Finance and Property	0.030
Finance General	-0.598
Latest forecast over / (under) spend after use of reserves	**-0.919**

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

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

Table A6c: recovery actions and use of reserves

Service	**Service total projected over spend £m**	**Identified recovery actions £m**	**Use of reserves £m**	**Net total over / (under) spend £m**
Children's Services	1.224	-	-	1.224
Adult Social Services	7.094	-1.000	-3.789	2.305
Community and Environmental Services	0.959			0.959
Resources	0.076			0.076
Finance and Property	-0.262			-0.262
Finance General	-5.221	-	-	-5.221
Totals current month	**3.870**	**-1.000**	**-3.789**	**-0.919**
Previous month	4.461	-1.000	-3.789	-0.328

Projected revenue budget outturn by service - detail

Children's Services	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Additional Looked After Children agency costs	1.978		-0.114
Additional Residence / Kinship costs	0.496		
Additional costs of agency social workers	1.815		
Savings on Looked After Children legal costs		-0.830	
Savings on Looked After Children transport costs		-0.190	
Additional cost of Newborn and Infant Physical Exam'n (NIPE)	0.400		
Ofsted unregulated accommodation for 16/17 year olds	0.350		
Additional adoption allowances	0.185		
Additional fostering recruitment costs	0.015		
Reduced fostering allowances		-0.220	
Reduced running costs of NCC's Children's Homes		-0.225	
Reduced cost of Information Advice and Guidance Service		-0.250	
Reduced cost of Early Years & Childcare Service		-0.520	
Savings on school crossing patrols		-0.120	
Reduced school pension/redundancy costs		-0.484	
Reduced ESG due to schools becoming academies	0.633		
Additional cost of SEN transport	0.550		
Clinical commissioning team and commissioned therapy and assessment services		-0.544	
Maximisation of use of grants		-1.815	
Dedicated Schools Grant			
Additional school maternity costs	0.132		0.037
Reduced suspended school staff costs		-0.091	-0.091
Additional cost of Early Years 1-2-1 SEN	0.300		
Reduced cost of Early Years 2 yo entitlement/infrastructure		-2.960	-0.536
Reduced cost of Early Years 3/4 year old entitlement		-0.300	
Reduced cost of the Minority Achievement & Attain Service		-0.140	
Cost of additional special education non-maintained places		1.265	1.265
Cost of additional places in maintained special schools		0.349	0.349
Agreed items Education funded by school contingency reserve:			
Alternative provision for Education	0.190		
Additional 12 Special school places	0.352		
Services to schools transition costs	0.150		
Cont'n to schools contingency fund as a result of the above	0.753		-1.024
Forecast outturn for Children's Services	**8.299**	**-7.075**	**-0.114**
	1.224		

	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Adult Social Services (based on period 8 returns)			
Management, Finance and Transformation		-2.087	
Commissioning, including Supporting People	0.507		
Central Services – Business Development	0.051		
Human Resources, Training and Organisational Development		-0.158	
Safeguarding	11.016		
Prevention	0.789		
Income from Service users		-3.024	
Over / (under) spend before recovery actions	**12.363**	**-5.269**	
		7.094	
Recovery actions - use of £1m Norsecare contract rebate to mitigate overspend		-1.000	
Use of Reserves		-3.789	
Forecast total for Adult Social Services	**12.363**	**-10.058**	
Over / (under) spend after recovery actions and approved use of reserves	**2.305**		

Community and Environmental Services	Projected over spend	Projected under spend	Change this month
Highways and Transport Services		-0.892	-0.368
Environment and Planning	2.398		0.033
Economic Development and Strategy		-0.120	0.098
Business Development and Support		-0.429	0.237
Cultural Services		-0.004	-0.004
Customer Services		-0.075	
Community Safety & Fire	0.081		0.227
ICT (now under Resources)			
Forecast out-turn for CES	**2.479**	**-1.520**	**0.223**
	0.959		

Note: the recovery actions identified in the period 8 P&R report have been incorporated into the P9 CES forecasts above.

Resources, Finance and Finance General	Projected over spend	Projected under spend	Change this month
Resources	£m	£m	£m
Policy and Performance – Norfolk Ambition / Projects		-0.104	
Procurement		-0.189	-0.029
Human Resources – reduced income from schools	0.158		-0.103
Nplaw – reduced internal demand	0.211		
ICT		-	
Net forecast outturn for Resources	**0.369**	**-0.293**	**-0.132**
	0.076		
Finance and Property			
Budgeting and Financial Management - schools trading and vacancy management		-0.262	0.030
		-0.262	**0.030**
		-0.262	
Finance General			
Local assistance scheme £1m current year underspend and use of £0.9m reserve brought forward from 13/14		-1.900	
Adjustment to forecast interest on balances		-0.485	-0.007
Pay review 2014-15: one-off underspend due to 2 year NJC pay award lower than budgeted in current year		-0.591	-0.591
Adjustment to minimum revenue provision		-0.714	
ESPO dividend		-0.336	
S31 Business Rates cap compensation grant – unbudgeted adjustment re 2% inflation cap		-1.195	
Net forecast outturn for Finance General	**0.000**	**-5.221**	**-0.598**
		-5.221	

Appendix 7: Revenue projections by subjective – budget movements to date

	Approved budget	Internal charges	"Budget Manager" allocation	----- Monthly Budget Movements -----									P9 Revised
				P1	P2	P3	P4	P5	P6	P7	P8	P9	Budget
	£m		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Employee Related Expenditure	**529.601**		**529.601**	(0.615)	0.361	0.487	**2.074**	0.119	0.071	0.063	**(3.813)**	(0.125)	**528.224**
Premises Related Expenditure	**44.531**		**44.531**	(0.057)	0.005	0.456	0.655	0.001	(0.021)	(0.005)	0.032	0.713	**46.309**
Transport Related Expenditure	**52.143**	0.520	**52.663**	0.046	(0.069)	0.393	(0.956)	0.001		(0.007)	0.017	0.083	**52.169**
Supplies & Services	**154.176**	0.032	**154.208**	**1.079**	**2.585**	**1.194**	**2.432**	0.825	0.649	(0.221)	0.193	**(1.038)**	**161.906**
Third Party Payments	**455.408**		**455.408**	**1.505**	**(9.207)**	**4.062**	0.239	0.400	(0.150)	0.036	**(1.109)**	(0.010)	**451.175**
Transfer Payments	**24.681**		**24.681**		**7.757**		0.040	0.600	(0.001)				**33.077**
Support Services & Recharges	**45.099**	25.356	**70.455**	(0.014)	1.065	**(2.973)**	(0.004)	**(1.000)**	(0.589)			0.066	**67.007**
Capital financing	**106.240**	0.009	**106.249**	**(1.000)**		(0.016)	0.588						**105.821**
Total Expenditure	**1,411.879**	**25.917**	**1437.796**	**0.944**	**2.497**	**3.603**	**5.068**	**0.946**	**(0.041)**	**(0.134)**	**(4.680)**	**(0.311)**	**1445.688**
Business Rates	**(314.370)**		**(314.370)**										**(314.370)**
Government Grants	**(475.276)**		**(475.276)**		0.061		(0.179)	(0.144)		0.270	**5.444**	(0.012)	**(469.836)**
Other Grants & Reimbursements	**(87.754)**		**(87.754)**	(0.424)	**(2.936)**	**(2.153)**	**(2.126)**	(0.807)	0.340	(0.136)	(0.663)	(0.789)	**(97.448)**
Customer & Client Receipts	**(103.673)**	(4.052)	**(107.725)**	(0.520)	0.418	**1.389**	**(1.865)**	0.006	(0.008)		(0.069)	1.130	**(107.244)**
Interest	**(1.832)**	1.832											
Recharges	**(48.492)**	(30.398)	**(78.890)**		(0.041)	**(2.839)**	(0.898)		(0.292)		(0.032)	(0.016)	**(83.009)**
Capital Depreciation	**(72.085)**	6.701	**(65.384)**										**(65.384)**
Council Tax	**(308.397)**		**(308.397)**										**(308.397)**
Total Income	**(1,411.879)**	**(25.917)**	**(1,437.796)**	**(0.944)**	**(2.498)**	**(3.603)**	**(5.069)**	**(0.945)**	**0.040**	**0.134**	**4.680**	**0.311**	**(1,445.690)**

Note: total subject to rounding difference

Subjective changes to budget – analysis of significant re-allocations by month

Month	Source of major changes	
P9 December	Reduction of £1.1m in Voice and Data Contract income and corresponding ICT as a result of transfer of both to service to schools. Addition to Premises related expenditure is an allocation from the Building Maintenance Fund not fully reflected in original budget.	
P8 November	£5.4m reduction in both NCC income and expenditure relating to the Short Stay School for Norfolk, now an Alternative Provision Academy	
P7 October	No significant movements	
P6 September	No significant movements	
P5 August	Re-allocation of £1m transport contributions in support services to day care costs under the headings of third party payments and transfer payments. Other movements are transfers from earmarked reserves.	
P4 July	Transformation savings approx. £2m allocated out of employee related expenditure so increasing this subjective budget. Supplies and services increased by approximately £2m schools ICT costs balanced by an increase in customer and client receipts (from schools). Increase in grants and contributions largely accounted for by transfers from earmarked reserves.	
P3 June	Increased re-charge income through recharges to non-revenue accounts. Other grants increase primarily due to transfers from earmarked reserves, including apprenticeship scheme. Higher support services budget mainly due to allocation to street lighting costs.	
P2 May	Reduced care costs in Third Party Payments balanced by additional direct payments under Transfer Payments. Also additional grant income from external sources (including NHS) paying for Drug and Alcohol Team work under Supplies and Services.	
P1 April	One-off £1m allocation as referenced in report paragraph 3.3: £1m re-allocated from reduced capital finance costs to supporting personal care/wellbeing services for older people (under supplies and services)	
P0	Opening adjustment £25m relates to internal recharges which are reflected in Budget Manager for internal budget management purposes, but which are not reflected in published budget.	

Appendix 8

Reserves and provisions £m

	Forecast 31.3.15 Approved Budget	Actual Balances 1.4.14	Forecast Balances 31.3.15 Prev mnth	Forecast Balances 31.3.15 current
All Services				
Building Maintenance	1.186	1.672	2.152	2.152
Information Technology Reserve	2.934	10.226	5.961	4.181
Repairs and Renewals Fund	2.157	3.925	3.227	3.287
Unspent Grants and Contributions	4.789	12.826	9.374	8.611
	11.066	**28.649**	**20.714**	**18.231**
Children's Services				
Children's Services Improvement Fund	-	1.741	0.241	0.241
	0.000	**1.741**	**0.241**	**0.241**
Adult Social Services				
Adult Social Services Residential Review	2.023	3.025	2.330	2.330
Adult Social Care Legal Liabilities	2.253	3.094	-	-
Prevention Fund	1.267	1.140	0.533	0.533
	5.543	**7.259**	**2.863**	**2.863**
CES - Cultural				
Adult Education Income Reserve	0.018	0.160	0.159	0.109
Archive Centre Sinking Fund	0.274	0.261	0.263	0.263
Museums Income Reserve	0.024	0.039	0.024	0.024
Residual Insurance and Lottery Bids	0.100	0.423	0.415	0.415
	0.416	**0.883**	**0.861**	**0.811**
CES – Transport, Environment, Development				
Economic Development	2.649	4.215	2.184	2.184
Highways Maintenance	1.930	4.625	4.282	4.282
Historic Buildings	0.178	0.199	0.086	0.086
NDR Reserve	-	2.500	-	-
Norfolk Infrastructure Fund	0.491	2.015	1.217	1.289
P & T Bus De-registration	-	0.064	0.064	0.064
P & T Demand Responsive Transport	-	0.156	-	-
P & T Park & Ride	0.012	0.012	0.012	0.012
P & T Road Safety Reserve	0.000	0.150	0.226	0.226
P & T Street Lighting Sinking Fund	5.595	7.040	5.401	5.401
ETD – Re-procurement Strategic Partnership	-	0.035	-	-
ETD – Transformation Reserve	-	0.625	-	-
Public Transport Commuted Sums	0.016	0.016	0.014	0.014
Waste Management Partnership Fund	-	0.397	0.382	0.382
	10.871	**22.049**	**13.868**	**13.940**
CES – Community Safety & Fire				
Fire Operational Equipment Reserve	0.298	0.967	0.962	0.962
Fire Pensions Reserve	0.273	0.348	0.348	0.348
Fire Operational Reserve	0.177	0.542	0.542	0.542
	0.748	**1.857**	**1.852**	**1.852**
Resources				

nplaw Operational Reserve	0.306	0.306	0.286	0.286
	0.306	**0.306**	**0.286**	**0.286**
Corporate				
Car Lease Scheme surplus	0.798	0.222	0.381	0.381
Health and Wellbeing Board Reserve (part previously included with Strat. P'ship reserve)	-	0.027	-	-
Local Assistance Scheme Reserve	-	0.900	-	-
Strategic Partnership	0.016	0.184	-	-
Icelandic Banks Reserve	0.790	2.444	0.999	0.999
Industrial Estate Dilapidations	0.010	0.010	0.010	0.010
Insurance	0.017	0.027	0.027	0.027
Modern Reward Strategy Reserve	-	4.359	-	-
Organisational Change and Redundancy Reserve	1.535	5.605	4.137	4.137
Strategic Ambitions Reserve	0.815	1.147	0.935	0.935
Residual Waste Treatment Contract Reserve	11.000	19.065	-	-
	14.981	**33.990**	**6.489**	**6.489**
Non – Schools Total	**43.931**	**96.734**	**47.174**	**44.713**
Reserves for Capital Use				
Usable Capital Receipts	**6.270**	**1.755**	**3.887**	3.887
Schools Reserves				
Building Maintenance Partnership Pool	1.061	1.197	1.197	-
Building Maintenance Non-Partnership Pool	-	1.034	0.996	0.996
Children's Services Equalisation	-	0.249	0.655	0.655
LMS Balances	21.631	26.517	18.243	18.243
Norwich Schools PFI Sinking Fund	1.711	2.061	1.971	1.971
Schools Contingency	10.711	9.315	10.092	9.068
Schools non-teaching activities	1.010	1.170	1.170	1.170
Schools Playing Field Surface Sinking Fund	0.409	0.248	0.188	0.188
Schools Sickness Insurance Reserve	1.128	1.284	1.284	1.284
Schools Total	**37.661**	**43.075**	**35.796**	**33.575**
Provisions				
Adult Social Services				
Adult Social Services Doubtful Debts	0.851	0.942	0.952	0.952
Potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust	-	1.370	0.670	0.670
Corporate				
Insurance	12.000	12.941	12.941	12.941
Redundancy	-	5.163	2.086	2.086
CES - Transport, Environment, Dev'mt				
Closed landfill long term impairment provision	9.132	9.189	9.133	9.133
ETD Doubtful Debts	0.050	0.050	0.050	0.050
CES - Community Safety & Fire				
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regs	0.775	0.850	0.850	0.850
Schools Provisions				
Children's Services Provision for Holiday Pay	0.018	0.017	0.017	0.017

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

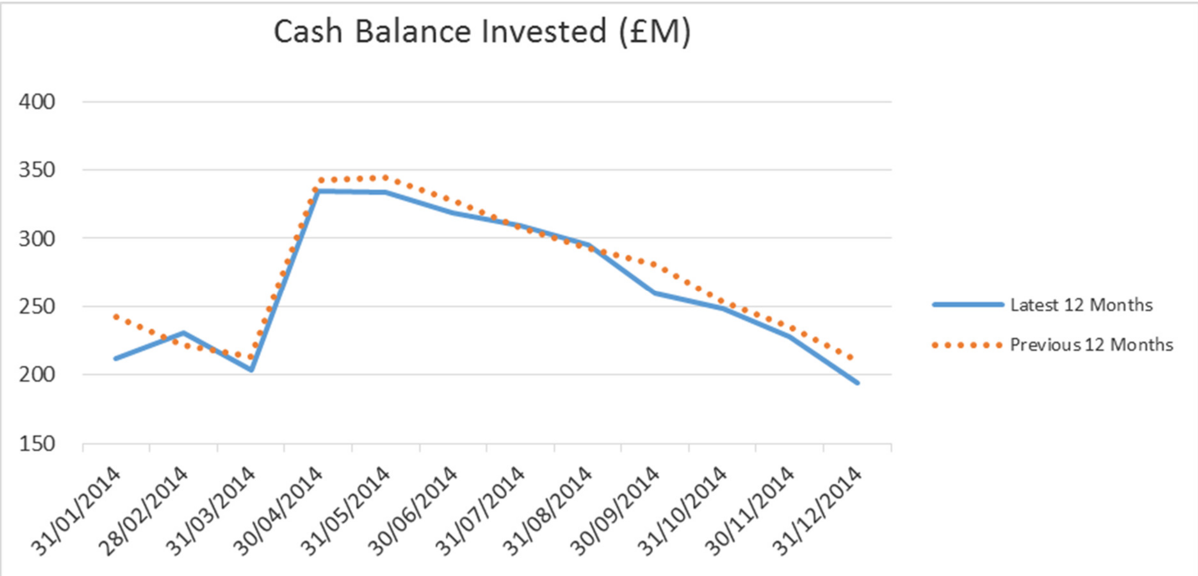
- Residual Waste Treatment Contract Reserve – Following an agreement of compensation payable in respect of the Willows Energy from Waste Contract, this reserve will be fully exhausted.
- Increase of £1m in the residential review reserve, offset by an equivalent decrease in ASC unspent grants and contributions in respect of the social care reform grant which is being used to fund the transformation programme.
- Anticipated use of the Adult Social Care Legal Liabilities reserve in relation to adult social care budgetary pressures
- Significant use of the Public Health Reserve within Unspent Grants and Contributions, as amounts received in 2013-14 in respect of services to be delivered in 2014-15 are spent.
- Modern Reward Strategy reserve forecast to reduce to zero by 31 March 2015 in line with funding in approved budget.
- Icelandic Banks Reserves and Organisational Change reserves reduced in line with approved budget.
- A transfer of £3m from the forecast Redundancy Provision to the Organisational Change and Redundancy Reserve in order to comply with a tighter definition of what can be included within provisions for statutory financial reporting purposes.
- Full use of the Local Assistance Scheme Reserve during 2014-15.

9 Treasury Management Performance Monitoring

9.1 Cash Flow Management

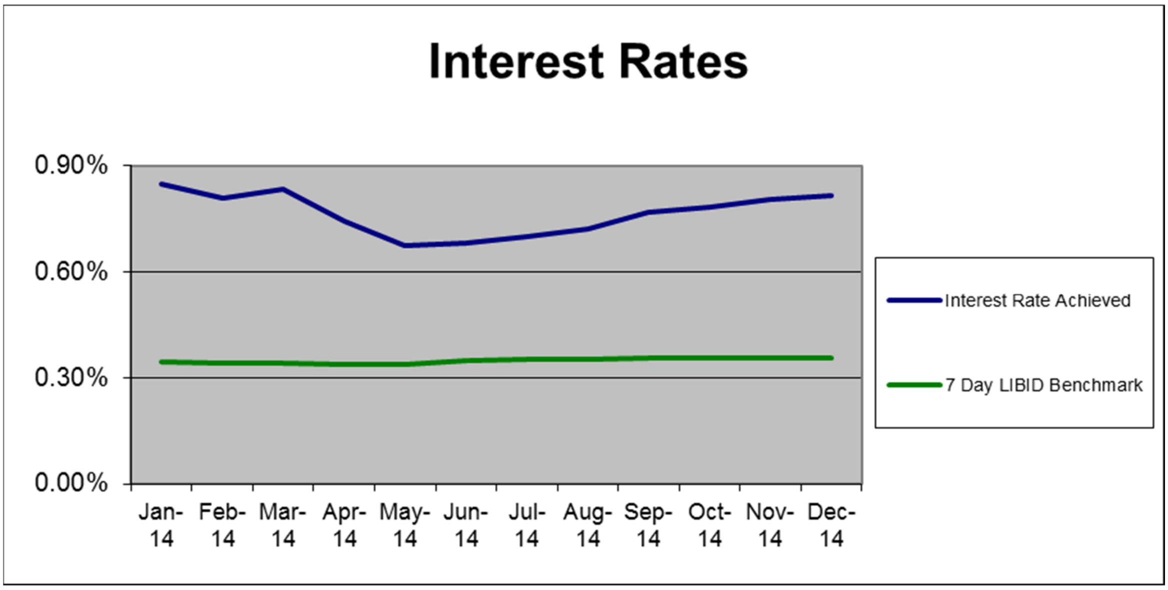
9.1.1 Income received amounts to £1,203m, while payments (including debt repayment) total £1,212m, resulting in an overall decrease in cash balances of £9m. Cash balances available for investment have therefore decreased from £203m at 1st April 2014 to £194m at the 31st December 2014. The cumulative average balance un-invested has remained within the tolerance of plus/minus £0.025m across all 530 bank accounts.

9.1.2 The graph below shows the level of cash balances over the last 12 months (against a comparison for the previous 12 months). The spike in April 2014 reflects the front loading of Business Rates Retention and Revenue Support Grant (£124M of the £246M annual total received).



9.2 Interest Earned on Cash Balances

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



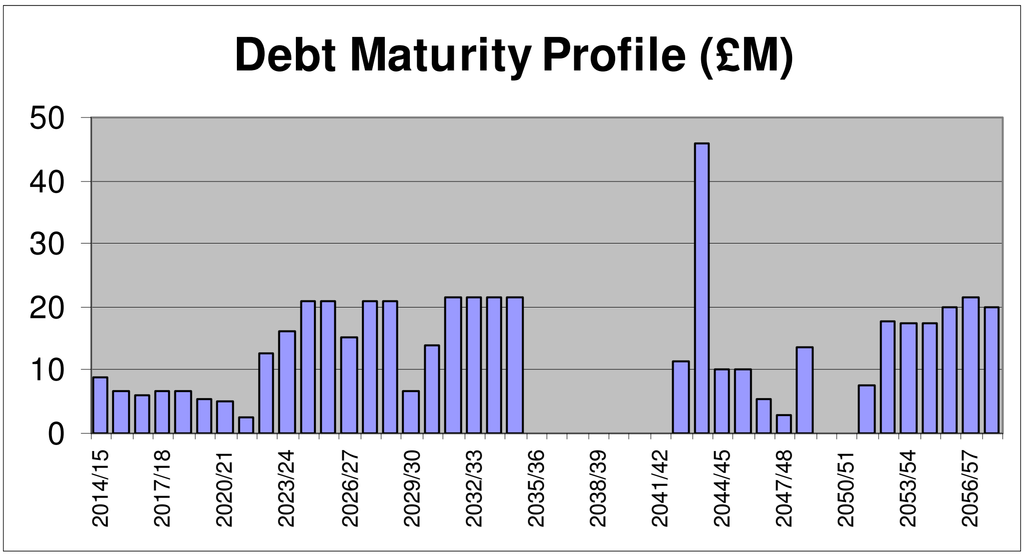
9.2.2 Gross interest earned for the period 1st April 2014 to 31st December 2014 is £1.522m.

9.3 Long Term Borrowing

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

9.3.2 The Council's overall borrowing requirement in 2014-15 is approx. £106m. This represents past capital expenditure for which the approved borrowing has not yet been drawn down due to the treasury management factors explained above.

9.3.3 The Council's debt portfolio at 31st December 2014 is £494m.



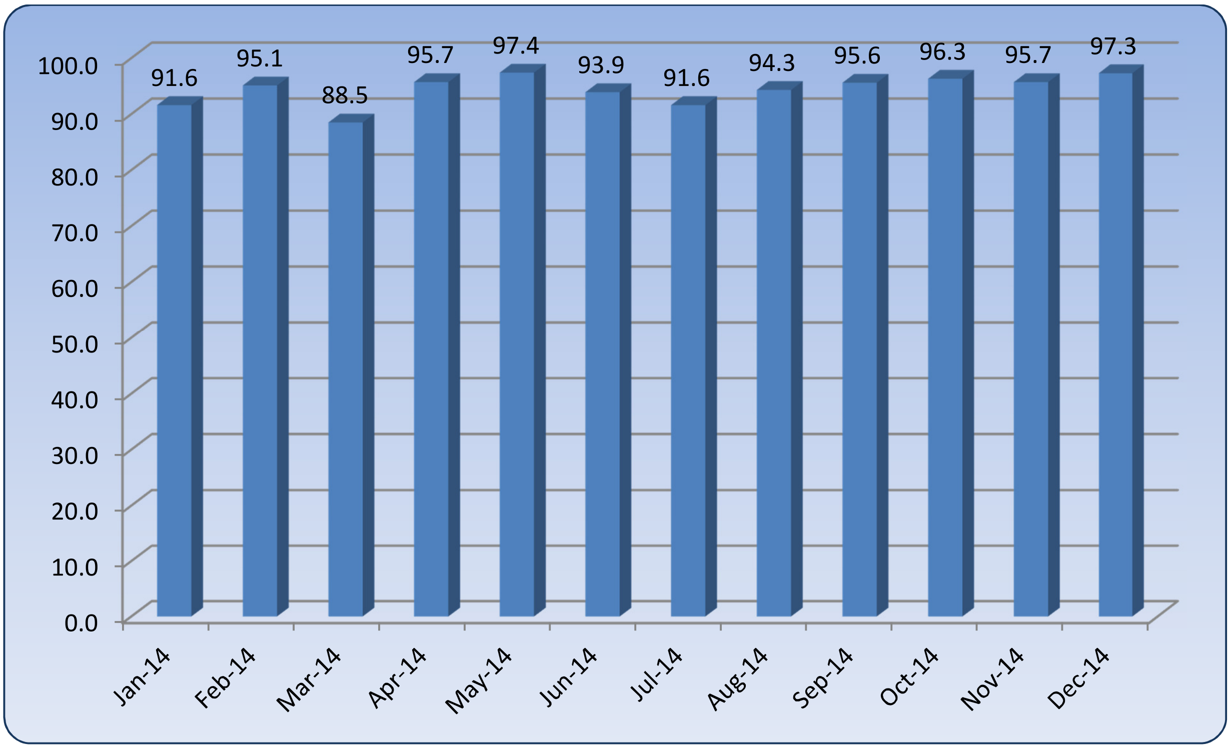
9.4 Icelandic Banks

9.4.1 The latest projected cash recovery from all 3 banks is £31.400m, of which £29.388m has been received, £1.674m is held in an Escrow account, and £0.338m is outstanding. These figures include a dividend of £0.104m received on 10th Dec 2014 from the Administrators of Kaupthing Singer & Friedlander.

Appendix 10

December 2014 - Payment Performance

This is a measure of our timely payment of invoices – specifically, the percentage of invoices that were paid by the authority within 30 days of such invoices being received. The target is 90%. Some 400,000 invoices are paid annually. 97.3% were paid on time in December 2014.



*The figures include an allowance for disputes/exclusions.

Appendix 11

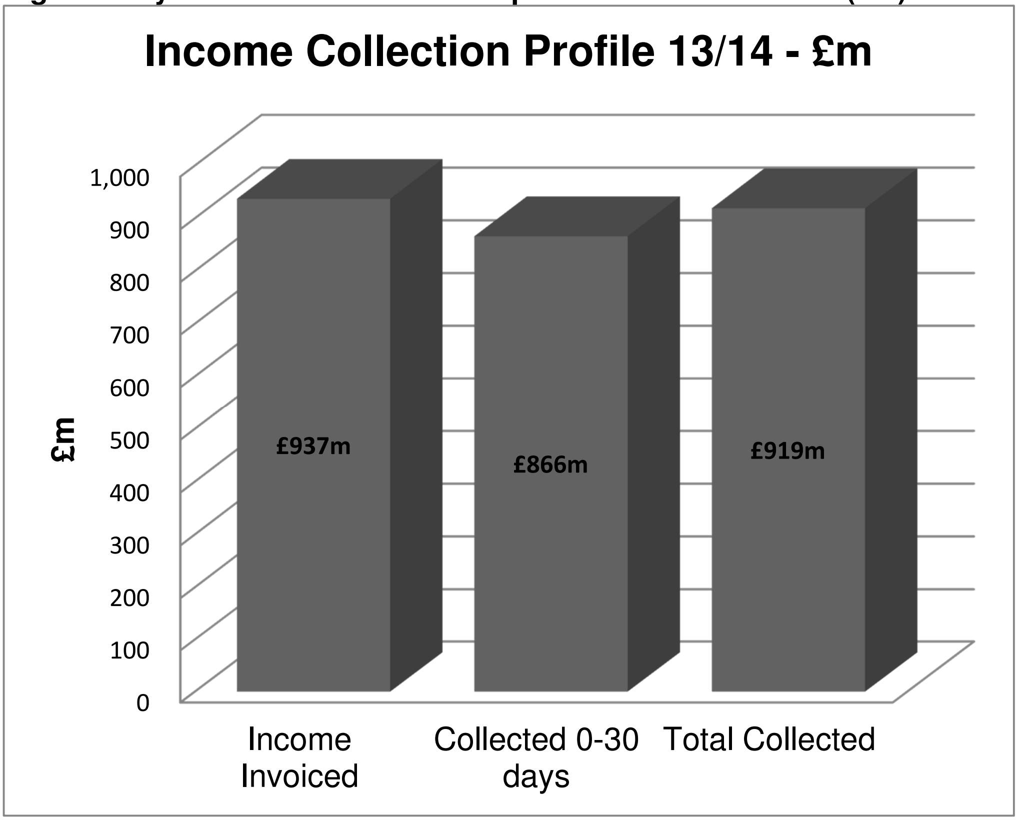
Analysis of Income Collection Performance and Outstanding Debt
31 December 2014

1 Collection Performance

1.1 Each year the County Council raises over 120,000 invoices for statutory and non-statutory services. These invoices amount to in excess of £900m.

1.2 In 2013/14 92% of all invoiced income was collected within 30 days of issuing an invoice, and 98% was collected overall.

Fig 1: Analysis of income collection performance in 2013/14 (£m):



1.3 In the absence of payment debt recovery action begins at Day 31 in the income collection cycle. In 2013/14 98% of all invoiced income raised was collected within the financial year.

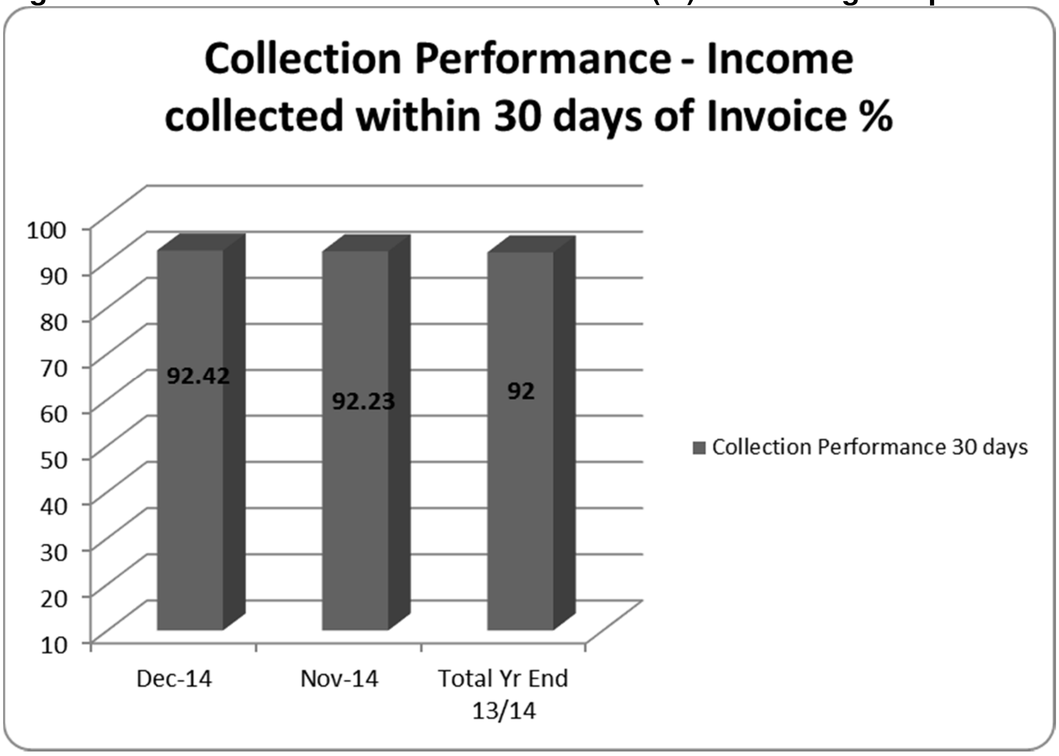
2 Collection Performance

2.1 Recipients of invoices have a number of ways to pay available to them to settle their invoices including:

- Direct Debit
- Standing order
- Bank Transfer
- Cash
- Cheque
- Credit/Debit Card (via the phone or online via the NCC website)

2.2 92.42% of invoiced income was collected within 30 days for the month of December 2014 (this is the percentage of income collected within 30 days for invoices raised in November 2014 – measured by value)

Fig 2: Collection Performance December 2014 (%) – including comparable data



2.3 Within the last 12 months we have successfully introduced the ability for customers to pay their invoices online via the Norfolk County Council website and via our automated telephone service, both of which provide a 24-7 service.

3 Outstanding Debt

3.1 The value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council.

Fig 3a: Debt Profile (Total)

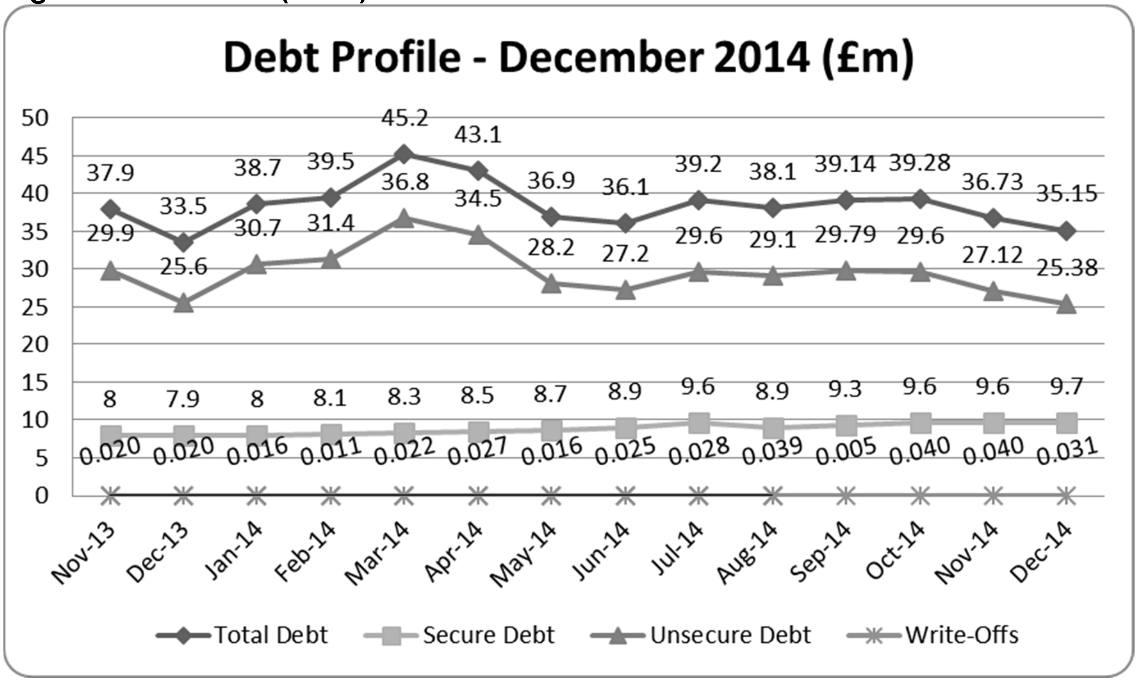
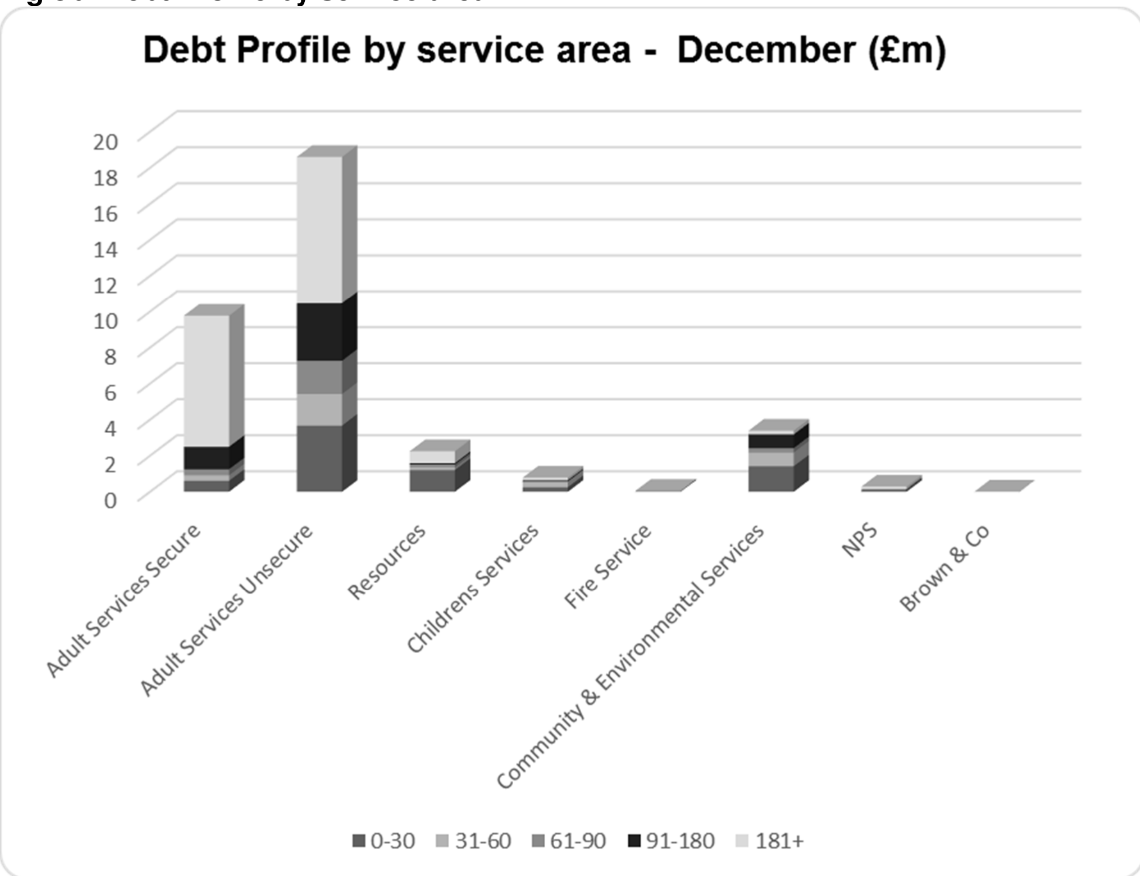


Fig 3b: Debt Profile by service area



Note: The NPS and Brown & Co columns refer to lettings income from sites they manage.

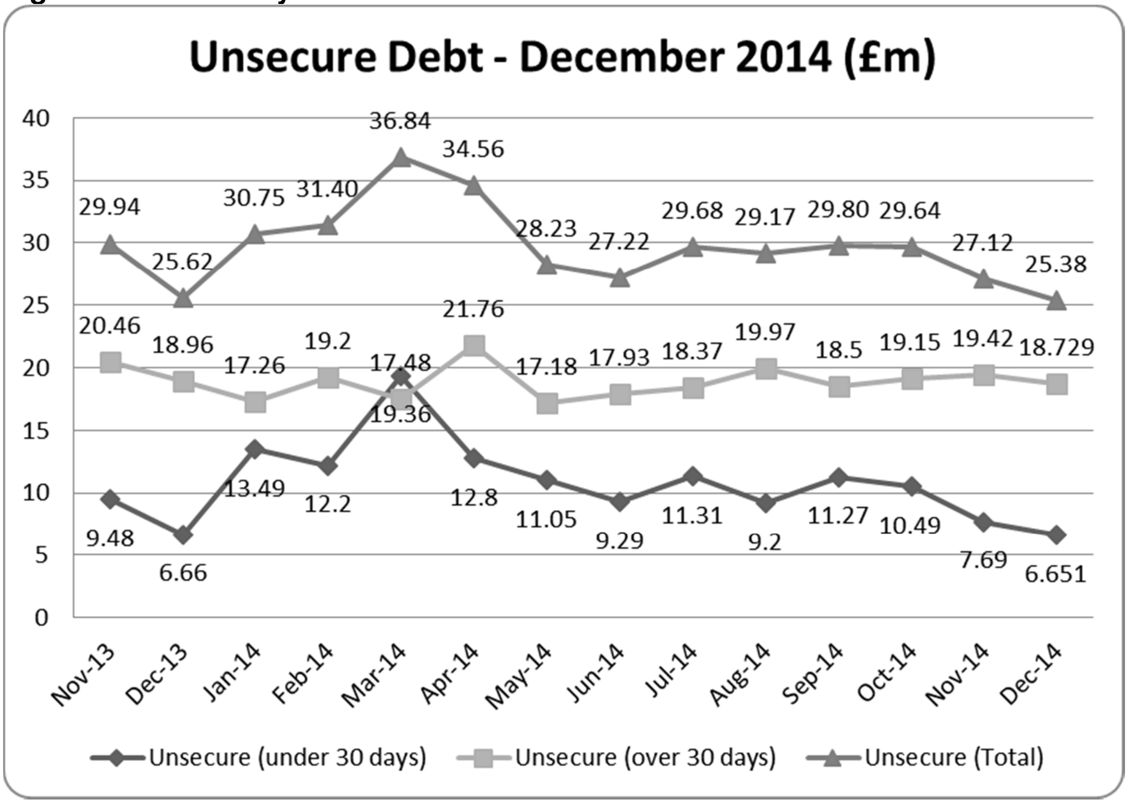
3.2 **Secured Debt**

3.2.1 Customers of Adult Care have certain rights when it comes to paying for residential care. If they declare an interest in a property they can elect to defer payment (all or part) until the property is sold. If the client defers payment the debt is secured by a deferred payment agreement and it may be some time before the debt can be collected.

3.2.2 Secured debts amount to £9.77m at 31 December. Within this total £2.03m relates to estate finalisation where the client has died and the estate is in the hands of the executors.

3.3 **Unsecured Debt**

Fig 3c: Further analysis unsecured debt



3.3.1 The overall level of unsecure debt has reduced by £1.74m in this period.

Of the £25.38m total unsecure debt:

- £6.651m is debt under 30 days
- £1.29m is being paid off by regular instalments
- £0.45m has been referred to NP Law
- £2.28m is awaiting estate finalisation

There has been a decrease of £0.691m unsecure debt over 30 days in this period.

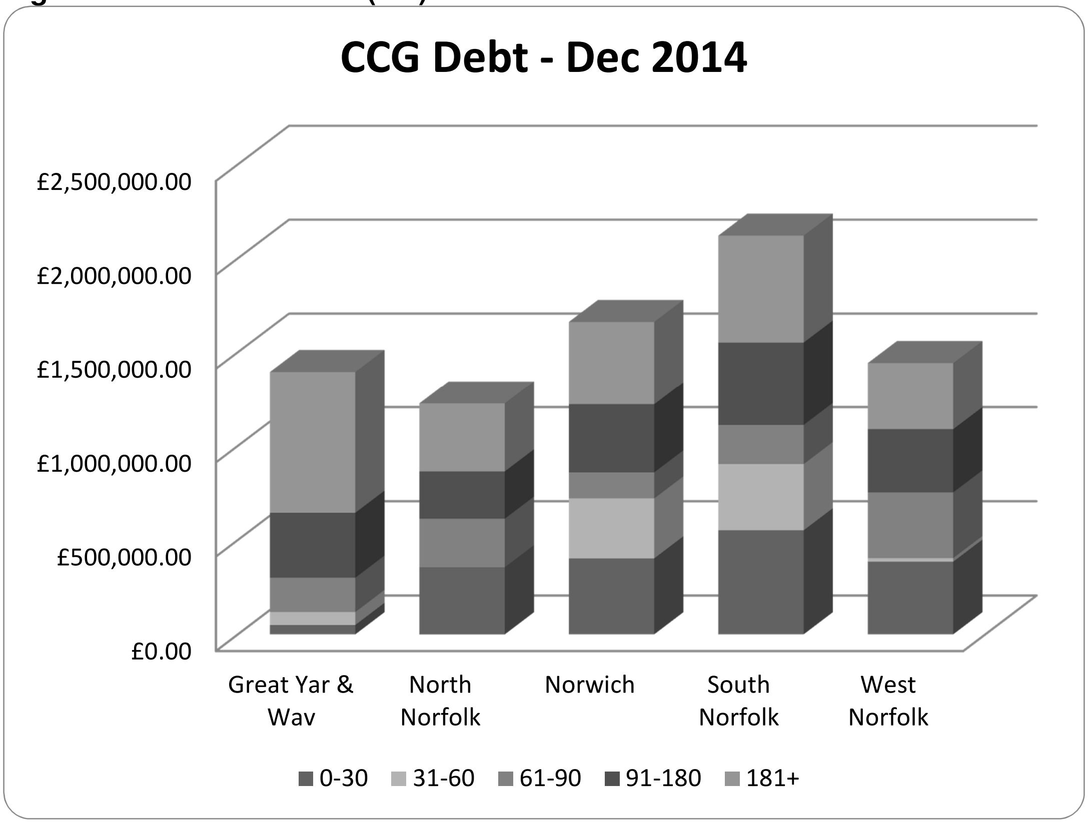
3.3.2 The largest area of unsecure debt relates to charges for social care. The overall level of unsecure debt for social care has increased by £0.440m in this period.

Of the £18.60m unsecure social care debt:

- £3.66m is under 30 days old
- £7.805m is debt with the CCG's, the majority of which is for shared care, continuing care and free nursing care. £1.742m of this debt is aged 30 days or less, £2.474m is aged over 181 days.

The overall level of debt with the CCG's has increased by £0.333m during this period, £0.107m of this was aged over 30 days.

Fig 3d: Current CCG debt (£m)



4 Debt written off

4.1 In accordance with Financial Regulation and Financial Procedures, the Policy & Resources Committee is required to approve the write-off of debts over £10,000. The Executive Head of Finance approves the write off of all debts up to £10,000.

4.2 Before writing off any debt all appropriate credit control procedures are followed. Where economically practical the County Council's legal position is protected by court proceedings being issued and judgment being entered. For a variety of reasons, such as being unable to locate the debtor, it is sometimes not appropriate to commence legal action

4.3 For the period 1 December to 31 December 2014, 36 debts less than £10,000 were approved to be written off by the Executive Head of Finance. These debts totalled £31,150.47

4.4 For the period 1 April 2014 to 31 December, 632 debts less than £10,000 have been written off following approval from the Executive Head of Finance. These debts totalled £255,168.17. No debts over £10,000 have been written off.

5 Benchmarking

5.1 Norfolk County Council is a member of the Cipfa Debtors Benchmarking Club. The benchmarking is focused on local government and allows comparison of performance across authorities.

5.2 The results from the 2013-14 survey have recently been published and the results for Norfolk look favourable against the club average with regards to the percentage of debt raised that has been successfully collected within 90 days.

Measure - % debt raised cleared within 3 months	**Norfolk**	**Average**
Apr 13 – Jul 13	99%	92%
Sept 13 – Dec 13	97%	91%
Nov 13 – Feb 14	95%	92%

Appendix 12

Purchase order performance – retrospective purchase orders

December 2014

Introduction

1.1 The Council uses an electronic purchasing system, linked to the primary accounting systems. Orders should be placed in advance of goods or services being received. The Council's objective, therefore, is that ultimately there should be no 'retrospective' purchase orders – orders raised after the invoice has been received

1.2 Despite the improvement since last year, there is still room for significantly reducing retrospective ordering. Therefore an internal target has been set such that the performance measures for each of the targets should be no more than 5% by April 2015.

Background

1.3 Whenever a commitment is made to purchase goods or services, a purchase order should always be raised in advance, for a number of reasons:

- raising a purchase order creates a commitment against the relevant budget – this leads to more accurate forecasting;
- sending a purchase order to the supplier ensures that the purchase is made against the Council's terms and conditions, which reduces legal risk;
- the purchase order process enables the purchase to be approved (or rejected) before it is too late to influence it – this improves financial controls, and enables the number of suppliers to be reduced and better deals to be negotiated.

1.4 Performance against this objective is measured in two ways:

- by value – the value of spending via retrospective orders as a percentage of total spending; and
- by volume – the number of retrospective orders as a percentage of all orders.

1.5 The first of these measures focuses on the contribution to forecasting accuracy and to reducing legal risk; the second on administrative costs and supplier rationalisation.

Performance

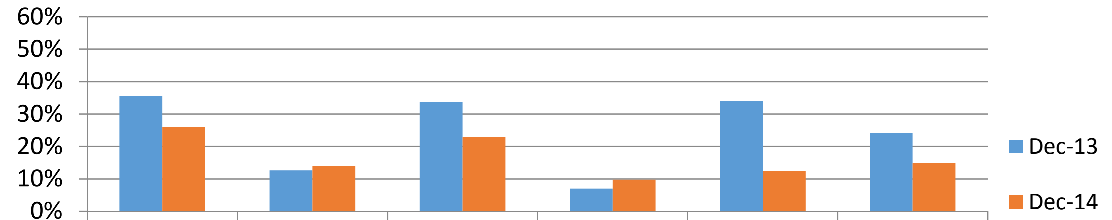
1.6 As can be seen in the tables below, performance on both measures in 1.4 above has improved. Compared to the same month last year, average retrospective spending has reduced from 24% to 15% by value, whilst the proportion of orders which are retrospective has fallen from 39% to 33%.

1.7 Workshops across each Department are now being run to help improve performance.

Purchase order performance – retrospective purchase orders

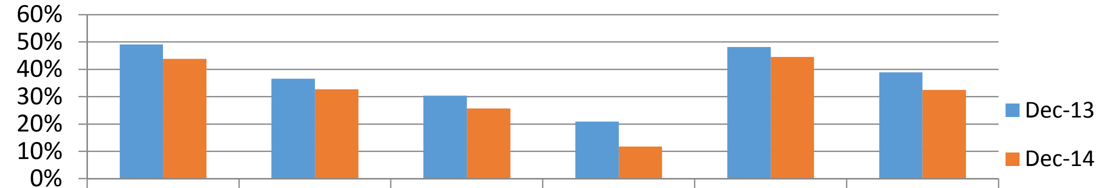
The tables below reflect the progress made against the Council's objective to minimise and ultimately eradicate retrospective purchase orders: i.e. orders raised after the invoice has been received.

Value of spending via retrospective purchase orders as a percentage of total spending via purchase orders
Performance in Dec 2014 compared to Dec 2013



	Childrens Servs	Community Servs	ETD	Fire	Resources	Average
Dec-13	35%	13%	34%	7%	34%	24%
Dec-14	26%	14%	23%	10%	12%	15%

Number of retrospective purchase orders as a percentage of total number of purchase orders
Performance in Dec 2014 compared to Dec 2013



	Childrens Servs	Community Servs	ETD	Fire	Resources	Average
Dec-13	49%	37%	30%	21%	48%	39%
Dec-14	44%	33%	26%	12%	45%	33%

Appendix 13

Risk Register - Norfolk County Council - Financial Implications		
Risk Register Name	Corporate Risk Register	High
Date updated	December 2014	Med
Next update due	March 2015	Low

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Children's Services	RM 141 47	Failure to improve at the required pace.	Funding set aside within ChS budget current position outlined in the September Children's Service Committee Integrated Performance and Finance Monitoring report.	2	5	10	1	4	4	31/01/2016	Green	Sheila Lock
Children's Services	RM 141 48	Overreliance on interim capacity	Funding set aside within ChS budget current position outlined in the September Children's Service Committee Integrated Performance and Finance Monitoring report.	3	5	15	2	4	8	30/06/2015	Amber	Sheila Lock
Children's Services	RM 139 06	Looked After Children overspends	Funding set aside within ChS budget current position outlined in the September Children's Service Committee Integrated	4	4	16	2	4	8	30/06/2016	Amber	Sheila Lock

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
			Performance and Finance Monitoring report.									
Environment Transport and Development	RM 141 72	Residual Waste Treatment Contract termination process.	Contingency fund in place.	3	5	15	1	5	5	31/03/ 2015	**Met**	Tom McCabe
Environment Transport and Development	RM 020 1	Failure to implement Norwich Northern Distributor Route (NDR)	Funding secured.	3	4	12	2	4	8	01/11/ 2017	**Amber**	Tom McCabe
Community Services Transformation	RM 140 79	Failure to meet the long term needs of older people	Long term risk to 2030 - funding considered as part of the on-going budget planning process. The current position is outlined in the September Adult Social Care Committee Finance Monitoring report.	5	5	25	2	4	8	31/03/ 2030	**Amber**	Harold Bodmer
Community Services Transformation	RM 020 7	Failure to meet the needs of older people	Potential shortfall taken from reserves. The current position is outlined in the September Adult Social Care Committee Finance Monitoring report.	3	4	12	2	4	8	31/03/ 2015	**Amber**	Harold Bodmer
Corporate	RM 020 0	Capacity for change - Insufficient capacity for business transformation	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	4	8	31/03/ 2017	**Amber**	Anne Gibson

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
HR Shared Services	RM 139 18	Staffing - The speed and severity of change in work activities.	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	4	8	31/03/ 2017	**Green**	Audrey Sharp
HR Shared Services	RM 140 97	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	Low potential financial exposure - contingencies factored into appropriate budget planning.	4	4	16	3	2	6	31/03/ 2015	**Amber**	Audrey Sharp
Environment Transport and Development	RM 140 98	Incident at key NCC premises or adjacent causing loss of access or service disruption	Property (incl business interruption) insurance in place to mitigate potential financial exposure.	3	3	9	3	2	6	31/03/ 2015	**Amber**	Tom McCabe
ICT Shared Services	RM 141 00	Loss of key ICT systems	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	3	6	31/03/ 2015	**Amber**	Tom McCabe
Information Management	RM 139 68	Failure to follow data protection procedures	Potential financial exposure due to penalties, factored into appropriate budget planning. Public Liability insurance in place to mitigate exposure to civil litigation.	4	5	20	1	4	4	31/03/ 2015	**Amber**	Tom McCabe
Resources Procurement	RM 141 56	Liability for legal challenge to procurements	Low potential financial exposure.	2	3	6	2	3	6	27/02/ 2015	**Green**	Peter Timmins

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
		conducted by ESPO										
Resources Procurement	RM 140 80	Failure of tender process	Any financial contingency planning must be considered on a case by case basis and accounted for in appropriate budget planning.	2	4	8	1	4	4	30/06/ 2015	**Green**	Peter Timmins
Finance	RM 141 69	Failure to deliver planned revenue budget savings in 2014/15	Funding set aside and monitored as part of the overall budget monitoring and reporting process.	3	3	9	2	3	6	31/03/ 2015	**Green**	Peter Timmins
Resources Corporate Programme Office	RM 141 46	Failure to effectively manage County Hall refurbishment and maintenance.	Funding set aside and monitored as part of the overall budget process.	2	5	10	1	5	5	31/03/ 2016	**Green**	Peter Timmins
Environment Transport and Development	RM 141 73	Failure to establish a waste management strategy and associated policies	Funding set aside and monitored as part of the overall budget process.	2	5	10	1	5	5	01/01/ 2015	**Green**	Tom McCabe
Environment Transport and Development	RM 141 83	Loss of internet connection and the ability to communicate with Cloud provided services.	No specified financial implications identified at this time.	3	4	12	2	4	8	01/03/ 2015	**Green**	Tom McCabe
Environment Transport and Development	RM 141 84	Successful cyber attack.	No specified financial implications identified at this time.	2	4	8	1	4	4	01/03/ 2016	**Green**	Tom McCabe

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Corporate	RM 142 05	Failure to enter into and manage traded services on a sound commercial basis	No specified financial implications identified at this time.	4	3	12	1	2	2	31/12/2015	**New**	Peter Timmins

Appendix 14

Society of County Treasurers -
Reserves as a proportion of net budget 2013-14 - 36 authorities

Data published October 2014 based on balances as at 31 March 2014

Table A14: Norfolk County Council 29th out of 36 Authorities

Ranked by unallocated reserve and then, non-ringfenced	Revenue Support Grant, Retained Business Rates and Council Tax	Non-Ringfenced Reserves (Earmarked and Unallocated)	Unallocated Reserves	Total Reserves
	£000	*%*	*%*	*%*
Buckinghamshire	335,603	50%	14%	64%
East Riding of Yorkshire	255,765	52%	10%	62%
Derbyshire	492,565	49%	9%	58%
North Yorkshire	373,879	42%	14%	56%
Cornwall	473,367	41%	11%	52%
Hampshire	751,878	47%	4%	51%
West Sussex	522,568	45%	3%	48%
Northumberland	289,779	33%	10%	43%
East Sussex	377,882	39%	2%	41%
Suffolk	484,224	32%	7%	39%
Nottinghamshire	512,933	32%	6%	38%
Oxfordshire	390,192	32%	6%	38%
Isle of Wight	135,448	31%	7%	38%
Cheshire West and Chester	260,132	29%	8%	37%
Worcestershire	334,221	32%	4%	36%
Lincolnshire	468,954	32%	3%	35%
Somerset	332,153	25%	10%	35%
Leicestershire	356,029	31%	3%	34%
Warwickshire	350,547	29%	5%	34%
Gloucestershire	388,541	28%	5%	33%
Bedford	137,346	27%	6%	33%
Cumbria	378,610	27%	4%	31%
Central Bedfordshire	207,504	21%	7%	28%
Surrey	746,737	24%	3%	27%
Shropshire	235,442	21%	6%	27%
Herefordshire	147,734	19%	6%	25%
Cheshire East	267,269	17%	7%	24%
Kent	921,522	21%	3%	24%
Norfolk	639,162	20%	3%	23%
Devon	520,056	18%	3%	21%
Cambridgeshire	370,592	12%	6%	18%
Northamptonshire	421,004	14%	3%	17%
Dorset	272,816	10%	7%	17%
Hertfordshire	732,966	12%	3%	15%
Staffordshire	489,420	12%	3%	15%
Wiltshire	343,020	11%	3%	14%
Total	**14,717,860**	**28%**	**5%**	33%

Policy and Resources Committee Item No 13 B

Report title:	2014-15 Revenue monitoring report month 10 (January 2015)
Date of meeting:	23 March 2015
Responsible Chief Officer:	Executive Director of Finance (Interim)
Strategic impact This report gives details of the forecast outturn position for the 2014-15 Revenue Budget, General Balances, and the Council's Reserves at 31 March 2015, together with related financial information.	

Executive summary

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

Members are asked to:

- **note that Revenue expenditure is forecast to underspend by £1.043m on a net budget of £308.397m;**
- **note that General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast underspend;**
- **approve the creation of a new Scottow Enterprise Park trading account reserve as set out in paragraph 3 below and paragraph 7.7 of the attached report;**
- **recommend to County Council the removal of the Lowest Common Denominator assessment from the 2015-16 Annual Investment and Treasury Strategy, as explained in paragraph 3 below and section 8 of the attached report;**
- **approve three debt write-offs over £10,000 totalling £64,423.05, as set out in paragraph 3 below and paragraph 9.5 of the attached report;**
- **recommend that Chief Officers identify and address areas of expenditure where the raising of orders after the invoice date is prevalent, in particular high value and high-volume commitments in Children's Services, Resources and Finance, and to report progress to this Committee.**

1. Introduction

The Annex to this report summarises the Authority's 2014-15 financial position at the end of month 10: January 2015.

2. Evidence

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

The annex also summarises:

- Changes to the approved budget
- The impact of planning assumptions
- Performance against savings targets
- Treasury management
- Payments, debt and purchase order performance
- The Council's corporate risk register

3. Financial Implications

As stated above, revenue expenditure is forecast to **underspend** by £1.043m on a net budget of £308.397m. Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers are mandated to explore measures to reduce or eliminate potential over-spends in-year, for example by reducing expenditure, to minimise the call on reserves.

The creation of a Scottow Enterprise Park trading account reserve is recommended to allow trading surpluses to be carried forward in the form of a reserve to provide for both income smoothing and future investment in the site.

All debt collection options have been exhausted in respect of three debts exceeding £10,000 for residential care charges resulting in a total of £64,423.05 recommended for write-off. Further details are shown in paragraph 9.5 of the attached report.

In February 2015, the County Council approved the annual 2015-16 Investment and Treasury Strategy which included an update to pre-empt the withdrawal of implied sovereign support ratings used by credit rating agencies. The rating agencies have now started the process of removing this element from their ratings, and as a consequence our Treasury Advisors have recommended the removal of the Lowest Common Denominator assessment from the Council's investment strategy. Its removal will prevent the actions of any one particular credit rating agency impacting directly upon our credit rating criteria and approved counterparties being unnecessarily removed. Further details of the reasons for this recommendation are shown in section 8 to the attached report.

Compared to the same month last year, average retrospective spending has reduced from 25% to 12% by value, whilst the proportion of orders which are retrospective has fallen from 37% to 26%. This demonstrates a significant year on year improvement, but the figures are still high in Children's Services, Resources and Finance, and a recommendation is made to significantly reduce the average. This will help meet an interim aim of meeting the industry average by volume of 22%.

4. Issues, risks and innovation

Risk implications

4.1 Officers have considered all the implications which members should be aware of. Specific risks are summarised in the Council's corporate risk register. A summary of corporate risks, together with associated financial implications is shown in Appendix 13 to the attached report.

4.2 Apart from those listed in the report, there are no other implications to take into account.

5. Background

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

Officer Contact

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

Name	Telephone Number	Email address
Peter Timmins	01603 222400	peter.timmins@norfolk.gov.uk
Harvey Bullen	01603 223330	harvey.bullen@norfolk.gov.uk

Annex A

Norfolk County Council

2014-15 Revenue Finance Monitoring Report Month 10

Report by the Executive Director of Finance (Interim)

1 Introduction

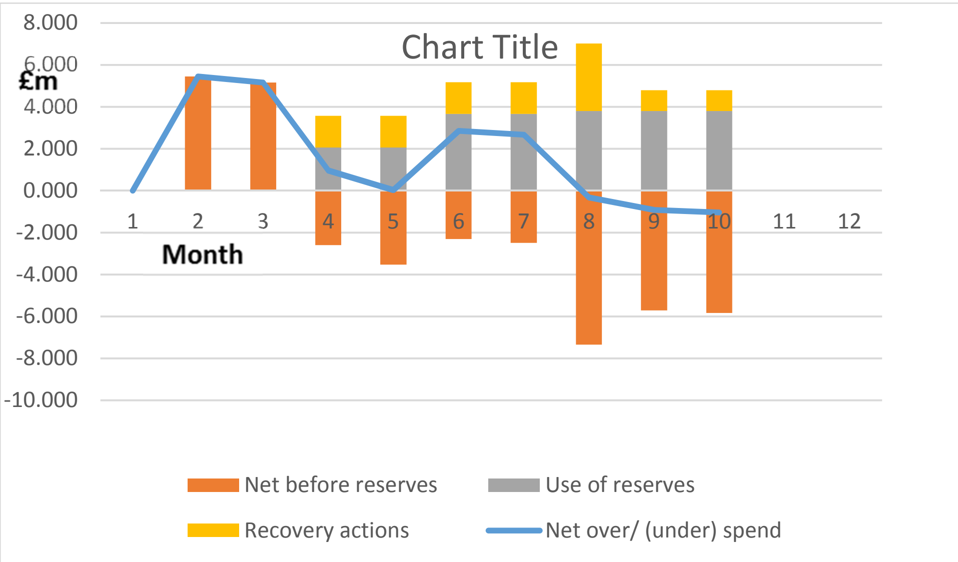
1.1 This report gives details of:

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

2 Summary of financial monitoring position

2.1 At the end of January 2015 (month 10):
Revenue expenditure is forecast to **underspend** by £1.043m (month 9: forecast underspend £0.919m), after identified recovery actions and approved use of reserves, on a net budget of £308.397m. The chart below shows the month by month trend.

Chart 1: forecast revenue outturn 2014-15, by month, after recovery actions and approved use of reserves: Month 10 underspend of £1.043m.



- The small increase in forecast underspend this month is primarily the result of reductions in overspend in CES and ASC partly offset by a decrease in the Finance General underspend due to a re-calculation of MRP assumptions, and a small increase in the Children's Services overspends in various areas of financial pressure.

- Chief Officers are expected to deliver measures to reduce or eliminate the overspend in-year, for example by reducing expenditure, to minimise the call on reserves.

- General Balances are forecast to be £19.000m at 31 March 2015, before taking into account the forecast underspend.

- During November, Norfolk County Council agreed a full and final settlement in respect of the Willows energy from waste project. The last payment was made on 28 November 2014, in line with the anticipated total cost of £33.7m. Section 6 to this report sets out the composition and use of the reserve used to fund the settlement.

- The Council has earmarked revenue reserves which are forecast to be £47.561m at 31 March 2015, reflecting the Willows settlement and other movements including the approved use of reserves necessary to address budgetary pressures. The plan for 2014-15 predicted reserves of £43.931 (Budget Book page 126), so the forecast outcome is in line. The Council separately holds Reserves in respect of Schools estimated to be £33.025m at 31 March 2015.

- As at 31 March 2014 Norfolk County Council's reserves as a proportion of its net budget are significantly lower than the average for English shire counties. The underlying comparison is set out in Appendix 14 to the period 7 report reported to Policy and Resources Committee on 1 December 2014 and repeated in this report.

3 Agreed budget, changes and variations

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

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

Service	**Approved net budget (adjusted)**	**Budget last period**	**Changes to budget P10 January 2015**	**Revised budget**
	£m	£m	£m	£m
Children's Services	161.903	161.966	-0.168	161.798
Adult Social Services	248.597	249.724	0	249.724
Community and Environmental Services	171.198	171.188	-0.174	171.014
Resources	25.983	25.457	-0.069	25.388
Finance and Property	10.246	10.275	-0.034	10.241
Finance General	-309.530	-310.213	0.445	-309.768
Total	**308.397**	**308.397**	**-**	**308.397**

3.2 The Council's total net budget has not changed during the year to date. The figures above have been adjusted to reflect the revised management structure in place from 1 December 2014. The main re-allocation this month is a budget movement which reflects the one-off underspend in Finance General resulting from the NJC two year pay award costing less than had been budgeted in the current year, but will be off-set by higher costs in 2015-16.

3.3 The approved net budget shown has taken into account discussions at County Council on 17 February 2014 resulting in a one-off £1m allocation not reflected in the papers prepared in advance of the meeting. This allocation is for supporting personal care/wellbeing services for older people and is funded from revenue saving on deferring borrowing for 2014-15 only.

3.4 Significant new in-year revenue grants over £0.100m are listed in Appendix 3. During this reporting period (P10) the DCLG confirmed an additional grant of £0.230m. The purpose of this grant is to pursue interventions which reduce the risk of avoidable admissions or readmissions into hospital, or help people return to their home from hospital when it is appropriate to do so.

3.5 In addition to the grants listed in Appendix 3, in February 2015 (P11) Norfolk County Council, Norfolk and Suffolk NHS Foundation Trust, the Benjamin Foundation and the Short Stay School for Norfolk have been awarded more than £1m from the Department of Education to develop a joint project, which combines educational support and therapy. The project could save £3m a year by reducing the number of children in care and the number being educated out of county in specialist provision, by improving placement stability.

3.6 Also in February, Norfolk County Council and Norfolk Museums Service have welcomed news of a £1 million government investment in a project to restore the interior of the Norwich Castle Keep. This project will recreate the 12th Century Royal Palace, complete with fine art collections in a medieval gallery. The overall capital cost is expected to be around £10 million and be wholly funded by funding bodies and charitable trusts. This £1m will allow Norfolk Museums Service to carry out the critical planning and development work, including architectural, archaeological, structural and environmental surveys.

4 Control of growth, cost pressures and savings targets

4.1 **Planning assumptions:** The key cost pressures identified during the preparation of the 2014-15 budget (budget book page 10) are shown in Appendix 4 along with a brief narrative showing the status in each of the following areas.

Table 2: 2014-15 key planning assumptions

Key planning assumptions	Impact £m	Status
Government funding reductions	24.786	Cost pressure realised
Pay and price inflation	14.260	General price inflation rate remain marginally lower than forecast. Agreed pay increases are within budget assumptions.
Demographics	11.590	Long term demographic pressures still apply
Willows Power and Recycling Centre	8.000	Cost pressure realised with settlement agreed November 2014.

"Demographics" refer primarily to Looked after Children and Adult Social Services demographic growth planning uncertainties.

4.2 **Savings targets:** The key savings targets required for the preparation of a balanced 2014-15 budget are shown in Appendix 5.

4.3 Forecast savings of £64.284m coupled with recently identified savings and use of community services reserves of £2.340m are £1.643m (previous month £1.757m) short of the budgeted £68.267m savings target. Savings in CES, Resources and Finance General remain on track. The number and cost of Looked After Children is a continued pressure in Children's Services as is transport procurement, and arrangements relating to reviews of agreements for mental health and care services in Adult Social Services. A full analysis of savings is shown in Appendix 5.

4.4 Savings for 2015-16 are the subject of a separate report to this committee.

4.5 **Termination of Willows Energy from Waste contract**: As reported to County Council on 27 May, Cabinet of 7 April 2014 resolved to allow the Willows Energy from Waste contract to terminate for planning failure. The contract was formally terminated on 16 May 2014. Contractual termination costs were estimated at £33.7m, with a reserve created for that amount.

4.6 On 28 November, the County Council agreed a full and final settlement in line with the £33.7m reserve, removing the risk of further costs being incurred. Further details are included in section 6.

5 Revenue outturn – forecast over/underspends

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

5.2 The latest projection for the 2014-15 revenue outturn shows a net projected overall **underspend** of £1.043m, after identified recovery actions and approved use of reserves. This is an improvement over period 8 (£0.328m forecast overspend) and period 9 (£0.919m forecast underspend).

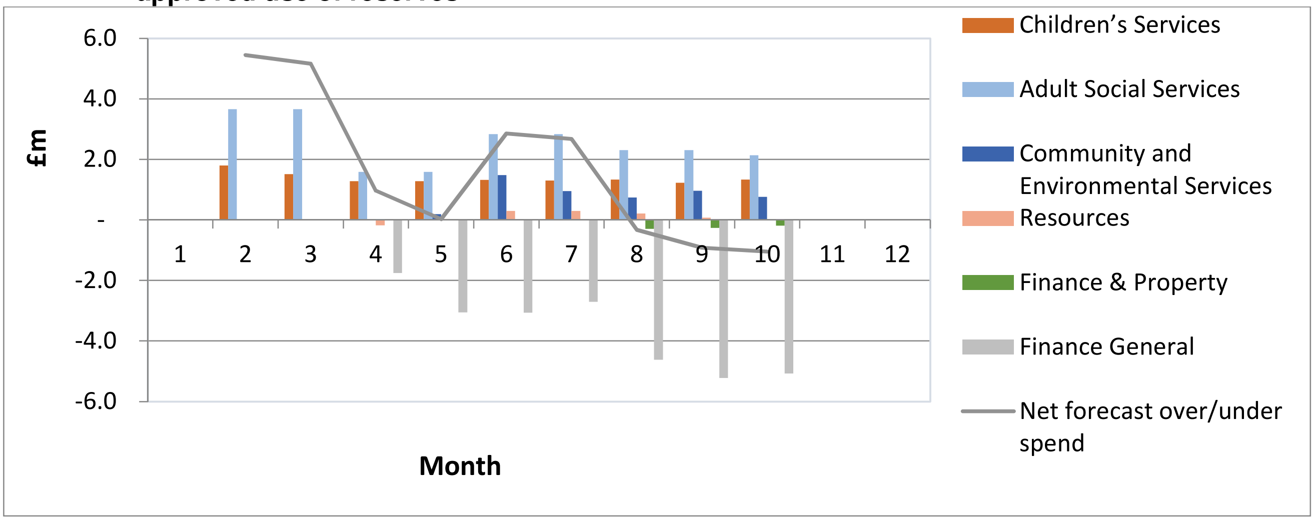
5.3 Details of all projected under and over spends for each service, together of areas where mitigating action is being taken, are shown in Appendix 6, and are summarised in the following table:

Table 3: 2014-15 projected budget variations by service

Service	Revised Budget £m	Projected net (under)/ over spend after use of reserves £m	%	RAG
Children's Services	161.798	1.329	0.8%	A
Adult Social Services	249.724	2.139	0.9%	A
Community and Environmental Services	171.014	0.767	0.4%	A
Resources	25.388	-0.010	0.0%	G
Finance	10.241	-0.193	-1.9%	G
Finance General	-309.768	-5.075	1.6%	G
Totals	**308.397**	**-1.043**	**-0.3%**	

5.4 The following chart shows service outturn projections by month:

Chart 2: service revenue outturn projections 2014-15, by month, after recovery actions and approved use of reserves



- The main differences since last month is a small decrease in the Finance General underspend due to a re-calculation of MRP assumptions and a small increase in the Children's Services overspends in various areas of financial pressure, more than covered by reductions in overspend in CES and ASC.

6 Analysis by subjective type

6.1 The Council publishes a budget each year which is analysed both by service and by subjective category (Appendix 1). Changes to the budget occur during the year, for example when additional sources of income become available. The net effect of changes to budgets is shown below, with further details in Appendix 7.

Table 4: 2014-15 subjective movement

	Opening budget adjusted for internal recharges	Adjustments P1-P9	Previous period budget by subjective	Current period move-ments	Current subjective budget
	£m		**£m**		
Employee Related Expenditure	529.601	-1.378	528.223	**-0.009**	528.214
Premises Related Expenditure	44.531	1.779	46.310	**-0.001**	46.309
Transport Related Expenditure	52.663	0.093	52.756	**-0.592**	52.164
Supplies & Services	154.208	7.698	161.906	**0.090**	161.996
Third Party Payments	455.408	-4.234	451.174	**0.001**	451.175
Transfer Payments	24.681	8.396	33.077		33.077
Support Services & Recharges	70.455	-3.449	67.006	**-0.007**	66.999
Capital financing	106.249	-0.428	105.821		105.821
Total Expenditure	**1437.796**	**7.892**	**1445.688**	**0.066**	**1445.754**
Business Rates	-314.370		-314.370		-314.370
Government Grants	-475.276	5.440	-469.836	**-0.003**	-469.839
Other Grants & Reimbursements	-87.754	-9.692	-97.446	**-0.063**	-97.511
Customer & Client Receipts	-107.725	0.481	-107.244		-107.244
Interest					0.000
Recharges	-78.890	-4.118	-83.008		-83.008
Capital Depreciation	-65.384		-65.384		-65.384
Council Tax	-308.397		-308.397		-308.397
Total Income	**-1,437.800**	**-7.892**	**-1445.688**	**-0.066**	**-1445.754**

note: this table is subject to small rounding differences

6.2 Adjustments during the year to date relate mainly to internal recharges which were netted off in the published budget resulting in lower gross income and expenditure than shown in the current budget. A full month my month analysis of budget changes by subjective heading is shown in Appendix 7. The "Council Tax" line which effectively represents the net budget, remains unchanged.

7 General balances and reserves

General balances

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

Table 5: forecast general balances

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

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

Earmarked reserves levels and forecasts

7.2 A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. The plan for 2014-15 predicted reserves of £43.931 (Earmarked reserves - non schools, including residual waste, Budget Book page 126), and the forecast outcome below is in line. The Council carries a number of reserves with totals as follows:

Table 6: budget and forecast reserves

	Forecast balance 31.3.15 when budget approved (Feb 2014)	Actual balances b'fwd 1.4.14	P8 forecast used for 2015-16 budget	Previous month P9 forecast 31 March 2015	Current P10 forecast 31 March 2015
	£m	£m	£m	£m	£m
Earmarked reserves - non schools	32.931	77.669	47.174	44.713	47.561
Residual Waste Treatment Contract Reserve	11.000	19.065	0.000	0.000	0.000
Reserves for Capital Use	6.270	1.755	3.887	3.887	3.536
Earmarked reserves - schools	37.661	43.075	35.796	33.575	33.025
Total	**87.862**	**141.564**	**86.857**	**82.175**	**84.122**

7.3 As part of the budget setting process, non schools reserves were forecast to reduce significantly during the year. Since the forecast used for the 2015-16 budget, the largest change relates to the use of a £1.8m general ICT reserves to fund the DNA project which was reported in period 9.

7.4 During the current month, reserves have increased largely due to increased forecast amounts to be carried forward in respect of buildings maintenance and Public Health, plus an increase in forecast Children's Service Grants and Contributions due to the carry forward of £1.2m relating to the recent SEN New Burdens grant and Transformation Challenge award. Movements on the Reserves for Capital use are explained in the receipts section of the Capital Monitoring Report.

7.5 The decrease in forecast schools' reserves is accounted for by a reduction in LMS balances due primarily to anticipated academy conversions and forecast use of balances in-year. The change this month relates to a further £0.313m reduced dedicated schools spend.

7.6 A full list of reserves can be found in Appendix 8. This appendix also lists the Council's accounting provisions, which are amounts put aside to fund future liabilities or losses which are certain or very likely to occur, but where the amounts or dates when they will arise are uncertain.

7.7 The list of reserves in Appendix 8 includes a forecast surplus of £0.045m on the Scottow Enterprise Park trading account at the financial year end. It is proposed that this balance should be carried forward in the form of a reserve which will hold trading surpluses to provide for both income smoothing and future investment in the site.

Comparison with other authorities

7.8 A report produced in October 2014 by the Society of County Treasurers based on statistical returns as at 31 March 2014 shows the following:

Table 7: reserves as a proportion of net budget 31 March 2014

	Non ring-fenced reserves (earmarked and unallocated)	Unallocated reserves
Average for SCT members	28%	5%
Norfolk County Council	20%	3%

On both measures, Norfolk County Council's total reserves as a proportion of net budget (revenue support grant, retained business rates and council tax) is significantly lower than the average for English shire counties, with Norfolk in the lowest quartile. Details can be found in Appendix 14.

Residual Waste Treatment Contract Reserve

7.9 On 28 November, the County Council agreed a full and final settlement in line with the £33.7m reserve set aside in May for ending The Willows energy from waste project.

7.10 A last payment of nearly £5.9m was made on 28 November 2014, bringing the overall settlement in line with the anticipated total cost of £33.7m reported to Council in May 2014.

7.11 The Residual Waste Treatment Contract Reserve has been set aside and used as follows:

Table 8: Creation and use of Residual Waste Treatment Contract Reserve

	£m
Opening balance 1 April 2014, before transfer of excess general balances	19.1
The opening balance comprised transfers from excess general balances, transfers from underspends, and other initiatives including 2013-14 savings in Community Services (£1.3m), ETD (£0.8m), Fire (0.4m) and Resources (£2.5m).	
Outturn 2013-14 – excess of general balance over minimum requirement	1.3

Savings in 2014-15 (total £5.350m)	
Norse contributions	1.0
Sale of property – substituted for current revenue funding of capital project	0.7
Waste procurement arrangements	0.6
Household waste reserve	1.0
Savings in 2014-15 – Approved by County Council	
Reduction in funding set aside for redundancies based on past trends	1.0
Service reductions - Libraries	0.1
Service reductions – Road maintenance	0.9
Budget 2014-15 cost pressure: Willows Power and Recycling Centre planning uncertainty (ref Appendix 4)	8.0
Total set aside	**33.7**
Payments to July 2014 – forex and interest risk costs	(11.8)
Payment August 2014 – planning inquiry costs	(1.3)
Payment September 2014 – interim	(13.7)
Payment November 2014 – interim	(1.0)
Payment November 2014 – final	(5.9)
Balance	**Nil**

The settlement has removed the risk of further costs being incurred in future

8 Treasury management, payment performance and debt collection

8.1 Treasury management: the corporate treasury management function ensures the efficient management of all the authority's cash balances. A detailed treasury management update is included as Appendix 9.

8.2 In December 2014, the County Council approved an amendment to the 2014-15 Annual Investment and Treasury Strategy to pre-empt the withdrawal of implied sovereign support ratings used by credit rating agencies, whereby some banks and financial institutions received credit rating "uplifts" due to implied levels of sovereign support. These changes were subsequently adopted for the 2015-16 Strategy approved by County Council on 16th February 2015.

8.3 The rating agencies have now started the process of removing the implied sovereign support from their ratings and as a consequence our Treasury Advisors (Capita Asset Services) have recommended the removal of the Lowest Common Denominator (LCD) assessment from our approved Strategy. This assessment reviews credit ratings across all 3 credit rating agencies, with the lowest rating determining whether a counterparty meets our criteria or not. Its removal will prevent the actions of any one particular credit rating agency impacting directly upon our credit rating criteria and counterparties being removed unnecessarily from our list of approved counterparties.

8.4 This change does not in any way reflect a deterioration in the credit environment rather a change of method in response to regulatory changes. All other criteria remain as previously approved.

8.5 It is recommended that Policy and Resource Committee recommend to County Council the removal of the Lowest Common Denominator assessment from the 2015-16 Annual Investment and Treasury Strategy.

9 Payment performance and debt collection

9.1 **Payment performance**: approximately 460,000 invoices are paid annually. In January 2015, 92.0% (December 97.3%) were paid within a target of 30 days from receipt, against a target of 90%. A month by month analysis is shown in Appendix 10.

9.2 **Debt recovery**: Each year the County Council raises over 120,000 invoices for statutory and non-statutory services totalling over £900m. Outstanding debt: the value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council.

9.3 An extensive debt collection analysis is shown at Appendix 11 including:

- A summary of 2013-14 debt collection performance showing that 92% of all invoiced income was collected within 30 days of issuing an invoice, and 98% was collected overall
- Collection performance for January 2015: 94.1% (previous month 92.4%) of invoices were collected within 30 days
- Levels of outstanding debt – secured £9.57m and unsecured £26.33m (previous month £9.77m & £25.38m respectively) and
- Debts written off (ref paragraph below).

9.4 Three debt write-offs over £10,000 are awaiting Policy & Resources Committee approval. These debts total £64,423.05:

Debt Type	Amount	Reason
Residential Care Charges	£25,174.98	Legal options exhausted
Residential Care Charges	£24,465.71	Legal options exhausted
Residential Care Charges	£14,782.36	Legal options exhausted

9.5 For the period 1 April 2014 to 31 January, 680 debts less than £10,000 have been written off following approval from the Executive Director of Finance. These debts totalled £274,806.13.

9.6 During the year Norfolk County Council has successfully introduced the ability for customers to pay their invoices online via its website and via an automated telephone service, both of which provide a 24-7 service.

10 Purchase order performance

10.1 Whenever a commitment is made to purchase goods or services, a purchase order should be raised in advance.

10.2 Performance against this requirement is measured in two ways:

- by value – the value of spending via retrospective orders as a percentage of total spending; and
- by volume – the number of retrospective orders as a percentage of all orders.

10.3 As can be seen in Appendix 12, performance on both measures has improved. Compared to the same month last year, average retrospective spending has reduced from 25% to 12% by value, whilst the proportion of orders which are retrospective has fallen from 37% to 26%. This demonstrates a significant year on year improvement, but improvement is still needed in order to meet the industry average of 22% by volume, and we should also be aiming to reduce further the percentage by value. The figures are still high in Children's Services, Resources and Finance in particular, and a recommendation is made to significantly reduce the average

11 Financial risk management

11.1 The Council's risk management processes seek to identify, analyse, evaluate and treat risks. This is done through all levels of the organisation, and summarised at departmental and corporate level.

11.2 Risks which affect corporate or strategic objectives are gathered in the corporate risk register. The Council's Audit Committee receives reports on key corporate risks, progress on their treatment and corporate risk management performance on a quarterly basis.

11.3 An analysis of corporate risks, together with associated financial implications is shown in Appendix 13. There are two measures:

- The "current risk score" and
- The "target risk score" that takes into account the mitigating actions that are in hand.

The Risk Manager's advice is that the "target risk score" is the critical measure.

11.4 There are three current risks which are classed as high or "red", being the risks associated with:

- Failure to meet the long term needs of older people
- Failure to follow data protection procedures
- Looked After Children overspends

Further details of timescales, and mitigation targets are shown in Appendix 13.

11.5 There are <u>no</u> target risk scores that are red.

12 Medium Term Financial Strategy

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

Table 9: MTFS 2014-17 action and status

MTFS 2014-17 action	**Current status**
County Farms: To review the economic case for the investment in and returns from County Farms	A member working group has been set up to review County Farms strategy and policy, The 5 January 2015 working group agreed a contribution of £2.5m to support the 2015-16 revenue budget.
Carbon – to consider the stretch target proposed by the October 2013 Corporate Resources Overview and Scrutiny Panel for the 2015-18 MTFS.	A Carbon and Energy Reduction Programme Report was presented to the September EDT Committee This shows that there have been savings across all services of 17.1% when compared to the 2008-09 baselines. The Council is working towards achieving 50% by 2019-20, with a particular focus on transport (including business mileage) and street lighting.
Other medium term budget objectives	**Risks**
EU funding target: to achieve savings of £750,000 each in 2015-16 and 2016-17 – to contribute towards adult care services	The original EU funding target is not likely to be deliverable for 2015-16. The Economic Programmes Team is continuing to work on and identify funding opportunities.
Business rates	**Commentary / uncertainty**
The County Council's Business rates income assumptions are based on "NNDR1" returns are required by the DCLG and prepared by district councils in January.	The January 2014 NNDR returns forecast growth above the government set baseline of £0.175m, and this was incorporated into the Council's budget agreed by Council in February. However business rates are volatile and difficult to forecast, and until the receipt of NNDR1s in January 2015 a prudent approach has been taken. NNDR1 forms have been analysed and taken account in the 2015-16 budget as presented to County Council on 16 February 2015 (ref Agenda page 24). Unfortunately a significant provision against a business rates appeal at one Coucil has reduced the rates income assumption by approximately £1m. There may also be a further adjustment to the 2015-16 budget when the districts have finalised the 2014-15 outturn position in May 2015.

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Appendices

Appendix 1: Approved budget

Appendix 2: Monthly timetable

Appendix 3: In-year grant funding

Appendix 4: Planning assumptions

Appendix 5: Savings

Appendix 6: Projected outturn for each service

Appendix 7: Revenue projections by subjective

Appendix 8: Projected earmarked reserves and provisions

Appendix 9: Treasury management

Appendix 10: Payment performance

Appendix 11: Debt collection

Appendix 12: Purchase order performance

Appendix 13: Corporate risk register summary

Appendix 14: Reserves as a proportion of net budget 2013-14 – SCT comparison

Appendix 1

Approved budget 2014-15

Agreed by Council 17 February 2014

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

Funded by	
Council tax	-308.397
Total	**-308.397**

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

Appendix 2

Budget monitoring timetable 2014-15

Table A2: Budget monitoring timetable 2014-15

Accounting Period	Accounting Month Period End	Finance report prepared	MEMBERS & PUBLIC circulation	Meeting	Forecast net overspend/ (underspend)
					£m
April	30-Apr				
May	31-May	Fri 27/06/2014	Fri 04/07/2014	Mon 14/07/2014	
June	30-Jun	Fri 25/07/2014	Thu 28/08/2014	Fri 05/09/2014	5.157
July	31-Jul	Fri 29/08/2014	Fri 19/09/2014	Mon 29/09/2014	0.958
August	31-Aug	Thu 25/09/2014		Mon 27/10/2014	0.025
September	30-Sep	Mon 27/10/2014	Fri 21/11/2014	Mon 01/12/2014	2.852
October	31-Oct	Thu 27/11/2014		Mon 01/12/2014	2.673
November	30-Nov	Fri 02/01/2015	Fri 16/01/2015	Mon 26/01/2015	-0.328
December	31-Dec	Wed 28/01/2015		Mon 23/03/2015	-0.919
January	31-Jan	Thu 26/02/2015	Fri 13/03/2015	Mon 23/03/2015	-1.043
February	28-Feb	Thu 26/03/2015	tbc	Mon 01/06/2015	
March	31-Mar (provisional)	Thu 30/04/2015	tbc	Mon 01/06/2015	
Outturn	31-Mar (final)	tbc		Mon 01/06/2015	

In-year Grant Funding

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

Table A3a: New grant funding > £100,000 since 1 April 2014

New Grant Funding	Details	£m
PE and Sports Grant	New unconditional DfE grant for the improvement of PE and sports in schools: increase of £1.7m since P6 figure last reported.	2.874
Universal Infant Free School Meals Grant	Grant to enable schools to provide free school meals to all pupils in reception, year 1 and year 2.	5.395
DCLG Transformation Challenge Award funding	Grant resulting from successful joint bid by Norfolk and Suffolk NHS Foundation Trust for government funding to help support new mothers with postnatal depression and puerperal psychosis – preventing babies and young children needing to come into care.	0.623
Business Rates cap compensation grant	Compensation for the reduced income from business rates as a result of the 2% cap on the small business rates multiplier.	1.195
Special Educational Needs and Disability (SEND) Implementation Grant	The purpose of this grant is to provide support to local authorities in England towards additional expenditure lawfully incurred or to be incurred by them in implementing SEND reforms.	0.639
Additional funding from the DCLG via a DoH s31 grant (confirmed 27 January 2015).	The purpose of this grant is to pursue interventions which reduce the risk of avoidable admissions or readmissions into hospital, or help people return to their home from hospital when it is appropriate to do so.	0.230
	Total in-year grants > £100,000 to date	**10.956**

The following grants have been confirmed to fund existing schemes for which no budget was originally set due to uncertainties at the time of the budget:

Table A3b: Grant funding > £100,000 since 1 April 2014, continuation of previous schemes not confirmed at time of budget

New Grant Funding	Details	£m
Troubled Families Grant	Government programme designed to help troubled families.	3.178
Adoption Reform Grant	Government grant designed to recognise the programmes of change underway in the area of adoption.	2.410
	Total in-year grants > £100,000 to date	**5.588**

Financial Plan – 2014-15 planning assumptions

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

Table A4: key financial planning assumptions 2014-15

Planning assumption 2014-15	Financial impact	Latest position
	£m	
Significant funding pressures		
Government funding reductions	24.786	No change in assumption. Note: the council tax freeze grant was anticipated in the 2014-15 base budget.
Significant cost pressures		
Pay inflation	1%	As at 18 November, the national employers and the trade unions have reached agreement on a pay award for 'Green Book' employees (Scales A to O). This is a two-year deal which runs until 31 March 2016. Employees earning £14,880 (Scale C, salary point 11) and above received a 2.2% pay increase from 1 January 2015, with higher percentage increases for those earning less than this. As a result a one-off Finance General underspend of £0.328m has been generated in the current year.
Price inflation	14.260 (includes pay and price inflation)	Price inflation has only been forecast where there is a contractual need or where it is known that price increases will occur. Rates of inflation applied to budgets differ between 0% where inflationary increases have been withheld, to an expected 7% rise in the contract price for electricity. Some budgets will experience price rises linked to CPI which was forecast at 2.34%. The Consumer Prices Index (CPI) grew by 0.3% in the year to January 2015, down from 0.5% in December. (Source: ONS.gov.uk).
Demographics – primarily increases in Looked after Children and Adult Community Services demographic growth	11.590	Community Services – Adult demographic pressure of £6.934m was based on the latest ONS statistics for population growth and expenditure trends. More assessments were undertaken in the first 6 months of 2014-15 indicating continued pressures within this area. Learning Difficulties demographic pressures were calculated by forecasting the number of service users transitioning from Children's Services and estimates of expected growth in adult service users. The Children's Services demographic pressure was revised to £3.931m in November 2013 taking into account the number of looked after children (LAC) being 84 above target. Service changes to prevent children coming into care are being implemented. The number of children in care has fallen from 1,153 in May 2014 to 1,060 at the beginning of January 2015 - a drop of more than eight percent. At the same time the number of looked after children has been increasing nationally.
Willows Power and Recycling Centre planning uncertainty	8.000	On 28 November, the County Council agreed a full and final settlement in line with the £33.7m reserve. This crystallised the cost pressure and has removed the risk of further costs being incurred.

Appendix 5

Financial Plan 2014-15 savings

Table A5a: savings 2014-15 by category and by service

	Children's Services	Adult Social Services	CES - Cultural	CES – former ETD	CES - Fire	Resources	Finance & Property	Finance General	Total
Categorisation of Saving	£m	£m	£m	£m	£m	£m	£m	£m	£m
Organisational Change - Staffing	0.375	0.460	0.260	1.250	0.499	2.769	0.000	0.000	5.613
Organisational Change - Systems	6.610	1.340	0.212	3.340	0.381	2.074	1.100	0.000	15.057
Procurement	0.521	3.900	0.000	6.400	0.000	0.094	0.000	0.000	10.915
Shared Services	0.000	1.804	0.260	0.050	0.000	0.000	0.000	0.000	2.114
Capital	0.000	0.000	0.000	0.200	0.724	0.000	0.000	0.000	0.924
Terms & Conditions of Employees	0.126	0.108	0.000	0.038	0.000	0.016	0.003	0.000	0.291
Income & Rates of Return	0.000	0.000	0.361	1.623	0.043	0.411	0.000	5.138	7.576
Assumptions under Risk Review	0.484	0.000	0.000	0.150	0.036	3.201	0.000	7.220	11.091
Reducing Standards	2.790	2.200	0.931	1.151	0.000	0.073	0.000	0.000	7.145
Cease Service	0.474	2.615	0.010	0.300	0.087	0.000	0.000	0.000	3.486
Budgeted Savings	**13.160**	**14.702**	**2.034**	**14.502**	**1.770**	**8.638**	**1.103**	**12.358**	**68.267**
P10-15 Forecast Savings	**11.517**	**12.362**	**2.034**	**14.502**	**1.770**	**8.638**	**1.103**	**12.358**	**64.284**
Use of reserves	**0.000**	**2.340**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**2.340**
Variance	**-1.643**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**-1.643**

Savings Variance	Children's Services	Adult Social Services	CES - Cultural	Total
Categorisation of Saving	£'000	£'000	£'000	£'000
Organisational Change - Staffing	0.000	0.000	0.000	0.000
Organisational Change - Systems	-1.978	-0.200	0.216	-1.962
Procurement	-0.269	0.000	0.000	-0.269
Shared Services	0.000	-0.200	-0.220	-0.420
Capital	0.000	0.000	0.000	0.000
Terms & Conditions of Employees	0.000	0.000	0.000	0.000
Income & Rates of Return	0.000	0.000	0.004	0.004
Assumptions under Risk Review	0.484	0.000	0.000	0.484
Reducing Standards	0.120	-1.800	0.000	-1.680
Cease Service	0.000	-0.140	0.000	-0.140
Use of reserves	0.000	2.340	0.000	2.340
Total	**-1.643**	**0.000**	**0.000**	**-1.643**

As at P10-15 forecast savings of £64.284m coupled with newly identified savings and use of reserves of £2.340m are £1.643m short of the budgeted £68.267m savings target.

Savings in CES Transport, Environment and Development, CES - Fire, Resources and Finance General are all on track.

The number and cost of Looked After Children are not reducing as planned leading to a forecast saving shortfall of £1.978m. There is also a shortfall in Children's procurement savings around purchasing yellow buses and leasing mini-buses totalling £0.269m.

This shortfall in Children's Services have been offset slightly by an additional £0.484m saving for reduced retirement costs for teachers, achieving a saving of £0.120m early to reduce funding for school crossing patrols.

Adult Social Services are £1.800m short on the saving to reduce the number of service users we provide transport for, £0.200m short on the saving for joint senior management posts with Health, £0.200m sort on the saving to change the type of support people receive to help them live at home and £0.140m short on the saving to charge people who fund their own social care the full cost of transport.

To offset these shortfalls Adult Social Services have identified use of £2.340m of the Prevention Reserve, which was set up to mitigate the risk in delivering the prevention savings.

CES – Cultural have a £0.040m shortfall in the renegotiating joint museums funding saving, a £0.056m shortfall in the museums income generation saving, and a £0.180m shortfall in the sharing of library buildings with other organisations savings. These are offset by additional savings of £0.060m in the museums VAT exemption saving (which are netted off against the income shortfall in the table above), £0.036m additional savings controlling spend in museums and £0.180m additional savings controlling spend in libraries.

Projected revenue outturn by service analysis

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

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

Service	Revised Budget £m	Service total projected overs spend £m	Service total projected (under) spend £m	Net total over / (under) spend £m	%
Children's Services	161.798	8.914	-7.585	1.329	0.8%
Adult Social Services	249.724	13.035	-10.896	2.139	0.9%
Community and Environmental Services	171.014	1.915	-1.148	0.767	0.4%
Resources	25.388	0.326	-0.336	-0.010	0.0%
Finance and Property	10.241	-	-0.193	-0.193	-1.9%
Finance General	-309.768	-	-5.075	-5.075	1.6%
Totals current month	**308.397**	**24.190**	**-25.206**	**-1.043**	**-0.3%**
Previous month	308.397	23.510	-24.429	-0.919	-0.3%

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

Reconciliation between current and previously reported underspend

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

	£m
Forecast 2014-15 over/(under)spend previous month	**-0.919**
Movements in current period - summary	
Children's Services	0.105
Adult Social Services	-0.166
Community and Environmental Services	-0.192
Resources	-0.086
Finance and Property	0.069
Finance General	0.146
Latest forecast over / (under) spend after use of reserves	**-1.043**

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

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

Table A6c: recovery actions and use of reserves

Service	Service total projected over spend £m	Identified recovery actions £m	Use of reserves £m	Net total over / (under) spend £m
Children's Services	1.329	-	-	1.329
Adult Social Services	6.928	-1.000	-3.789	**2.139**
Community and Environmental Services	0.767			0.767
Resources	-0.010			-0.010
Finance and Property	-0.193			-0.193
Finance General	-5.075	-	-	-5.075
Totals current month	**3.746**	**-1.000**	**-3.789**	**-1.043**
Previous month	3.870	-1.000	-3.789	-0.919

Appendix 6 continued

Projected revenue budget outturn by service - detail

Children's Services	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Additional Looked After Children agency costs	2.103		0.125
Savings on Looked After Children legal costs		-0.830	
Savings on Looked After Children transport costs		-0.190	
Additional Residence / Kinship costs	0.496		
Additional costs of agency social workers and Newborn and Infant Physical Examinations (NIPE)	2.485		0.270
Ofsted unregulated accommodation for 16/17 year olds	0.350		
Additional adoption allowances	0.185		
Additional fostering recruitment costs	0.015		
Reduced fostering allowances		-0.220	
Reduced running costs of NCC's Children's Homes		-0.225	
Reduced cost of Information Advice and Guidance Service		-0.250	
Reduced cost of Early Years & Childcare Service		-0.520	
Savings on school crossing patrols		-0.120	
Reduced school pension/redundancy costs		-0.484	
Reduced ESG due to schools becoming academies	0.633		
Additional cost of SEN transport	0.770		0.220
Clinical commissioning team and commissioned therapy and assessment services		-0.544	
Savings on business support staff vacancies		-0.310	-0.310
Savings on various staff vacancies		-0.200	-0.200
Maximisation of use of grants		-1.815	
Dedicated Schools Grant			
Additional school maternity costs	0.119		-0.013
Reduced suspended school staff costs		-0.091	
Additional cost of Early Years 1-2-1 SEN	-		-0.300
Reduced cost of Early Years 2 yo entitlement/infrastructure		-2.960	
Reduced cost of Early Years 3/4 year old entitlement		-0.300	
Reduced cost of the Minority Achievement & Attain Service		-0.140	
Cost of additional special education non-maintained places		1.265	
Cost of additional places in maintained special schools		0.349	
Agreed items Education funded by school contingency reserve:			
Alternative provision for Education	0.190		
Additional 12 Special school places	0.352		
Services to schools transition costs	0.150		
Cont'n to schools contingency fund as a result of the above	1.066		0.313
Forecast outturn for Children's Services	**8.914**	**-7.585**	**0.105**
	1.329		

	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Adult Social Services (movement since period 8)			
Management, Finance and Transformation		-2.082	0.005
Commissioning, including Supporting People		-0.310	-0.817
Central Services – Business Development		-0.114	-0.165
Human Resources, Training and Organisational Development		-0.186	-0.028
Safeguarding	12.347		1.331
Prevention	0.688		-0.101
Income from Service users		-3.415	-0.391
Over / (under) spend before recovery actions	**13.035**	**-6.107**	**-0.166**
	6.928		
Recovery actions - use of £1m Norsecare contract rebate to mitigate overspend		-1.000	-
Use of Reserves		-3.789	-
Forecast total for Adult Social Services	**13.035**	**-10.896**	**-0.166**
Over / (under) spend after recovery actions and approved use of reserves	**2.139**		

Community and Environmental Services	Projected over spend	Projected under spend	Change this month
Highways and Transport Services		-0.852	0.040
Environment and Planning	1.915		-0.483
Economic Development and Strategy		-0.119	0.001
Business Development and Support		-0.176	0.253
Cultural Services		-0.001	0.003
Customer Services		-	0.075
Community Safety & Fire	-		-0.081
ICT (now under Resources)			
Forecast out-turn for CES	**1.915**	**-1.148**	**-0.192**
	0.767		

Resources, Finance and Finance General	Projected over spend	Projected under spend	Change this month
Resources	£m	£m	£m
Policy and Performance – Norfolk Ambition / Projects		-0.104	
Procurement		-0.200	-0.011
Human Resources – reduced income from schools	-		-0.158
Consultation		-0.032	-0.032
Nplaw – reduced internal demand	0.211		
ICT	0.115	-	0.115
Net forecast outturn for Resources	**0.326**	**-0.336**	**-0.086**
		-0.010	
Finance and Property			
Budgeting and Financial Management - schools trading and vacancy management		-0.193	0.069
Property		-	-
		-0.193	**0.069**
		-0.193	
Finance General			
Local assistance scheme £1m current year underspend and use of £0.9m reserve brought forward from 13/14		-1.900	
Adjustment to forecast interest on balances		-0.510	-0.025
Pay review 2014-15: one-off underspend due to 2 year NJC pay award lower than budgeted in current year		-0.556	0.035
Adjustment to minimum revenue provision		-0.611	0.103
ESPO dividend		-0.303	0.033
S31 Business Rates cap compensation grant – unbudgeted adjustment re 2% inflation cap		-1.195	
Net forecast outturn for Finance General	**0.000**	**-5.075**	**0.146**
		-5.075	

Appendix 7: Revenue projections by subjective – budget movements to date

	Approved budget	Internal charges	"Budget Manager" allocation	----- Monthly Budget Movements -----								P10 Revised
				P1-P6	**P7**	**P8**	**P9**	**P10**	**P11**	**P12**		**Budget**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**					**£m**
Employee Related Expenditure	**529.601**		**529.601**	2.497	0.063	**(3.813)**	(0.125)	(0.010)				528.214
Premises Related Expenditure	**44.531**		**44.531**	1.039	(0.005)	0.032	0.713					46.309
Transport Related Expenditure	**52.143**	0.520	**52.663**	(0.585	(0.007)	0.017	0.083	(0.005)				52.164
Supplies & Services	**154.176**	0.032	**154.208**	8.764	(0.221)	0.193	**(1.038)**	0.090				161.996
Third Party Payments	**455.408**		**455.408**	(3.151)	0.036	**(1.109)**	(0.010)					451.175
Transfer Payments	**24.681**		**24.681**	8.396								33.077
Support Services & Recharges	**45.099**	25.356	**70.455**	(3.515)			0.066	(0.008)				66.999
Capital financing	**106.240**	0.009	**106.249**	(0.428)								105.821
Total Expenditure	**1,411.879**	**25.917**	**1437.796**	13.017	**(0.134)**	**(4.680)**	**(0.311)**	**0.066**				**1,445.754**
Business Rates	**(314.370)**		**(314.370)**									(314.370)
Government Grants	**(475.276)**		**(475.276)**	(0.262)	0.270	**5.444**	(0.012)					(469.839)
Other Grants & Reimbursements	**(87.754)**		**(87.754)**	(8.106)	(0.136)	(0.663)	(0.789)	(0.003)				(97.511)
Customer & Client Receipts	**(103.673)**	(4.052)	**(107.725)**	(0.580)		(0.069)	1.130	(0.063)				(107.244)
Interest	**(1.832)**	1.832		0.000								0.000
Recharges	**(48.492)**	(30.398)	**(78.890)**	(4.070)		(0.032)	(0.016)					(83.009)
Capital Depreciation	**(72.085)**	6.701	**(65.384)**	0.000								(65.384)
Council Tax	**(308.397)**		**(308.397)**	0.000								(308.397)
Total Income	**(1,411.879)**	**(25.917)**	**(1,437.796)**	(13.019)	**0.134**	**4.680**	**0.311**	**(0.066)**				**(1,445.755)**

Subjective changes to budget – analysis of significant re-allocations by month

Month	Source of major changes
P10 January	No significant movements
P9 December	Reduction of £1.1m in Voice and Data Contract income and corresponding ICT as a result of transfer of both to service to schools. Addition to Premises related expenditure is an allocation from the Building Maintenance Fund not fully reflected in original budget.
P8 November	£5.4m reduction in both NCC income and expenditure relating to the Short Stay School for Norfolk, now an Alternative Provision Academy
P7 October	No significant movements
P6 September	No significant movements
P5 August	Re-allocation of £1m transport contributions in support services to day care costs under the headings of third party payments and transfer payments. Other movements are transfers from earmarked reserves.
P4 July	Transformation savings approx. £2m allocated out of employee related expenditure so increasing this subjective budget. Supplies and services increased by approximately £2m schools ICT costs balanced by an increase in customer and client receipts (from schools). Increase in grants and contributions largely accounted for by transfers from earmarked reserves.
P3 June	Increased re-charge income through recharges to non-revenue accounts. Other grants increase primarily due to transfers from earmarked reserves, including apprenticeship scheme. Higher support services budget mainly due to allocation to street lighting costs.
P2 May	Reduced care costs in Third Party Payments balanced by additional direct payments under Transfer Payments. Also additional grant income from external sources (including NHS) paying for Drug and Alcohol Team work under Supplies and Services.
P1 April	One-off £1m allocation as referenced in P9 report paragraph 3.3: £1m re-allocated from reduced capital finance costs to supporting personal care/wellbeing services for older people (under supplies and services).
P0	Opening adjustment relates to internal recharges which are reflected in Budget Manager for internal budget management purposes, but which are not reflected in published budget.

Appendix 8

Reserves and provisions £m

	Forecast 31.3.15 Approved Budget	Actual Balances 1.4.14	P8 forecst Used for 2015-16 budget	Forecast Balances 31.3.15 Prev mnth	Forecast Balances 31.3.15 current
All Services					
Building Maintenance	1.186	1.672	2.152	2.152	2.381
Information Technology Reserve	2.934	10.226	5.961	4.181	4.253
Repairs and Renewals Fund	2.157	3.925	3.227	3.287	3.216
Unspent Grants and Contributions	4.789	12.826	9.374	8.611	10.469
	11.066	**28.649**	**20.714**	**18.231**	**20.319**
Children's Services					
Children's Services Improvement Fund	-	1.741	0.241	0.241	0.341
	0.000	**1.741**	**0.241**	**0.241**	**0.341**
Adult Social Services					
Adult Social Services Residential Review	2.023	3.025	2.330	2.330	2.330
Adult Social Care Legal Liabilities	2.253	3.094	-	-	-
Prevention Fund	1.267	1.140	0.533	0.533	0.783
	5.543	**7.259**	**2.863**	**2.863**	**3.113**
CES - Cultural					
Adult Education Income Reserve	0.018	0.160	0.159	0.109	0.109
Archive Centre Sinking Fund	0.274	0.261	0.263	0.263	0.263
Museums Income Reserve	0.024	0.039	0.024	0.024	0.024
Residual Insurance and Lottery Bids	0.100	0.423	0.415	0.415	0.415
	0.416	**0.883**	**0.861**	**0.811**	**0.811**
CES – Transport, Environment, Development					
Economic Development	2.649	4.215	2.184	2.184	2.177
Scottow Enterprise Park trading reserve	-	-	-	-	0.045
Highways Maintenance	1.930	4.625	4.282	4.282	4.282
Historic Buildings	0.178	0.199	0.086	0.086	0.086
NDR Reserve	-	2.500	-	-	-
Norfolk Infrastructure Fund	0.491	2.015	1.217	1.289	1.289
P & T Bus De-registration	-	0.064	0.064	0.064	0.064
P & T Demand Responsive Transport	-	0.156	-	-	-
P & T Park & Ride	0.012	0.012	0.012	0.012	0.012
P & T Road Safety Reserve	0.000	0.150	0.226	0.226	0.226
P & T Street Lighting Sinking Fund	5.595	7.040	5.401	5.401	5.401
ETD – Re-procurement Strategic Partnership	-	0.035	-	-	-
ETD – Transformation Reserve	-	0.625	-	-	-
Public Transport Commuted Sums	0.016	0.016	0.014	0.014	0.014
Waste Management Partnership Fund	-	0.397	0.382	0.382	0.783
	10.871	**22.049**	**13.868**	**13.940**	**14.379**
CES – Community Safety & Fire					
Fire Operational Equipment Reserve	0.298	0.967	0.962	0.962	0.718
Fire Pensions Reserve	0.273	0.348	0.348	0.348	0.348
Fire Operational Reserve	0.177	0.542	0.542	0.542	0.542
	0.748	**1.857**	**1.852**	**1.852**	**1.608**

Resources					
nplaw Operational Reserve	0.306	0.306	0.286	0.286	0.286
	0.306	**0.306**	**0.286**	**0.286**	**0.286**
Corporate					
Car Lease Scheme surplus	0.798	0.222	0.381	0.381	0.381
Health and Wellbeing Board Reserve (part previously included with Strat. P'ship reserve)	-	0.027	-	-	-
Local Assistance Scheme Reserve	-	0.900	-	-	-
Strategic Partnership	0.016	0.184	-	-	-
Icelandic Banks Reserve	0.790	2.444	0.999	0.999	0.999
Industrial Estate Dilapidations	0.010	0.010	0.010	0.010	0.010
Insurance	0.017	0.027	0.027	0.027	0.027
Modern Reward Strategy Reserve	-	4.359	-	-	-
Organisational Change and Redundancy Reserve	1.535	5.605	4.137	4.137	4.287
Strategic Ambitions Reserve	0.815	1.147	0.935	0.935	1.000
Residual Waste Treatment Contract Reserve	11.000	19.065	-	-	-
	14.981	**33.990**	**6.489**	**6.489**	**6.704**
Non – Schools Total	**43.931**	**96.734**	**47.174**	**44.713**	**47.561**
Reserves for Capital Use					
Usable Capital Receipts	**6.270**	**1.755**	**3.887**	3.887	**3.536**
Schools Reserves					
Building Maintenance Partnership Pool	1.061	1.197	1.197	-	-
Building Maintenance Non-Partnership Pool	-	1.034	0.996	0.996	0.996
Children's Services Equalisation	-	0.249	0.655	0.655	0.655
LMS Balances	21.631	26.517	18.243	18.243	17.693
Norwich Schools PFI Sinking Fund	1.711	2.061	1.971	1.971	1.971
Schools Contingency	10.711	9.315	10.092	9.068	9.068
Schools non-teaching activities	1.010	1.170	1.170	1.170	1.170
Schools Playing Field Surface Sinking Fund	0.409	0.248	0.188	0.188	0.188
Schools Sickness Insurance Reserve	1.128	1.284	1.284	1.284	1.284
Schools Total	**37.661**	**43.075**	**35.796**	**33.575**	**33.025**
Provisions					
Adult Social Services					
Adult Social Services Doubtful Debts	0.851	0.942	0.952	0.952	0.952
Potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust		1.370	0.670	0.670	0.670
Corporate					
Insurance	12.000	12.941	12.941	12.941	12.941
Redundancy	-	5.163	2.086	2.086	2.086
CES - Transport, Environment, Dev'mt					
Closed landfill long term impairment provision	9.132	9.189	9.133	9.133	9.133
ETD Doubtful Debts	0.050	0.050	0.050	0.050	0.050
CES - Community Safety & Fire					
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regs	0.775	0.850	0.850	0.850	0.850
Schools Provisions					
Children's Services Provision for Holiday Pay	0.018	0.017	0.017	0.017	0.017

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

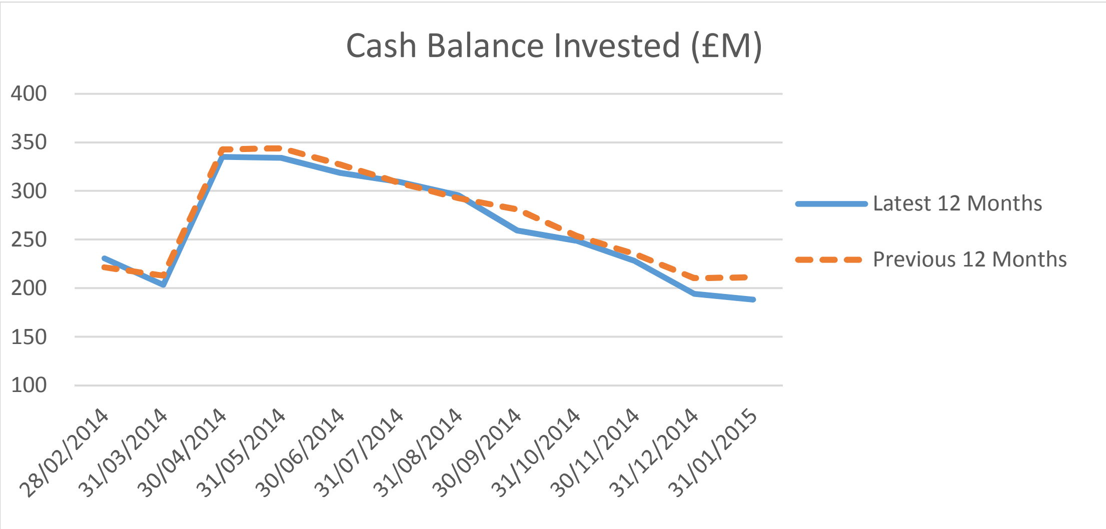
- Residual Waste Treatment Contract Reserve – Following an agreement of compensation payable in respect of the Willows Energy from Waste Contract, this reserve will be fully exhausted.
- Anticipated full use of the Adult Social Care Legal Liabilities reserve in relation to adult social care budgetary pressures
- Significant use of the Public Health Reserve within Unspent Grants and Contributions, as amounts received in 2013-14 in respect of services to be delivered in 2014-15 are spent.
- Modern Reward Strategy reserve forecast to reduce to zero by 31 March 2015 in line with funding in approved budget.
- Icelandic Banks Reserves and Organisational Change reserves reduced in line with approved budget.
- A transfer of £3m from the forecast Redundancy Provision to the Organisational Change and Redundancy Reserve in order to comply with a tighter definition of what can be included within provisions for statutory financial reporting purposes.
- Full use of the Local Assistance Scheme Reserve during 2014-15.

9 Treasury Management Performance Monitoring

9.1 <u>Cash Flow Management</u>

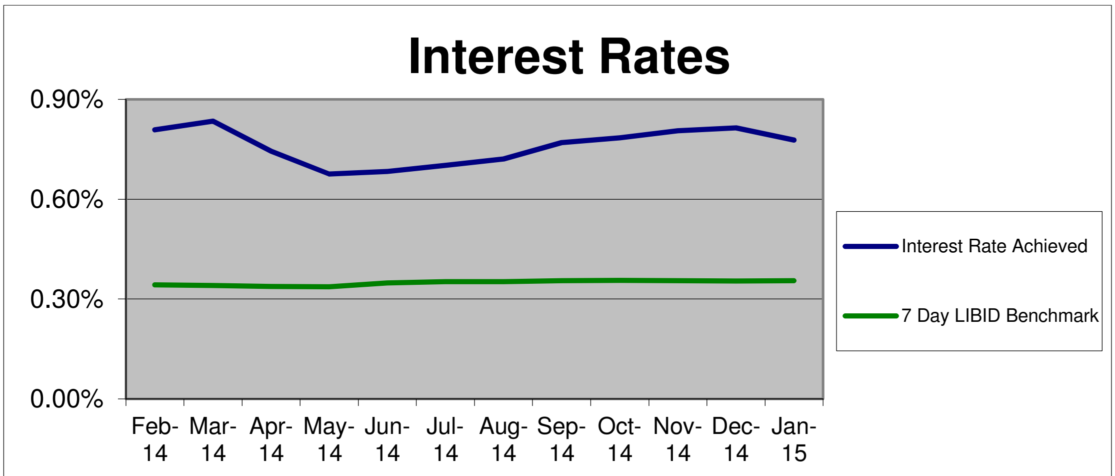
9.1.1 Income received amounts to £1,315m, while payments (including debt repayment) total £1,330m, resulting in an overall decrease in cash balances of £15m. Cash balances available for investment have therefore decreased from £203m at 1st April 2014 to £188m at the 31st January 2015. The cumulative average balance un-invested has remained within the tolerance of plus/minus £0.025m across all 530 bank accounts.

9.1.2 The graph below shows the level of cash balances over the last 12 months (against a comparison for the previous 12 months). The spike in April 2014 reflects the front loading of Business Rates Retention and Revenue Support Grant (£124M of the £246M annual total received).



9.2 <u>Interest Earned on Cash Balances</u>

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



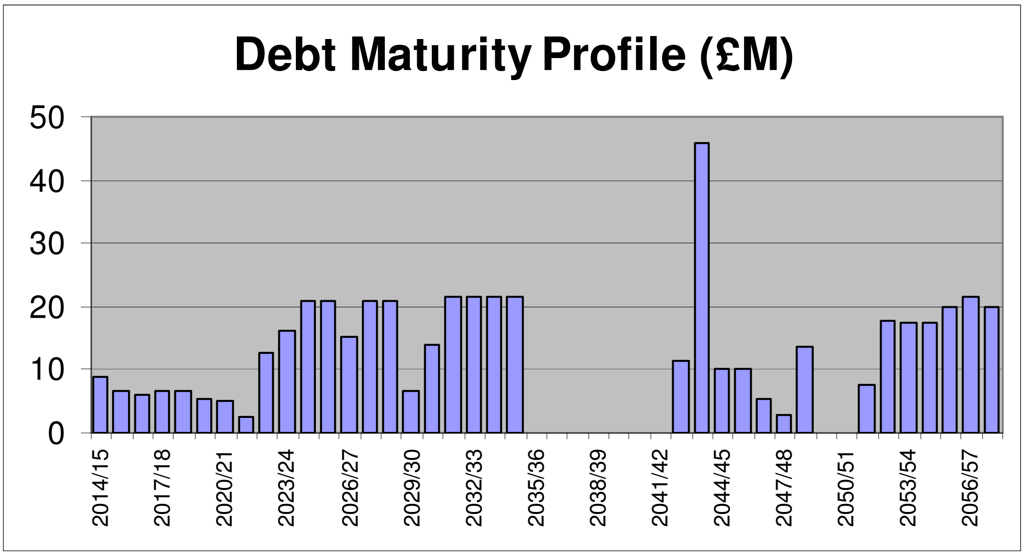
9.2.2 Gross interest earned for the period 1st April 2014 to 31st January 2015 is £1.653m.

9.3 Long Term Borrowing

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

9.3.2 The Council's overall borrowing requirement in 2014-15 is approx. £106m. This represents past capital expenditure for which the approved borrowing has not yet been drawn down due to the treasury management factors explained above.

9.3.3 The Council's debt portfolio at 31st January 2015 is £494m.



9.4 Icelandic Banks

10.4.1 The latest projected cash recovery from all 3 banks is £31.015m, of which £29.966m has been received, £0.830m is held in an Escrow account, and £0.219m is outstanding.

10.4.2 Local Authority creditors of Glitnir Bank with Icelandic Krona (ISK) held in 3rd party escrow bank accounts, were invited to participate in a currency auction organised by the Central Bank of Iceland on the 10th February 2015. Bevan Brittan (the Local Government Association appointed lawyers) assisted 48 local authorities submit offers to sell their ISK. While the auction was massively oversubscribed, Norfolk was able to sell 48% of its escrowed ISK and recover £577,657.76. Currency restrictions imposed by the Icelandic Government look set to remain in place for the foreseeable future.

9.5 2015-16 Annual Investment and Treasury Strategy

9.5.1 In December 2014, the County Council approved an amendment to the 2014-15 Annual Investment and Treasury Strategy to pre-empt the withdrawal of implied sovereign support ratings used by credit rating agencies, whereby some banks and financial institutions received credit rating "uplifts" due to implied levels of sovereign support. These changes were subsequently adopted for the 2015-16 Strategy approved by County Council on 16th February 2015.

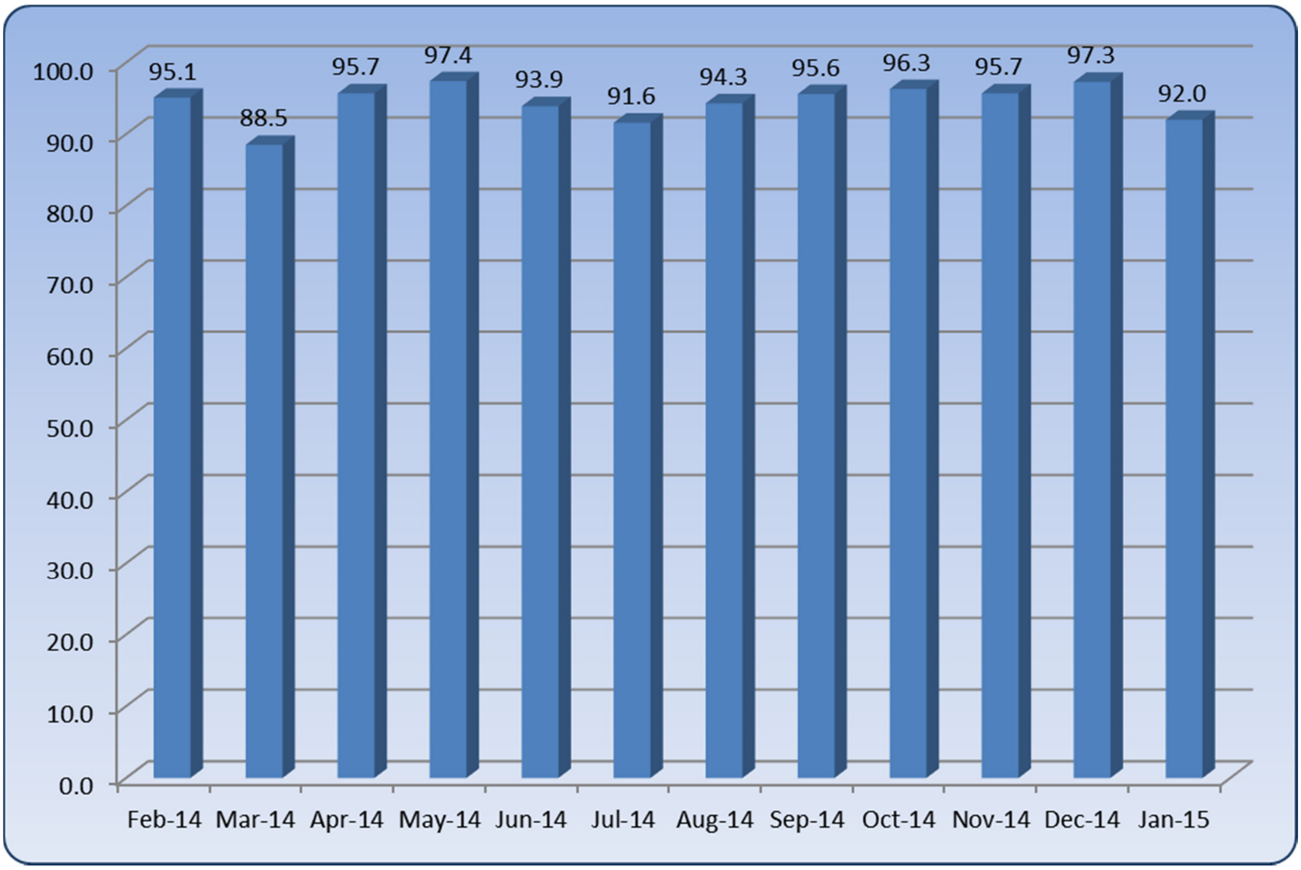
9.5.2 The rating agencies have now started the process of removing the implied sovereign support from their ratings and as a consequence our Treasury Advisors (Capita Asset Services) have recommended the removal of the Lowest Common Denominator (LCD) assessment from our approved Strategy. This assessment reviews credit ratings across all 3 credit rating agencies, with the lowest rating determining whether a counterparty meets our criteria or not. Its removal will prevent the actions of any one particular credit rating agency impacting directly upon our credit rating criteria and counterparties being removed unnecessarily from our list of approved counterparties.

9.5.3 This change does not in any way reflect a deterioration in the credit environment rather a change of method in response to regulatory changes. All other criteria remain as previously approved.

9.5.4 It is recommended that Policy and Resource Committee recommend to County Council the removal of the Lowest Common Denominator assessment from the 2015-16 Annual Investment and Treasury Strategy.

January 2015 - Payment Performance

This is a measure of our timely payment of invoices – specifically, the percentage of invoices that were paid by the authority within 30 days of such invoices being received. The target is 90%. Some 400,000 invoices are paid annually. 92% were paid on time in January 2015.



*The figures include an allowance for disputes/exclusions.

Appendix 11

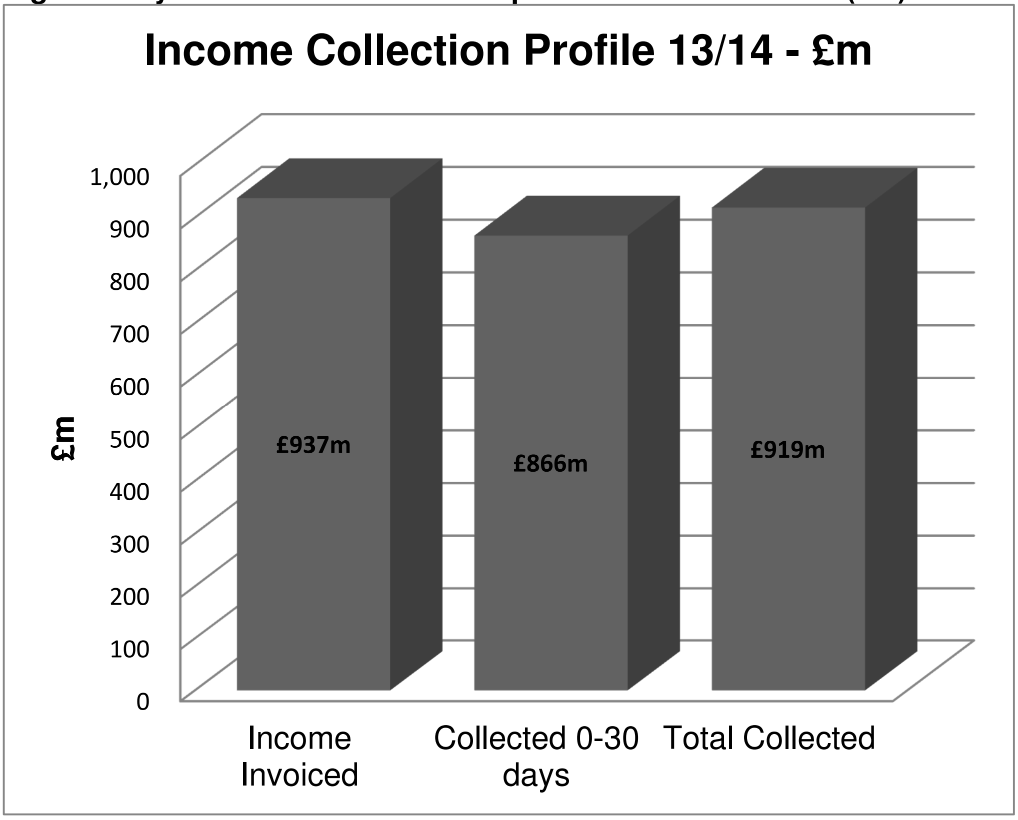
Analysis of Income Collection Performance and Outstanding Debt 31 January 2015

1 Collection Performance

1.1 Each year the County Council raises over 120,000 invoices for statutory and non-statutory services. These invoices amount to in excess of £900m.

1.2 In 2013/14 92% of all invoiced income was collected within 30 days of issuing an invoice, and 98% was collected overall.

Fig 1: Analysis of income collection performance in 2013/14 (£m):



1.3 In the absence of payment debt recovery action begins at Day 31 in the income collection cycle. In 2013/14 98% of all invoiced income raised was collected within the financial year.

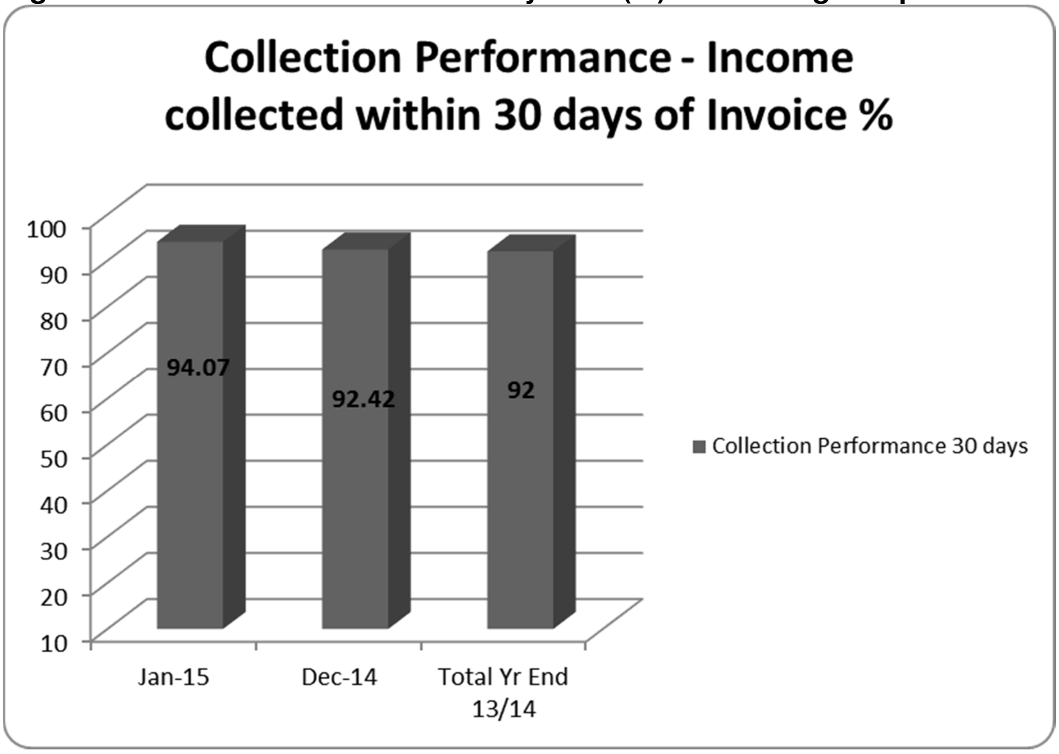
2 Collection Performance

2.1 Recipients of invoices have a number of ways to pay available to them to settle their invoices including:

- Direct Debit
- Standing order
- Bank Transfer
- Cash
- Cheque
- Credit/Debit Card (via the phone or online via the NCC website)

2.2 94% of invoiced income was collected within 30 days for the month of January 2015 (this is the percentage of income collected within 30 days for invoices raised in December 2014 – measured by value)

Fig 2: Collection Performance January 2015 (%) – including comparable data



2.3 Within the last 12 months we have successfully introduced the ability for customers to pay their invoices online via the Norfolk County Council website and via our automated telephone service, both of which provide a 24-7 service.

3 Outstanding Debt

3.1 The value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council.

Fig 3a: Debt Profile (Total)

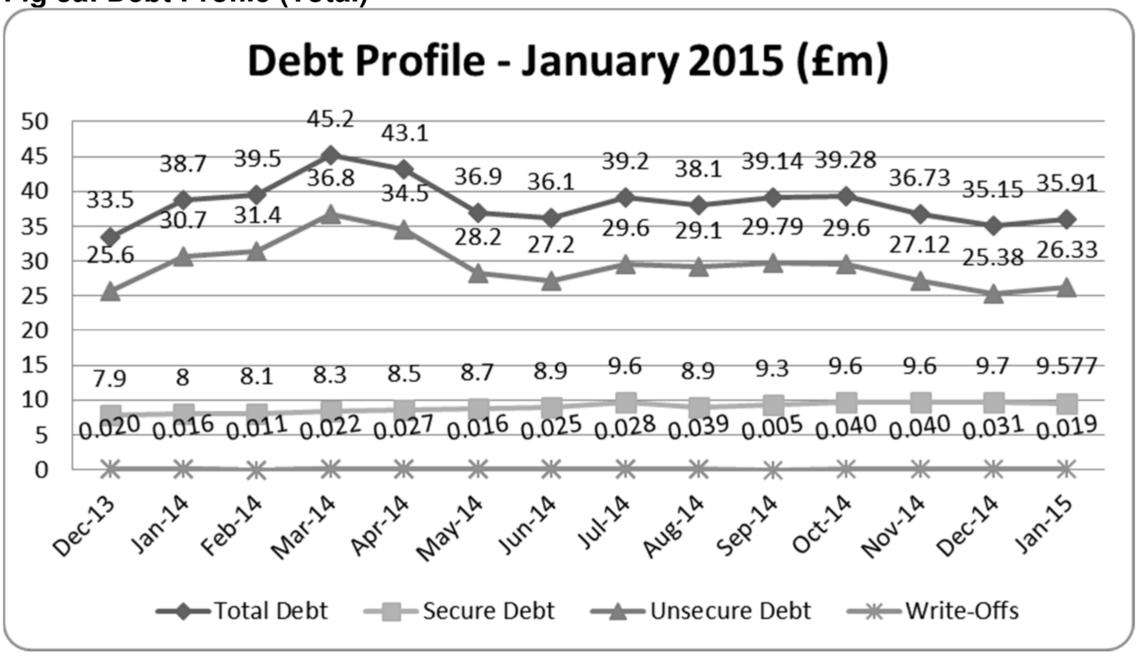
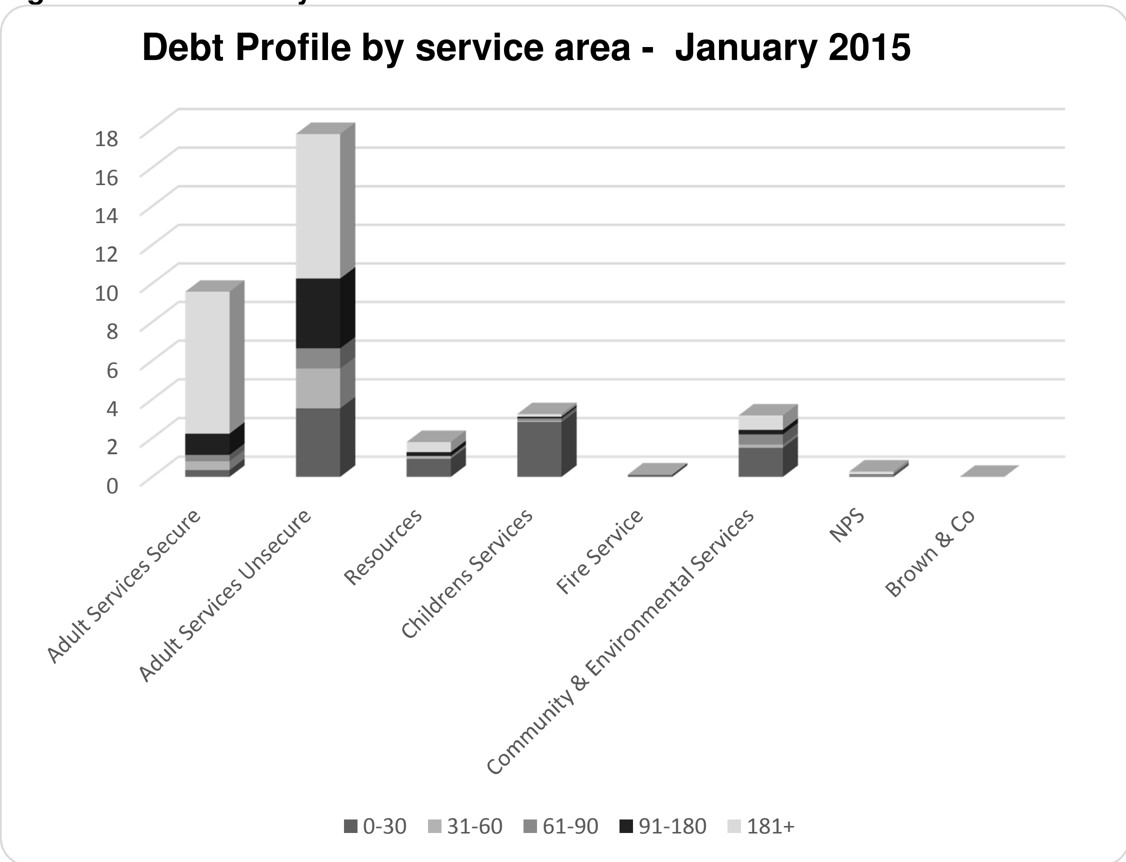


Fig 3b: Debt Profile by service area



Note: The NPS and Brown & Co columns refer to lettings income from sites they manage.

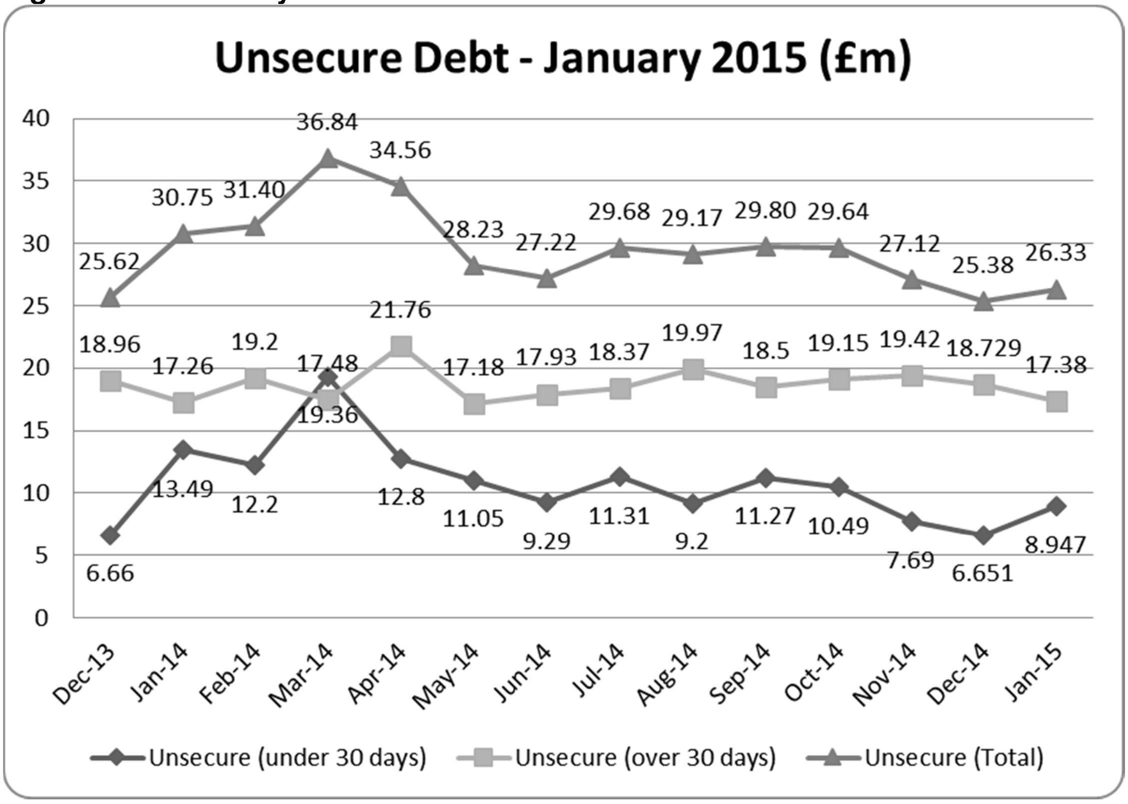
3.2 **Secured Debt**

3.2.1 Customers of Adult Care have certain rights when it comes to paying for residential care. If they declare an interest in a property they can elect to defer payment (all or part) until the property is sold. If the client defers payment the debt is secured by a deferred payment agreement and it may be some time before the debt can be collected.

3.2.2 Secured debts amount to £9.57m at 31 January 2015. Within this total £2.29m relates to estate finalisation where the client has died and the estate is in the hands of the executors.

3.3 **Unsecured Debt**

Fig 3c: Further analysis unsecured debt



3.3.1 The overall level of unsecure debt has increased by £0.95m in this period.

Of the £26.33m total unsecure debt:

- £8.947m is debt under 30 days
- £1.25m is being paid off by regular instalments
- £0.60m has been referred to NP Law
- £3.014m is awaiting estate finalisation

There has been a decrease of £1.349m unsecure debt over 30 days in this period.

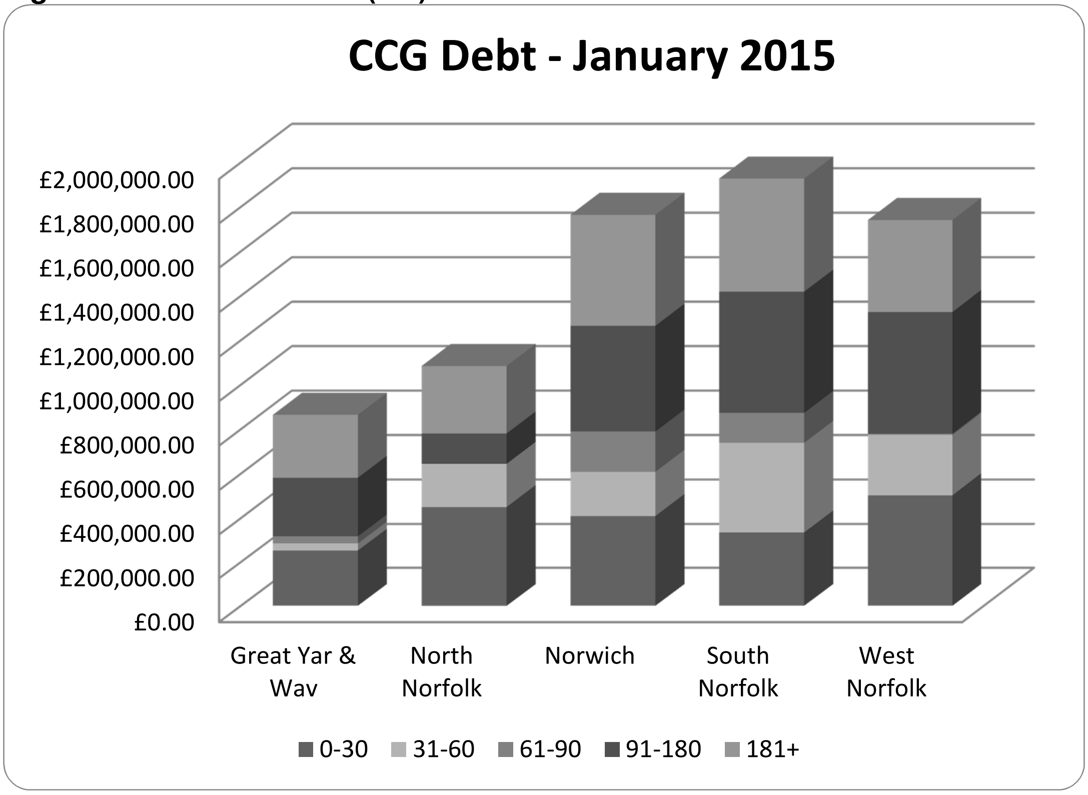
3.3.2 The largest area of unsecure debt relates to charges for social care. The overall level of unsecure debt for social care has decreased by £0.859m in this period.

Of the £17.74m unsecure social care debt:

- £3.53m is under 30 days old
- £7.334m is debt with the CCG's, the majority of which is for shared care, continuing care and free nursing care. £1.948m of this debt is aged 30 days or less, £2.008m is aged over 181 days.

The overall level of debt with the CCG's has decreased by £0.460m during this period.

Fig 3d: Current CCG debt (£m)



4 Debt written off

4.1 In accordance with Financial Regulation and Financial Procedures, the Policy & Resources Committee is required to approve the write-off of debts over £10,000. The Executive Director of Finance approves the write off of all debts up to £10,000.

4.2 Before writing off any debt all appropriate credit control procedures are followed. Where economically practical the County Council's legal position is protected by court proceedings being issued and judgment being entered. For a variety of reasons, such as being unable to locate the debtor, it is sometimes not appropriate to commence legal action

4.3 For the period 1 January to 31 January 2015, 48 debts less than £10,000 were approved to be written off by the Executive Director of Finance. These debts totalled £19,637.96

4.4 Three debts over £10,000 are awaiting Policy & Resources Committee approval. These debts total £64,423.05.

Debt Type	Amount	Reason
Residential Care Charges	£25,174.98	Legal options exhausted
Residential Care Charges	£24,465.71	Legal options exhausted
Residential Care Charges	£14,782.36	Legal options exhausted

4.5 For the period 1 April 2014 to 31 January, 680 debts less than £10,000 have been written off following approval from the Executive Director of Finance. These debts totalled £274,806.13.

5 Benchmarking

5.1 Norfolk County Council is a member of the Cipfa Debtors Benchmarking Club. The benchmarking is focused on local government and allows comparison of performance across authorities.

5.2 The results from the 2013-14 survey have recently been published and the results for Norfolk look favourable against the club average with regards to the percentage of debt raised that has been successfully collected within 90 days.

Measure - % debt raised cleared within 3 months	**Norfolk**	**Average**
Apr 13 – Jul 13	99%	92%
Sept 13 – Dec 13	97%	91%
Nov 13 – Feb 14	95%	92%

Appendix 12

Purchase order performance – retrospective purchase orders

January 2015

Introduction

1.1 The Council uses an electronic purchasing system, linked to the primary accounting systems. Orders should be placed in advance of goods or services being received. The Council's objective, therefore, is that ultimately there should be no 'retrospective' purchase orders – orders raised after the invoice has been received

1.2 Despite the improvement since last year, there is still room for significantly reducing retrospective ordering. Therefore an internal target has been set such that the performance measures for each of the targets should be no more than 5% by April 2015.

Background

1.3 Whenever a commitment is made to purchase goods or services, a purchase order should always be raised in advance, for a number of reasons:

- raising a purchase order creates a commitment against the relevant budget – this leads to more accurate forecasting;
- sending a purchase order to the supplier ensures that the purchase is made against the Council's terms and conditions, which reduces legal risk;
- the purchase order process enables the purchase to be approved (or rejected) before it is too late to influence it – this improves financial controls, and enables the number of suppliers to be reduced and better deals to be negotiated.

1.4 Performance against this objective is measured in two ways:

- by value – the value of spending via retrospective orders as a percentage of total spending; and
- by volume – the number of retrospective orders as a percentage of all orders.

1.5 The first of these measures focuses on the contribution to forecasting accuracy and to reducing legal risk; the second on administrative costs and supplier rationalisation.

Performance

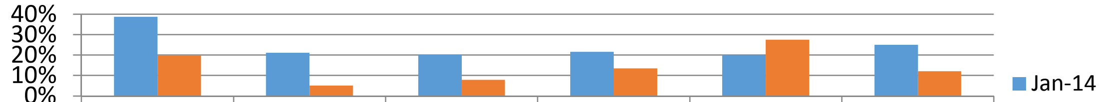
1.6 As can be seen in the tables above, performance on both measures in 1.4 above has improved. Compared to the same month last year, average retrospective spending has reduced from 25% to 12% by value, whilst the proportion of orders which are retrospective has fallen from 37% to 26%.

1.7 Workshops across each Department are now being run to help improve performance.

Purchase order performance – retrospective purchase orders

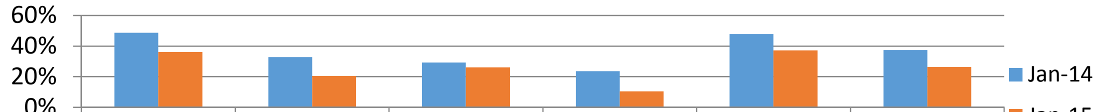
The tables below reflect the progress made against the Council's objective to minimise and ultimately eradicate retrospective purchase orders: i.e. orders raised after the invoice has been received.

Value of spending via retrospective purchase orders as a percentage of total spending via purchase orders
Performance in Jan 2015 compared to Jan 2014



	Childrens Servs	Community Servs	ETD	Fire	Resources	Average
Jan-14	39%	21%	20%	22%	20%	25%
Jan-15	20%	5%	8%	13%	27%	12%

Number of retrospective purchase orders as a percentage of total number of purchase orders
Performance in Jan 2015 compared to Jan 2014



	Childrens Servs	Community Servs	ETD	Fire	Resources	Average
Jan-14	49%	33%	29%	24%	48%	37%
Jan-15	36%	20%	26%	10%	37%	26%

Appendix 13

Risk Register - Norfolk County Council - Financial Implications

Risk Register Name	**Corporate Risk Register**	**High**
Date updated	**December 2014**	**Med**
Next update due	**March 2015**	**Low**

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Children's Services	RM 141 47	Failure to improve at the required pace.	Funding set aside within ChS budget current position outlined in the September Children's Service Committee Integrated Performance and Finance Monitoring report.	2	5	10	1	4	4	31/01/2016	**Green**	Sheila Lock
Children's Services	RM 141 48	Overreliance on interim capacity	Funding set aside within ChS budget current position outlined in the September Children's Service Committee Integrated Performance and Finance Monitoring report.	3	5	15	2	4	8	30/06/2015	**Amber**	Sheila Lock
Children's Services	RM 139 06	Looked After Children overspends	Funding set aside within ChS budget current position outlined in the September Children's Service Committee Integrated	4	4	16	2	4	8	30/06/2016	**Amber**	Sheila Lock

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
			Performance and Finance Monitoring report.									
Environment Transport and Development	RM 141 72	Residual Waste Treatment Contract termination process.	Contingency fund in place.	3	5	15	1	5	5	31/03/ 2015	**Met**	Tom McCabe
Environment Transport and Development	RM 020 1	Failure to implement Norwich Northern Distributor Route (NDR)	Funding secured.	3	4	12	2	4	8	01/11/ 2017	**Amber**	Tom McCabe
Community Services Transformation	RM 140 79	Failure to meet the long term needs of older people	Long term risk to 2030 - funding considered as part of the on-going budget planning process. The current position is outlined in the September Adult Social Care Committee Finance Monitoring report.	5	5	25	2	4	8	31/03/ 2030	**Amber**	Harold Bodmer
Community Services Transformation	RM 020 7	Failure to meet the needs of older people	Potential shortfall taken from reserves. The current position is outlined in the September Adult Social Care Committee Finance Monitoring report.	3	4	12	2	4	8	31/03/ 2015	**Amber**	Harold Bodmer
Corporate	RM 020 0	Capacity for change - Insufficient capacity for business transformation	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	4	8	31/03/ 2017	**Amber**	Anne Gibson

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
HR Shared Services	RM 139 18	Staffing - The speed and severity of change in work activities.	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	4	8	31/03/ 2017	Green	Audrey Sharp
HR Shared Services	RM 140 97	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	Low potential financial exposure - contingencies factored into appropriate budget planning.	4	4	16	3	2	6	31/03/ 2015	Amber	Audrey Sharp
Environment Transport and Development	RM 140 98	Incident at key NCC premises or adjacent causing loss of access or service disruption	Property (incl business interruption) insurance in place to mitigate potential financial exposure.	3	3	9	3	2	6	31/03/ 2015	Amber	Tom McCabe
ICT Shared Services	RM 141 00	Loss of key ICT systems	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	3	6	31/03/ 2015	Amber	Tom McCabe
Information Management	RM 139 68	Failure to follow data protection procedures	Potential financial exposure due to penalties, factored into appropriate budget planning. Public Liability insurance in place to mitigate exposure to civil litigation.	4	5	20	1	4	4	31/03/ 2015	Amber	Tom McCabe
Resources Procurement	RM 141 56	Liability for legal challenge to procurements	Low potential financial exposure.	2	3	6	2	3	6	27/02/ 2015	Green	Peter Timmins

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
		conducted by ESPO										
Resources Procurement	RM 140 80	Failure of tender process	Any financial contingency planning must be considered on a case by case basis and accounted for in appropriate budget planning.	2	4	8	1	4	4	30/06/ 2015	Green	Peter Timmins
Finance	RM 141 69	Failure to deliver planned revenue budget savings in 2014/15	Funding set aside and monitored as part of the overall budget monitoring and reporting process.	3	3	9	2	3	6	31/03/ 2015	Green	Peter Timmins
Resources Corporate Programme Office	RM 141 46	Failure to effectively manage County Hall refurbishment and maintenance.	Funding set aside and monitored as part of the overall budget process.	2	5	10	1	5	5	31/03/ 2016	Green	Peter Timmins
Environment Transport and Development	RM 141 73	Failure to establish a waste management strategy and associated policies	Funding set aside and monitored as part of the overall budget process.	2	5	10	1	5	5	01/01/ 2015	Green	Tom McCabe
Environment Transport and Development	RM 141 83	Loss of internet connection and the ability to communicate with Cloud provided services.	No specified financial implications identified at this time.	3	4	12	2	4	8	01/03/ 2015	Green	Tom McCabe
Environment Transport and Development	RM 141 84	Successful cyber attack.	No specified financial implications identified at this time.	2	4	8	1	4	4	01/03/ 2016	Green	Tom McCabe

Area	Ref	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Corporate	RM 142 05	Failure to enter into and manage traded services on a sound commercial basis	No specified financial implications identified at this time.	4	3	12	1	2	2	31/12/ 2015	**New**	Peter Timmins

Appendix 14

Society of County Treasurers - Reserves as a proportion of net budget 2013-14 - 36 authorities

Data published October 2014 based on balances as at 31 March 2014

Table A14: Norfolk County Council 29th out of 36 Authorities

Ranked by unallocated reserve and then, non-ringfenced	Revenue Support Grant, Retained Business Rates and Council Tax	Non-Ringfenced Reserves (Earmarked and Unallocated)	Unallocated Reserves	Total Reserves
	£000	%	%	%
Buckinghamshire	335,603	50%	14%	64%
East Riding of Yorkshire	255,765	52%	10%	62%
Derbyshire	492,565	49%	9%	58%
North Yorkshire	373,879	42%	14%	56%
Cornwall	473,367	41%	11%	52%
Hampshire	751,878	47%	4%	51%
West Sussex	522,568	45%	3%	48%
Northumberland	289,779	33%	10%	43%
East Sussex	377,882	39%	2%	41%
Suffolk	484,224	32%	7%	39%
Nottinghamshire	512,933	32%	6%	38%
Oxfordshire	390,192	32%	6%	38%
Isle of Wight	135,448	31%	7%	38%
Cheshire West and Chester	260,132	29%	8%	37%
Worcestershire	334,221	32%	4%	36%
Lincolnshire	468,954	32%	3%	35%
Somerset	332,153	25%	10%	35%
Leicestershire	356,029	31%	3%	34%
Warwickshire	350,547	29%	5%	34%
Gloucestershire	388,541	28%	5%	33%
Bedford	137,346	27%	6%	33%
Cumbria	378,610	27%	4%	31%
Central Bedfordshire	207,504	21%	7%	28%
Surrey	746,737	24%	3%	27%
Shropshire	235,442	21%	6%	27%
Herefordshire	147,734	19%	6%	25%
Cheshire East	267,269	17%	7%	24%
Kent	921,522	21%	3%	24%
Norfolk	639,162	20%	3%	23%
Devon	520,056	18%	3%	21%
Cambridgeshire	370,592	12%	6%	18%
Northamptonshire	421,004	14%	3%	17%
Dorset	272,816	10%	7%	17%
Hertfordshire	732,966	12%	3%	15%
Staffordshire	489,420	12%	3%	15%
Wiltshire	343,020	11%	3%	14%
Total	**14,717,860**	**28%**	**5%**	33%

Policy and Resources Committee

Item No 14 A

Report title:	**2014-15 Capital Finance Monitoring Report Month 9 (December 2014)**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Executive Director of Finance (Interim)**

Strategic impact

This report provides a monthly update on the progress towards the achievement of the capital programme set by the Council in February 2014.

The primary purpose of this report is:

- to keep members informed of the progress of capital projects, and
- to give members confidence that capital expenditure is within approved funding available
- to respond to committee requests for further information and
- to demonstrate progress in generating capital receipts.

Capital Finance Monitoring reports are produced at the end of each month, and reported to the nearest subsequent Policy and Resources Committee.

Executive summary

Capital Programme

On 17 February 2014, the County Council agreed a 2014-15 capital programme of £202.462m with further future years' funding of £188.676m. Following the agreement of that programme, there have been further adjustments resulting in the programme's revised position reported at Month 8. This report summarises further revisions to the programme resulting in a revised programme of £186.330m, a reduction of £1.454m.

Capital Receipts

There have been no further changes to the disposal schedule during month 9. This report summarises the disposal schedule and its proposed impact on the capital receipts reserve, including a revised figure of £8.904m of capital receipts now forecast to be used to reduce borrowing incurred through financing the 2014-15 capital programme.

Capital Expenditure

The report summarises the capital expenditure which has taken place in the year to date. There has been further progress on Postwick Hub, Better Broadband and the development of dementia care facilities in Bowthorpe with NorseCare. In addition, the Council has seen the delivery of Lingwood Primary School, improvement and expansion of Eaton Primary School and Easton VC Primary School, two major museums projects and the completion of four refurbished floors at County Hall.

Recommendations:

Members are recommended to:

- **note the revised expenditure and funding of the 2014-17 capital programme and the changes which have occurred following the position reported elsewhere on this agenda, as set out in Section 1 of Annex A**
- **note the progress towards the achievement of the 2014-15 programme, as set out in Section 2 of Annex A**
- **note the proposed changes to the disposals schedule and the impact on the capital receipts reserve, summarised in Section 4 of Annex A and further detailed in Appendix 5**
- **note the impact of using borrowing to finance the programme on future revenue budgets, as identified in Appendix 2.**

1. Introduction

1.1 This report sets out the revised 2014-17 capital programme incorporating changes following the position reported elsewhere on this agenda.

2. Evidence

2.1 The Council set an initial 2014-15 capital programme of £202.462m in January 2014, which was subsequently revised to £209.337m to account for reprofiling and other adjustments as reported elsewhere on this agenda.

2.2 There has been further reprofiling and adjustments of -£1.454m in the period following the presentation of the last report, as set out in the attached report. This has resulted in a revised 2014-15 programme of £186.330m.

3. Financial Implications

3.1 The revised position of the 2014-15 capital programme £186.330m.

3.2 This is to be funded by £37.131m of unsupported borrowing; £10.804m of capital receipts; £5.566m of revenue & reserve funding; and £132.831m of grants and contributions.

3.3 The impact of the additional borrowing on future revenue budgets as a result of interest costs and setting aside amounts for the repayment of the borrowing is £3.212m, as set out in Appendix 2.

4. Issues, risks and innovation

4.1 Risks associated with the capital programme, in terms of prioritising funding, and the timing and control of spend, are being addressed through links with Asset Management Plans and the on-going development of the Property Client function. The capital monitoring report highlights activity and risks associated with the capital programme.

4.2 The revised approach to capital programme planning increases the focus on deliverability, and comparing projects on a council-wide basis in order to ensure optimal use of resources.

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

5. Background

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

5.2 Further details are given in the annex to this report.

Officer Contact

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

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Howard Jones	01603 222832	howard.jones@norfolk.gov.uk

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Annex A

Norfolk County Council

Annex A: 2014-15 Capital Finance Monitoring Report Month 9

Report by the Executive Director of Finance (Interim)

Introduction

This report gives details of:

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

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

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

Revised Capital Programme
The revised opening position of £237.935m for the 2014-15 capital programme was reported to Policy and Resources committee on 14 July 2014. This report identifies further refinements to that opening capital programme as plans are developed for the delivery of the constituent projects. There have not been any major changes during December 2014.

Progress on Capital Projects
The progress on the capital programme at the end of December is broadly in line with expectations based on previous patterns of reprofiling, with a small reduction of £1.5m during the month. Further reprofiling is expected to occur in the coming months as there is further exploration of the barriers to progress on some major schemes, such as issues with planning consent. The Council has made progress on a number of major schemes during the first half of 2014-15, including:

- the delivery of the first two floors of County Hall, Lingwood Primary School, improvement and expansion of Eaton Primary School and Easton VC Primary School, and two major museums projects
- significant further progress on Postwick Hub, Better Broadband and the development of dementia care facilities in Bowthorpe with NorseCare. Progress on Better Broadband was reported to the 18 November EDT committee in a paper entitled "Better Broadband for Norfolk – 6 Monthly Update".

Details of schemes co-ordinated by the Greater Norwich Growth Board are now included at Appendix 6.

Capital Receipts

There have been no further changes to the projected property capital receipts for 2014-15 as reported in section 4, although one further property is now sold. There has been another increase in repayments of loans made by the Council, relating to the sale of housing at Royal Britannia Crescent. These changes to the disposal schedule have resulted in an increased figure of £8.904m of general capital receipts now forecast to be used to reduce borrowing incurred through financing the 2014-15 capital programme.

1 Capital Programme 2014-15 Period 9 Position

1.1 The 2014-15 Capital Programme was approved by the County Council on 17 February 2014 and is published in the Council's 2014-15 Financial Strategy and Medium Term Financial Strategy.

1.2 Subsequent to the agreement of the 2014-15 Capital Programme, there has been further reprofiling and other changes reported to Cabinet in 2013-14, slippage, and adjustments to funding which were not anticipated at the time of the Capital Programme's publication. These changes have now been incorporated into the below reported opening position of the 2014-15 programme.

1.3 Subsequent to the Period 8 monitoring report on 26th January 2015, the capital programme has undergone further revisions as summarised in Table 2.

1.4 The latest revised programme totals £451.109m, made up of:

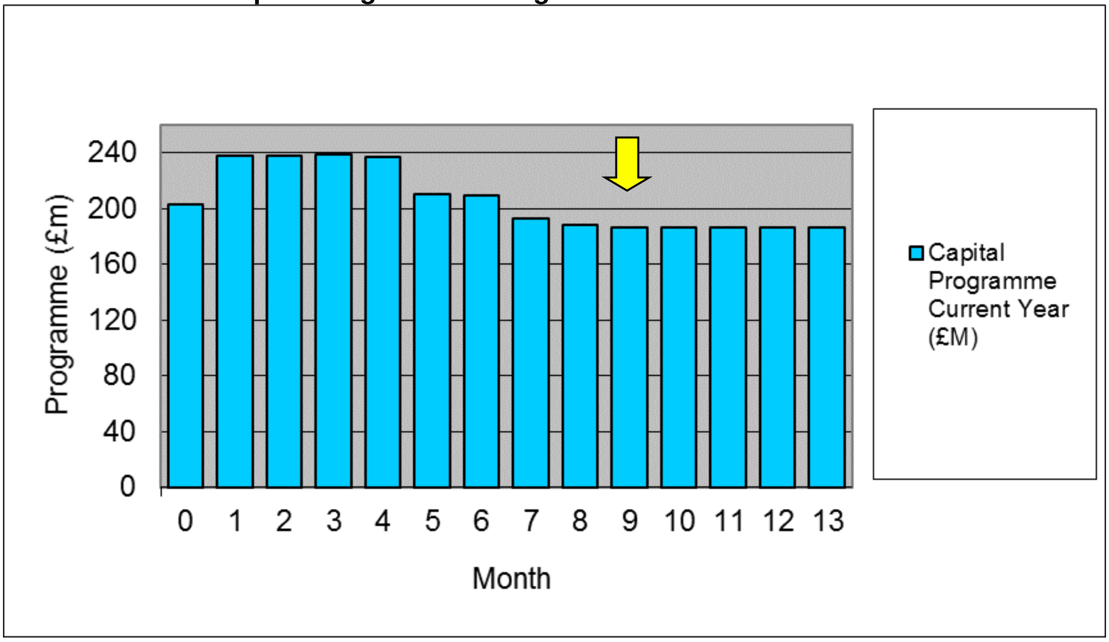
Table 1: Revised Capital Programme

	2014-15	**2015-17**
	£m	**£m**
New schemes approved January 2014	24.446	142.188
Previously approved schemes	178.016	46.488
Totals in Medium Term Financial Strategy	**202.462**	**188.676**
Re-profiling and other adjustments at financial year end	17.878	7.958
Slippage	2.359	0.000
Other Adjustments (Primarily additional funding announcements for Children's Services and Highways)	15.236	0.000
Capital Programme Opening Position	**237.935**	**196.634**
Previously approved reprofiling	-66.589	66.589
Other movements previously approved	16.437	0.446
Totals previous period	**187.783**	**263.669**
Re-profiling this period	-0.546	0.546
Other movements to be approved	-0.907	0.564
Revised capital programme outturn	**186.330**	**264.779**
Total		**451.109**

1.5 This table highlights a reduction of £0.546m in the 2014-15 capital programme due to reprofiling schemes to later years, as identified in Appendix 1.

1.6 The following chart identifies the cumulative effect of the changes to date on the capital programme.

Chart 1: Capital Programme changes to date 2014-15 at Period 9



1.7 The arrow at Month 9 shows the latest position.

1.8 The table below provides a high level view of how the revised 2014-15 programme is made up for each service:

Table 2: Revised capital programme 2014-15

Service	Opening Capital Programme 2014-15	Cumulative Changes To Date	Reprofiling To Be Approved	Other Changes To Be Approved	2014-15 Capital Programme	Forecast Outturn	Over / (Under)spend
	£m	£m	£m	£m	£m	£m	£m
Children's Services	91.160	-48.403	-0.116	0.343	42.984	42.984	0.000
Adult Social Care	10.552	-5.692	-0.232	0.000	4.628	4.628	0.000
Community & Environmental Services	102.179	2.186	-0.198	-1.243	102.924	101.443	-1.481
Resources	13.589	1.180	0.000	0.000	14.769	14.769	0.000
Finance	20.455	0.577	0.000	-0.007	21.025	21.023	-0.002
Total	**237.935**	**-50.152**	**-0.546**	**-0.907**	**186.330**	**184.847**	**-1.483**
		187.783		**-1.453**			

1.9 Reprofiling and other changes to schemes are identified in further detail in Appendix 1.

1.10 The underspend on Community & Environmental Services is primarily due to the reduced costs of providing drainage improvements as set out in paragraphs 2.7 and 3.4. Of the £1.483m underspend, £1.441m was to be funded from unsupported borrowing. The costs of that borrowing has been factored into revenue budgets, and any redirection of this funding will be subject to the corporate capital prioritisation criteria.

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

Table 3: Opening capital programme 2015-17

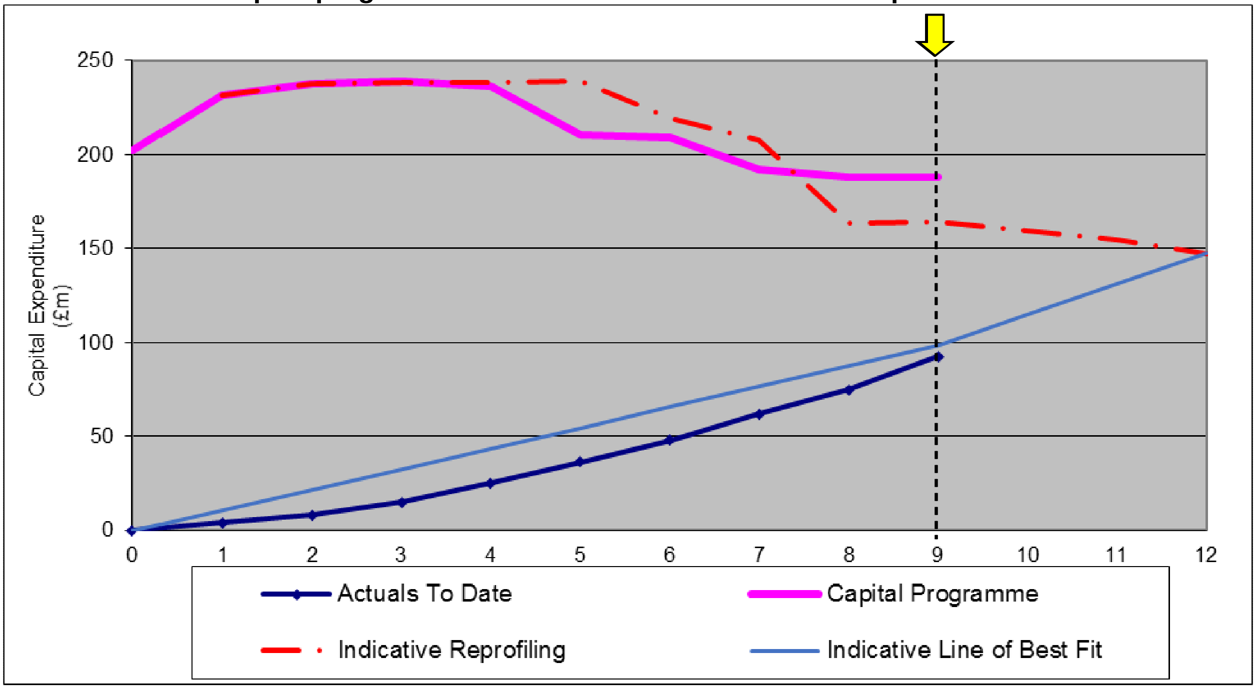
Service	Revised Position at end of November 2014 £m	Reprofiling in December £m	Other Movements in December £m	Revised Position at end of December 2014 £m
Children's Services	98.588	0.116	0.564	99.268
Adult Social Care	5.936	0.232	0.000	6.168
Community & Environmental Services Cultural Services	132.976	0.198	0.000	133.174
Resources	15.017	0.000	0.000	15.017
Finance	11.152	0.000	0.000	11.152
TOTAL	**263.669**	**0.546**	**0.564**	**264.779**

1.12 The revised position of the future years programme at the end of November was reported to committee on 26 January 2015. The new capital programme to be approved by Council in February will be incorporated into the Period 11 monitoring report.

2 Actual Spend and Progress on Capital Programme

2.1 Progress on the overall capital programme is as follows:

Chart 2: Capital programme 2014-15 and cumulative actual expenditure



2.2 Total expenditure on the 2014-15 capital programme to the end of December was £92.630m. By comparison, the Council had spent £80.363m by the end of December 2013.

2.3 Capital projects by their nature do not lend themselves to evenly profiled expenditure, which would suggest a target spend percentage of 75%. A number of reasons may result in higher expenditure during certain parts of the year. In particular, major construction and infrastructure projects would expect to incur greater expenditure during the summer and autumn. There may be other reasons for delays in projects such as difficulties in obtaining planning permission.

2.4 The graph above suggests that there may still be a significant amount of re-profiling of expenditure into future year's programmes, in line with historical trends. The difference between the current profile and actual at Month 9 is 25.7%.

2.5 The dotted line on Chart 2 present an indicative pattern of reprofiling based on last year's capital programme. If there is similar reprofiling in this year then the outturn capital programme would be £147.3m and expenditure to date would represent 62.9% of the outturn, 12.1% below expected progress if expenditure is incurred on a "straight line basis". The "line of best fit" above has been adjusted for major projects not yet in construction/delivery (as shown in Chart 3). This shows that actual expenditure is closer to an expected profile, but is still below expected progress.

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

Table 4: Comparison of capital programme, by service, and expenditure to date

Service	Capital Programme	Expenditure To Date	% Capital Expenditure Incurred	RAG
	£m	£m		
Children's Services	42.984	19.301	44.9%	A
Adult Social Care	4.628	3.487	75.4%	G
Community & Environmental Services	103.515	53.474	51.7%	G
Resources	14.769	4.632	31.4%	A
Finance	21.025	11.735	55.8%	G
Total	**186.921**	**92.630**	**49.6%**	**A**

2.7 A red "RAG" rating has been assigned to services where the expenditure to date is less than third of expenditure based on a "straight line" profile (amber between a third and a half or below two thirds for materially significant programmes). Reasons for expenditure being below an evenly distributed budget profile are as follows:

Children's Services (Month 9 gap: £12.937m) - "Amber"

The gap between expected and current expenditure has increased in the last month from £10.724m to £12.937m as there has been low expenditure over the Christmas period and little reprofiling of budgets.

Historically this period of the year has been associated with low levels of reprofiling and expenditure but there has previously been further reprofiling of schools schemes in the last quarter of the financial year and this is the main factor influencing the indicative reprofiling in Chart 2.

However, review of scheme progress now appears to have fallen behind last financial year and further work will be required to address the gap between expenditure and budget.

Community & Environmental Services (Month 9 gap: £24.162m) – "Green"

The scale of the Highways capital programme means that Community & Environmental Services is materially significant to the overall capital programme and therefore, although assigned a green rating under the RAG rating system above, the programme still shows a materially significant gap.

However, there has been a significant improvement in the expenditure gap from £29.183m to £24.162m over December. This has been primarily driven by over £12m of expenditure on Highways being realised during the month.

As previously reported, the actual expenditure incurred by Highways does not reflect the amount of work which has been undertaken by the authority as there is a technical issue with contractor billing. This is still an issue but work is ongoing to resolve the problem at which point we can expect the payments to better align themselves to the work completed.

The difference also reflects the underspend on drainage schemes in Waste Management previously reported under ETD Other.

Resources (Month 9 gap: £6.445m) – "Amber"

The majority of the Resources 2014-15 capital programme now comprises two major schemes:

- Better Broadband - £9.725m
- DNA - £5.000m

Better Broadband payments are paid quarterly and based on milestone reports received from BT. The progress on the scheme has been reviewed and expenditure forecasts reprofiled accordingly earlier this year. The expenditure on the programme is not consistent with a straight line profile due to the timing of invoice payments which are subject to the milestone reports mentioned above. This delay in payment is resolved at the outturn of the financial year when accruals are processed for uninvoiced payments and therefore does not represent a concern at this point.

Much of the DNA delivery is in place, and it is expected that the full rollout of new ICT equipment will be completed in this financial year. £1.8m of expenditure on this equipment and applications packaging is now included in the capital programme. The rest of the expenditure remains outside the programme where it is currently being treated as a commitment to spend whilst queries regarding invoicing from HP and receipting of goods are resolved. Once these issues are resolved expenditure will be transferred into the capital programme and accrued as necessary at year end if invoices for goods received remain unpaid.

2.8 An important indicator of progress on the capital programme as a whole is the stage, or gateway, of the constituent projects. The certainty of a project being delivered on time and within budget increases as it moves through the gateways from feasibility to completion.

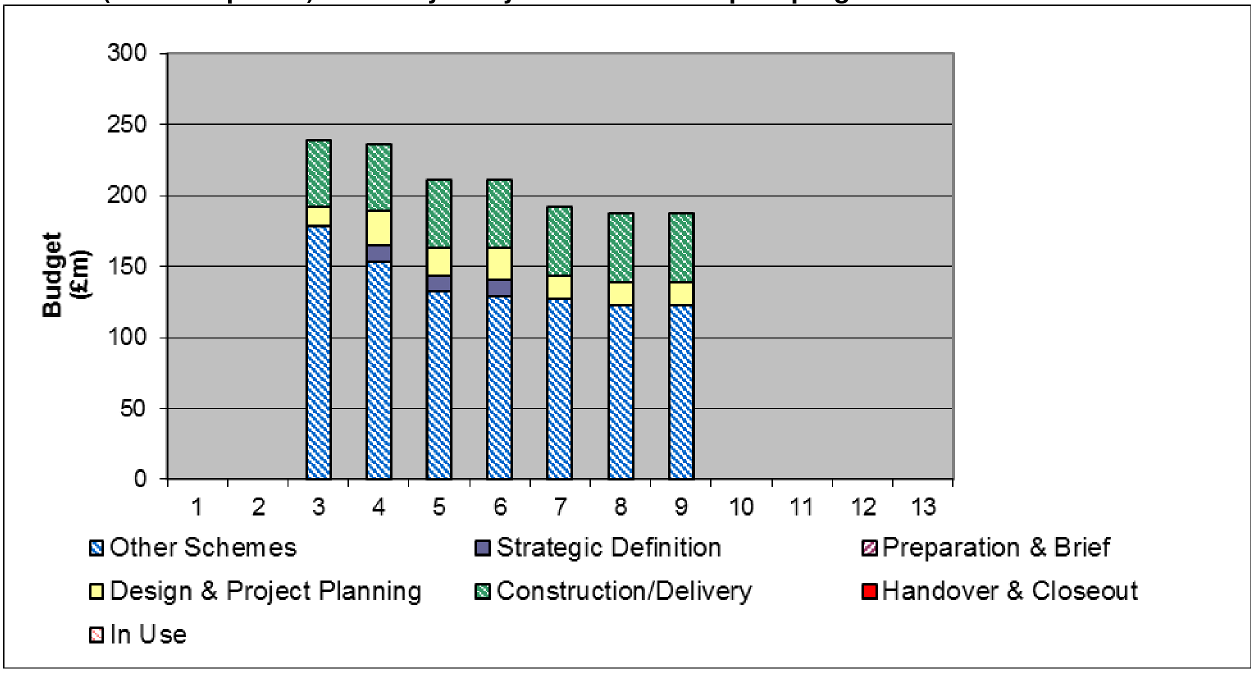
2.9 The following gateways will be applied to determine the progress of the schemes within the programme:

Project stage / Gateway	**Description**
Strategic Definition	Unallocated funding for which initial business cases and strategic briefs are still being developed
Preparation and Brief	Projects which have been identified and are undergoing options analysis and feasibility to identify the best route for delivery
Design and Project Planning	Projects where initial plans are being developed into a comprehensive project plan and design, through from the initial concept design to the technical design
Construction/Delivery	Construction, delivery & installation of the assets is underway
Handover & Closeout	Works on the assets are substantially complete and they have been handed over but are still undergoing a defects maintenance period prior to completion
In Use	Project is signed off, complete and in use
Other Schemes	Schemes below the de minimis for gatewaying (currently £5m)

2.10 The gateways identified above are based on the progress measurements used by the Council's property consultants, NPS, and are consistent with the Royal Institute of British Architects (RIBA) industry standards for project management.

2.11 The table below is being developed to identify the current gateways of projects over £5m within the capital programme at the end of December 2014-15. To date this analysis represents approximately 30% of the programme.

Chart 3 (in development): Gateway analysis of 2014-15 capital programme at end of December 2014



2.12 Progress on delivery of schemes at the beginning of 2014-15 has been good. Highlights in 2014-15 were reported in the Month 5 Capital Programme Monitoring report presented to the committee on 27 October 2014. Further progress on schemes will be reported to future committees.

3 Financing The Programme

3.1 The Council uses a number of sources of funding to support its capital programme.

3.2 Funding comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves.

3.3 The table below identifies the planned funding of the revised capital programme:

Table 5: Financing of the capital programme

Funding Stream	Approved Capital Programme	Previously Approved Changes	Changes To Be Approved	2014-15 Programme	2014-15 Forecast Outturn	2014-15 Over / (Under) Spend	Future Years Forecast
	£m	£m	£m	£m	£m	£m	£m
Prudential Borrowing	44.884	-7.097	-0.656	37.131	35.689	-1.441	49.696
Capital Receipts	2.258	8.321	0.225	10.804	10.804	0.000	17.324
Revenue & Reserves	3.567	1.716	0.283	5.566	5.566	0.000	0.514
Grants and Contributions		0.000					197.246
DfE	58.463	-27.272	-0.131	31.060	31.060	0.000	
DfT	48.760	14.518	-1.211	62.068	62.025	-0.043	
DoH	7.482	-4.289	-0.153	3.040	3.040	0.000	
DCLG	0.406	0.227	0.000	0.633	0.633	0.000	
DCMS	10.378	-0.653	0.000	9.725	9.725	0.000	
GNDP/CIF	0.000	2.651	1.000	3.651	3.651	0.000	
Developer Contributions	0.000	11.981	-0.170	11.810	11.810	0.000	
Other	26.264	-14.780	-0.641	10.844	10.844	0.000	
TOTAL	**202.462**	**-14.679**	**-1.453**	**186.330**	**184.846**	**-1.484**	**264.779**

3.4 The table above shows a forecast prudential borrowing requirement for the Council to support the 2014-15 programme of £35.689. The underspend of £1.441m from borrowing is primarily related to the lower than expected cost of providing drainage improvements at the County's landfill and Household Waste Recycling Centres.

3.5 The reduction in the forecast borrowing requirement is due to the forecasting of higher general capital receipts for 2014-15 as detailed in Section 4 and the reprofiling of some expenditure to 2015-16.

3.6 The Council has been successful in an application for a £0.410m interest-free loan from Salix to finance the borrowing of some CERF projects associated with the development of County Hall.

3.7 The revenue consequences of borrowing are shown in Appendix 2. The key issues continue to be:

- To evidence that spend-to-save schemes generate savings to fund their costs; and
- That unsupported borrowing schemes are reviewed to identify alternative revenue funding.

Further details of spend-to-save schemes and other schemes largely funded through borrowing are shown in Appendices 2 and 3.

4 Capital Receipts

4.1 The Council's Asset Management Plan, as approved on 14 April 2014, details the short and medium term plan for the management of the Council's assets and how this supports the delivery of the Capital Programme.

4.2 Key themes of the asset management plan relating to the capital programme were:

- Using our property portfolio more efficiently and rationalising the office space used by the Council;
- Reducing the number of surplus properties;
- Generating capital receipts in line with the requirements of the agreed capital programme; and
- Developing an investment strategy and policy.

4.3 The capital programme, approved in February 2014, further detailed how asset management would support capital expenditure through generating £10.163m of capital receipts through property disposals.

4.4 Since then, there have been a significant number of changes to the draft disposal schedule as a result of identifying further general disposals to reduce borrowing across the capital programme. The current revised schedule for disposals is:

Table 6: Revised disposal schedule £m

	2014-15 Approved	2014-15 End of November	2014-15 End of December	Changes since the end of November
General Capital Receipts Available	2.258	6.384	6.384	0.000
Financial Packages	1.485	2.577	2.577	0.000
County Farms Capital Receipts	6.420	1.536	1.536	0.000
Estimated Total Capital Receipts	**10.163**	**10.497**	**10.497**	**0.000**

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

4.5.1 <u>General Capital Receipts</u>

There have been no significant changes to forecast general capital receipts

4.5.2 <u>Financial Packages Receipts</u>

There have been no significant changes to forecast Financial Packages receipts.

4.5.3 County Farms Receipts

There have been no significant changes to forecast Financial Packages receipts.

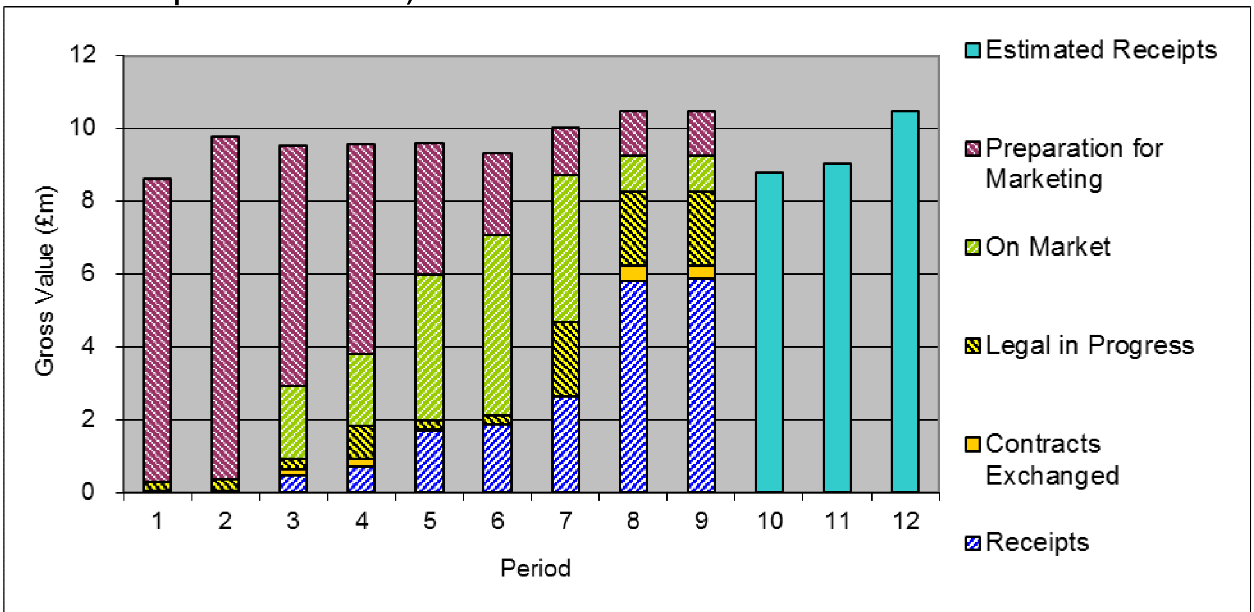
4.6 The following table classifies the movements on forecast receipts following the previous forecast.

Table 6a: Reconciliation of Disposal Schedule Estimates

	£m
Capital receipts estimate at end of previous period	10.497
Additions	0.000
Upward revaluations of estimates	0.000
Brought forward from future years	0.000
Removals	0.000
Downwards revaluations of estimates	0.000
Delayed until future years	0.000
Revised Estimate 2014-15	**10.497**

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

Chart 4: Forecast Capital Receipts from property sales 2014-15 (estimated cumulative receipts from month 10)



The columns for periods 10-12 show estimated cumulative future monthly receipts and demonstrate a good level of confidence in their delivery in 2014-15. A detailed list of property sales and their status may be found in Appendix 5.

4.8 Where unallocated capital receipts are generated the Council uses these to support its general capital programme. Anywhere capital receipts have been allocated as part of a financial package, but are still to be used, they are retained in the capital receipts reserve to fund future projects. The table below identifies expected movements on the capital receipts reserve:

Table 7: Capital receipts reserve forecast 2014-15

	General	Financial Packages	County Farms	Total
	£m	£m	£m	£m
Opening Balance	**0.000**	**1.385**	**0.367**	**1.752**
Forecast receipts from sales of properties	6.385	2.577	1.536	10.497
Receipts from sales of assets to leasing companies	0.867	0.000	0.000	0.867
Other capital receipts	1.953	0.000	0.000	1.953
Forecast receipts generated in year	**9.204**	**2.577**	**1.536**	**13.317**
Sales expenses	-0.300	-0.079	0.000	-0.379
Receipts repayable to third parties	0.000	0.000	0.000	0.000
Forecast net receipts available for funding	**8.904**	**3.884**	**1.903**	**14.690**
Forecast use to fund incomplete leases	0.000	0.000	0.000	0.000
Forecast use to fund programme and reduce borrowing	-8.904	-0.990	-0.910	-10.804
Forecast Closing Balance	**0.000**	**2.893**	**0.992**	**3.886**

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

4.10 Other capital receipts includes proceeds generated to date by Great Yarmouth Development Company and therefore receivable by Norfolk County Council as a repayment of the loan made to the company for investing in the development at Royal Britannia Crescent.

5 New capital scheme proposals requiring borrowing

5.1 There are no new schemes identified requiring borrowing.

6 Spend to Save schemes

6.1 An analysis of spend-to-save schemes, Economic Development schemes, and schemes funded through the Norfolk Infrastructure Fund is set out in Appendix 4.

7 Capital schemes in development

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

- Land developments at former Scottow Enterprise Park (former RAF Coltishall). Further details are in the supplementary agenda to 24 November 2014 Economic Development Sub-Committee.
- Further development of broadband in rural areas (more details in Better Broadband for Norfolk 6 monthly update presented to 18 November 2014 Environment, Development and Transport Committee)

- Greater Norwich infrastructure projects, including the NDR – see Appendix 6.

7.2 A14 Cambridge to Huntingdon Improvement Scheme 2016-2020

The Secretary of State for Transport proposes to construct the A14 Cambridge to Huntingdon Improvement Scheme. The scheme is under development and is to be jointly funded by the Secretary of State and local authorities and LEPs based in the Eastern region. The outturn cost of the scheme is approximately £1.345 billion based on the works taking place between the financial years 2016-17 and 2019-20. Local authorities and LEPs will be contributing £100m, with £75m from Cambridgeshire County Council and Greater Cambridge Greater Peterborough LEP. Norfolk County Council's contribution will be £0.040m per annum from January 2020 to January 2044, resulting in a total commitment of £1m.

7.3 One Public Estate programme

The Council was successful in a joint bid with Suffolk to be part of the "One Public Estate Programme," and our inclusion was confirmed in September 2014. The programme is designed to facilitate and enable local authorities to work successfully with central government and local agencies on public property and land issues through sharing and collaboration. It has four main objectives:

- Create economic growth;
- Generate capital receipts;
- Reduce running costs; and
- Deliver more integrated and customer focused services.

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

7.4 Bowthorpe Development

Norfolk County Council, acting as the Accountable body for the Local Infrastructure Fund on behalf of the Greater Norwich Growth Board, is in the process of drafting a loan agreement with Norwich City Council. The loan is to the value of £1.865m and is intended to support the development of key infrastructure as part of the major development at Bowthorpe Threescore.

7.5 Priority Schools Building Programme

The second phase of the PSBP national programme was launched on 1 May with a value of around £2billion over a five year programme. All local authorities, dioceses, sixth form colleges, academies and multi-academy trusts were invited to submit an expression of interest for those schools and sixth form colleges in the very worst condition to undertake major rebuilding or refurbishment.

Norfolk submitted an expression of interest bid for three priority schools for approximately £2.5 million funding based on our existing condition information.

The Department for Education has set a high bar for inclusion in the Programme and the outcome of the bidding process is anticipated at the end of 2014.

7.6 Museums Joint Committee Capital Projects

The Museums service are currently working on two new capital projects:

- Voices From The Workhouse is a £1.8m scheme at Gressenhall Farm and Workhouse subject to Heritage Lottery Fund second round approval. This is due to start early next year with a view to completion by Autumn/Winter 2015.
- The redevelopment of the keep at Norwich Castle Museum and Art Gallery is a longer term renovation project to take place from 2016-17 to 2018-19. The cost of this project will likely be in the region of £8-9m and is currently subject to planning approval and securing external funding sources.

7.7 DfT Local Highways Maintenance Challenge Fund

The Local Highways Maintenance Challenge Fund was announced as part of the Autumn Statement in 2014 and seeks to address major maintenance schemes on local infrastructure which would otherwise be unaffordable through the annual block funding allocation.

The fund is due to run for six years with a total of £575m of funding available to Local Authorities; £75m of this funding is available for 2015/16. The funding will be for schemes over £5m and is allocated through a bidding process.

In order to qualify for the funding a bid must include a contribution from the local authority of at least 10%, which can consist of prudential borrowing, revenue or reserve contributions or contributions from third parties although the use of funding from central government is excluded.

The current round of bidding is now open and requires bids to be submitted by 9 February 2015. Officers are currently exploring options for the Council to place a bid for funding from the Fund.

Appendices

Appendix 1: Reprofiling and Other Changes to the 2014-17 Capital Programme

Appendix 2: Revenue Consequences of Borrowing

Appendix 3: Spend to Save and NIF-Supported Schemes

Appendix 4: Norfolk Infrastructure Fund Update

Appendix 5: Capital Receipts

Appendix 6: Greater Norwich Growth Board introduction

Appendix 1: Reprofiling and Other Changes to the 2014-17 Capital Programme

i. This appendix sets out the reprofiling and other changes which have occurred during December 2014.

ii. The changes to the 2014-15 programme are as follows:

Reprofiling

Table A1a: Reprofiling in December 2014

Service	Project	Funding Type	Amount £m	Explanation
Children's Services	A1 - Growth	Grants and Contributions	-0.116	Basic Need 2013-14 Unallocated - reprofiled to next financial year for future year projects.
Children's Services Total			-0.116	
Adult Social Care	Bishops Court - King's Lynn	Grants and Contributions	-0.048	Programme adjusted to agree to contract terms.
	Lakenfields	Grants and Contributions	-0.125	Programme adjusted to agree to contract terms.
	LPSA Domestic Violence	Grants and Contributions	-0.059	Reprofile budget to agree to project profile.
Adult Social Care Total			-0.232	
Community & Environmental Services				
ETD Other	Drainage Improvements	Borrowing and Capital Receipts	-0.250	Projects slipping due to weather
	Closed Landfill Sites-Capping & Restoration	Borrowing and Capital Receipts	0.052	Reprofile back to 2014-15 - Additional works completed this year.
Community & Environmental Services Total			-0.198	
Total Reprofiling			**-0.546**	

Other Changes

Table A1b: Other changes in December 2014

Service	Project	Funding Type	Amount £m	Explanation
Children's Services	B4 - Targeted need	Revenue and Reserves	-0.069	Early Years Environment Revenue contributions decreased.
	D - Other schemes	Revenue and Reserves	0.366	Increase in Revenue contributions for ICT refresh 14-18 programme
		Multiple Funding Sources	0.046	Adjustment of funding to several schemes.
Children's Services Total			**0.343**	
Community & Environmental Services				
Cultural Services	Wymondham Library	Multiple Funding Sources	-0.095	Budget virement to Libraries Transformation 14/15+
	Hethersett Adaptations	Borrowing and Capital Receipts	-0.060	Project completed and budget transferred to Libraries Improvements 14/15+
	Libraries Transformation 14/15+	Multiple Funding Sources	0.095	From Wymondham Library project.
	Library Improvements 14/15+	Borrowing and Capital Receipts	0.060	From Hethersett Adaptations project.
	Library -CERF Project adjustment	Borrowing and Capital Receipts	0.001	CERF funding allocation adjustment.
	Gressenhall Museum - Sewerage Treatment Plant Upgrade	Grants and Contributions	0.020	Additional DOH grant to cover expenditure
	Time & Tide H&S Improvements	Borrowing and Capital Receipts	0.005	Corporate Minor Works project
ETD Highways	Bus Infrastructure Schemes	Grants and Contributions	-0.017	Removal of Wymondham B1172 bus shelters scheme
	Cycling	Grants and Contributions	-0.614	Reduction on Vauxhall St-Bethel St Cycle Ambition scheme
	Local Road Schemes	Grants and Contributions	-0.028	Reduction in Hall Rd, Norwich Asda scheme -£99k, Increase in Hardwick,KL Sainsbury Scheme, QE roundabout, KL in addition to Swaffham scheme , and N.Walsham.
	Other Schemes	Borrowing and Capital Receipts	-0.080	Removal of Dereham Road scheme
	Road Crossings	Multiple	-0.194	Reduction of costs Park Rd, Diss

		Funding Sources		Ped crossing scheme -£50k,Postmill Close, Wymondham -£11k, removal of A149, Hunstanton Ped crossing -£133k
	Traffic Management & Calming	Multiple Funding Sources	-0.135	Removal of Better Buses Highway Signage -£72k, B1140 re Cantley Beet factory s106 -£79k Inclusion of South Quay CPE, KL s106 £16k
	Walking Schemes	Multiple Funding Sources	-0.063	Adjustment to programme
	Structural Maintenance	Grants and Contributions	-0.139	Correction of funding for revenue elements of Storm Surge funding
Fire	Watton Fire Station	Borrowing and Capital Receipts	0.001	Fire Safety Improvements Allocation from Corporate Minor Works funding
Community & Environmental Services Total			**-1.244**	
Finance	CMW Pot	Borrowing and Capital Receipts	-0.006	Disaggregation of funding to schemes within services
	Cerf Pot	Borrowing & Capital Receipts	-0.001	Disaggregation of funding to schemes within services
Finance Total			**-0.007**	
Total Other Changes			**-0.907**	

iii. Reprofiling into future years is as per Table A1a.

Appendix 2: Revenue Consequences of Borrowing

i. The Council is required under the Local Government Act 2003 to have regard for the CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code).

ii. The Prudential Code sets out the principles by which authorities should ensure that their level of borrowing is prudent and affordable. It also prescribes the indicators an authority must use to assess the prudence and affordability of its borrowing.

iii. The prudential indicators, which include the authorised limit for borrowing and the expected ratio of financing costs to net revenue stream for future years, are set annually and were agreed alongside the Capital Programme on 17 February 2014.

iv. The indicators are monitored on a monthly basis and any significant deviation from the set level, which would indicate that the Council is acting imprudently, is reported to Members by Treasury Management. Currently the Council is working well within the indicators set in February and does not plan to undertake any further borrowing in 2014-15.

v. The level of borrowing on the Council's Balance Sheet reflects prior capital funding decisions and must be viewed in the context of the overall portfolio of assets held by the Council.

vi. The Council is required to set aside an amount of money annually to service its debt and ensure that its actions do not impair the ability of the Council to borrow to support its capital requirements in the future. This is known as the Minimum Revenue Provision (MRP). The underlying assets provide services for the Council over a significant period of time and, through setting aside an amount of money annually to service the associated borrowing, the Council matches the cost of these assets to the service potential provided by them.

vii. Additional borrowing results in an increase in the amount of interest the Council must pay each year and an increase in the MRP it must make. The table below shows the incremental effect of the current programme of unsupported borrowing on future revenue budgets:

Table A2a: Analysis of unsupported borrowing required to support the capital programme

	2014-15	**2015-16**	**2016-17**	**2017-18**
	£m	**£m**	**£m**	**£m**
Forecast additional borrowing required in year	35.689	34.508	15.188	N/A
Cumulative additional borrowing	**35.689**	**70.198**	**85.385**	**85.385**
Interest		1.784	3.682	4.518
MRP		1.428	2.808	3.415
Total annual revenue impact of borrowing (cumulative)		**3.212**	**6.490**	**7.933**

viii. The figures are based on interest rates for borrowing of 5.00%, 5.50% and 5.50% for 2014-15, 2015-16 and 2016-17 respectively. MRP is calculated on the basis of accounting for 1/25 of capital expenditure per year, which is consistent with expenditure on buildings; where expenditure is incurred on other types of asset, MRP figures will vary from those shown above.

ix. During 2014-15, the Council will be repaying loans of £9.000m, resulting in a reduction of £0.479m in interest costs.

x. Unsupported borrowing may be analysed into "spend to save" schemes and those schemes which do not have a recognised saving or income stream related to them:

Table A2b: Analysis of unsupported borrowing

	2014-15	2015-16	2016-17
	£m	£m	£m
Spend to save (Appendix 2)	25.721	9.925	
Economic Development & NIF Funded Schemes (Appendix 2)	8.550	30.109	20.000
Deferred borrowing	5.979	2.304	0.875
Other schemes	5.253	2.990	0.818
Capital receipts available to reduce deferred and other borrowing	-9.814	-10.819	-6.505
Total	**35.689**	**34.509**	**15.188**

xi. Spend to Save Schemes

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

xii. Economic Development & NIF Funded Schemes

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

xiii. Deferred Borrowing

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

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

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

Table A2c: Analysis of Other Schemes

Scheme	2014-15	2015-16	2016-17	2017-18
	£m	£m	£m	£m
Corporate				
Alterations to Offices to Comply with Disability Discrimination Act	0.024	0.230		
Asbestos Survey & Removal Programme (Chief Exec)	0.324	0.185		
Corporate Minor Works	0.277	0.113		
Fire Safety Requirements	0.076	0.049		
Unsupported schemes				
Closed Landfill Site Capping	0.200	0.048		
HWRC Drainage Improvements	0.350	0.250		
Kings Lynn Fire Station	1.173			
New Fire Station - Boat Store & Enhanced	0.005	0.153		
North Lynn Improvements	0.400			
Real Fire Training Unit	0.015	0.093		
Education schemes initially funded through supported borrowing				
Basic Need Unallocated		0.300		
BESD Briggan Road	0.006	0.283		
Brooke Replacement School		0.145		
Chapel Rd site	0.149			
Condition Contingency	0.447			
Drake Land	0.050			
Gayton Land		0.066		
Kings Lynn Academy	0.034			
Mundesley Infants	0.217			
Queens Hills Land		0.203		
Robert Kett, Wymondham	0.164			
Schools Access Initiative Post 2011-12	0.035	0.130	0.200	
Sustainability	0.443	0.012		
Thetford Replacement School	0.056	0.456	0.605	
Valley Primary	0.136			
Other education schemes	0.203	0.099		
Other small schemes				
Other Schemes	0.469	0.175	0.013	
	5.253	2.990	0.818	
Cumulative Borrowing	**5.253**	**8.243**	**9.061**	
Impact on revenue		0.468	0.752	0.830

xv. The schemes identified in the first part of Table A2c represent corporate programmes intended to maintain Norfolk County Council assets and ensure that the Council complies with legislation.

xvi. Reprofiled schemes includes costs previously reported as being deferred borrowing, as described above.

xvii. To fund or reduce the Council's unsupported borrowing detailed above, there are three options:

a. Amend the future capital programme to reduce the funding available to support these schemes, including an ongoing review of the Corporate Minor Works programme

b. Identify revenue budget to fund the capital expenditure directly.

c. Identify a suitable reserve from which to draw down the funding for the schemes.

Appendix 3: Analysis of Spend to Save and Economic Development & NIF Funded Schemes

i. The total for "spend to save" schemes in Appendix 2 Table A2b in can be analysed as follows, with details of the benefits to be realised for each project.

Table A3a: Analysis of "spend to save" capital schemes 2014-17

Scheme	Financing	2014-15	2015-16	2016-17
		£m	£m	£m
Carbon Energy Reduction Fund (CERF)	Energy cost savings	1.505		
County Hall Carbon Energy Reduction Fund		1.080	0.771	
County Hall Better Ways of Working	Office closures rent saving	2.462	1.760	
County Hall Strategic Maintenance		13.555	6.999	
North Norfolk Office Reorganisation	Office closures running cost saving and sales proceeds	0.022		
County Farms Improvements	Capital receipts from County Farms disposals	0.910		
Great Yarmouth Property Rationalisation	Capital receipts from disposal of Great Yarmouth office accommodation	0.420		
Scottow Enterprise Park (former RAF Coltishall)	Identified capital receipt used to replace direct funding from NIF	0.325	0.395	
The Oaks, Harvey Lane Disposal	Capital Receipt from disposal	0.100		
Watton Depot	Capital receipt from disposal of depot	0.142		
DNA	Funded from identified savings within the ICT budget	5.000		
Cromer Road, Sheringham	Capital receipt from disposal of property in Holt	0.200		
Total Current and Proposed Spend To Save Schemes		**25.721**	**9.925**	**0.000**

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

Table A3b: Analysis of Economic Development and Norfolk Infrastructure funded capital Schemes 2013-16

Scheme	Financing	2014-15	2015-16	2016-17
		£m	£m	£m
Better Broadband	Telecommunications contract savings and NIF support		14.209	
Northern Distributor Road	GNDP/ CIF	8.050	8.650	20.000
Loan to Norfolk Energy Futures	Loan Repayments From renewable energy incomes generated by a wholly owned company	0.500	7.250	
Total Economic Development and NIF funded projects		**8.550**	**30.109**	**20.000**

iii. Updates on Better Broadband, the Beach Coach Station and NORA are included in Appendix 4.

Appendix 4: Norfolk Infrastructure Fund Update

i. The Norfolk Infrastructure Fund is a reserve funded by Second Homes receipts and created to support investment in economic development and infrastructure schemes undertaken by the Council.

ii. This support is in the form of either:

a. one-off funding from the reserve, whereby the Council does not incur future revenue costs related to borrowing, or

b. through support for borrowing, providing an annual contribution to mitigate the future effects of interest and MRP.

iii. An annual update detailing progress on the fund was presented to Cabinet on 3 March 2014.

iv. The revised commitments on the fund at the beginning of February 2015 are as follows:

Borrowing requirement	**Total Investment**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
3rd River Crossing	0.800	0.800					
College of West Anglia	1.500		0.105	1.395			
Broadband	5.000					0.000	5.000
Thetford	0.000						
Beach Coach Station	0.124			1.247	1.048	(2.171)	
South Denes	0.000						
NORA	1.000		0.307	0.443	0.250	0.000	0.000
Total Borrowing commitment	8.424	0.800	0.412	3.085	1.298	(2.171)	5.000
Cumulative Borrowing Position		0.800	1.212	4.297	5.595	3.424	8.424
Balance of the Fund							
Opening balance of reserve		(1.151)	(1.151)	(4.745)	(2.378)	(2.015)	(0.589)
Additions to the fund			(3.658)	(1.914)	(1.161)	(0.885)	(0.885)
Borrowing costs			0.065	0.098	0.247	0.453	0.277
One off Funding							
RAF Coltishall				4.183	1.270	1.158	
NORA - on-off							0.200
Breckland					0.006		
Broadband							0.000
Contribution to Willow compensation						0.700	
Reserve balance		(1.151)	(4.745)	(2.378)	(2.015)	(0.589)	(0.997)
Available capital receipts						(0.700)	
Available Funding		(1.151)	(4.745)	(2.378)	(2.015)	(1.289)	(1.697)

v. The following provides an update on the position of the current schemes within the Norfolk Infrastructure Fund:

NORA (Nar Ouse Regeneration Area) Housing Project

Progress update

The County Council agreed (April 2010) to invest £1m, supported by the Norfolk Infrastructure Fund (NIF), matched by a £1m land investment by King's Lynn and West Norfolk Borough Council (KLWNBC), to support the Nar Ouse Regeneration Area (NORA). The project was to develop 12.6 acres of residential land, providing 163 dwellings (later increased to 170) through a joint venture agreement (JVA). The rationale was to give confidence to the market in a period of inactivity, and to make good contaminated land to encourage development.

Construction of Phase 1, and the infrastructure for Phases 1, 2, and 3, commenced in August 2012 and are due to finish in February 2015. There have been additional costs for this challenging site, mainly due to ground conditions and reduced revenue, which mean that the Council's investment has been fully absorbed in Phase 1.

The Borough Council has also shared in these additional costs. This means that the £1m will not be recycled within the King's Lynn area and will be retained within the project. In addition, a further £0.2m has been requested to be allocated from the NIF to offset additional risk areas. KLWNBC offered to limit the Council Council's total liability for the project to the original £1m investment, plus this additional £0.2m. There is sufficient NIF funding to support the ongoing revenue cost of borrowing until the scheme's completion.

A report to the 19 January 2015 Economic Development Sub-Committee entitled "NORA housing project update" gives an up to date commentary on this scheme.

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

Period 9 Sales update

- All 19 homes have been built. There has been further progress on the sales of properties following the May 2014 report.
- All properties have now been sold or are sold subject to contract, with work ongoing to complete the remaining sales.

Scheme estimates

- January estimates for the scheme outturn are as follows:

	Original estimate £m	Change from Original Estimate £m	Current forecast £m
Total Budgeted Costs	2.076	0.219	2.295
Estimated Sales	-2.440 +/- 5%	0.269	-2.171
Estimated deficit (+)	-0.364	0.488	0.124

The original feasibility study was presented by NPS and agreed by the Great Yarmouth area board in September 2011 suggested there should be a net profit of £400k on the site.

The board did accept that there was a risk with the project as this was the first new housing development of this type in the area. It was acknowledged there were wider economic benefits to the project e.g. New homes bonus, increase in council tax base, and it was hoped that the project would help stimulate the market and lead to other developments.

Due to increasing costs and a reduction in the sales receipts, Royal Britannia Crescent is forecast to make a loss of £124k, which will be covered from the Norfolk Infrastructure Fund

Supporting better broadband access in rural areas

Progress update

- On 21 December 2012, using the Broadband Delivery UK (BDUK) Framework Contract, Norfolk County Council signed a contract for the delivery of improved broadband infrastructure across Norfolk
- Once complete in late 2015, the combination of commercial deployments and the ‘Better Broadband for Norfolk’ project should mean that 89% of Norfolk premises to have access to ‘next generation access’ infrastructure and 83% of all Norfolk premises have access to speeds of 24Mbps+
- All premises are expected to have access to a minimum of 2Mbps (enough to run BBC iPlayer).
- Further funding of £5.590m was announced by central government subject to the provision of match funding. A further £4m was requested from DCMS and agreed subject to the entire £9.590m being matched with local funding.
- A report was presented to the Environment, Development and Transport committee on 8 July 2014 detailing options for procurement and match funding. Currently, Norfolk County Council proposes to make a £1m contribution with the remaining being sought from District Councils and the Local Enterprise Partnership.
- The programme is still on schedule to be complete by the end of 2015. A report to the 18 November EDT committee entitled “Better Broadband for Norfolk – 6 Monthly Update” gives an up to date commentary regarding progress on this scheme.

Appendix 5: Capital Receipts

i. The current budgeted requirement for borrowing and capital receipts to support the 2014-15 capital programme is £47.935m, with a further £67.020m required to fund 2015-17.

ii. As detailed in Appendix 2, borrowing to finance the capital programme incurs revenue costs for both the interest on loans and the Minimum Revenue Provision that the Council is required to set aside. These increased revenue costs have an impact on the future revenue budgets set by the Council.

iii. In order to reduce the borrowing required to finance the programme, the Council may seek to generate capital receipts through the rationalisation of its property portfolio.

iv. The table below sets out in detail the sales which the Council has generated to date in 2014-15 in order to realise capital receipts and reduce the Council's borrowing requirement:

Table A5a: Sales to Date

Property	2014-15 Status	Capital Programme 2014-15	Forecast / Actual Receipt	Variance	Notes
		£m	£m	£m	
Former Landfill Site, North Walsham	Completed 4 July 2014	0.000	0.004	0.004	
Former Highways Office, Aylsham	Completed 19 June 2014	0.175	0.303	0.128	
Shrublands, Great Yarmouth	Completed 7 July 2014	0.050	0.166	0.116	
Tanner House, Thetford	Completed 17 July 2014	0.000	0.262	0.262	
Magdalen House HFE, Great Yarmouth	Completed 6 August 2014	0.000	0.000	0.000	
Unthank Centre, Norwich	Completed 7 August 2014	0.000	0.715	0.715	
30 Swansea Road, Norwich	Completed 26 September 2014	0.000	0.174	0.174	
Earthsea House, East Tuddenham	Completed 30 September 2014	0.000	0.310	0.310	
Former Youth & Community Centre, North Walsham	Completed 22 October 2014	0.000	0.200	0.200	
322-323 St John's Way, Thetford	Completed 6 November 2014	0.000	0.250	0.250	
Former Claydon High School, Great Yarmouth	Completed 13 November 2014	0.000	2.550	2.550	
Land at Lynn Road, Walsoken	Completed 5 December 2014	0.000	0.018	0.018	
Sculthorpe Depot, Tattersett	Completed 19 December 2014	0.000	0.060	0.060	
Highways Depot, Watton	Exchanged	0.000	0.374	0.374	

Former Railway Line, Walsingham	Legal in Progress	0.001	0.030	0.029	
Former Court House, Fakenham	On Market	0.000	0.155	0.155	
Dereham Road Land, Norwich	On Market	0.000	0.085	0.085	
Former Cromer High Station, North Repps	Preparation for Market	0.000	0.000	0.000	
Rear of 101-106 Norfolk Street, Kings Lynn	Preparation for Market	0.000	0.000	0.000	
Lingwood Junior School, Lingwood (Orchard Site)	Preparation for Market	0.000	0.730	0.730	
Former Drill Hall, Great Yarmouth		0.025	0.000	-0.025	Staged payment accounted for in prior financial year
The Hollies Youth & Community Centre, Loddon		0.004	0.000	-0.004	Staged payment accounted for in prior financial year
New Youth & Community Centre, Sheringham		0.058	0.000	-0.058	Staged payment accounted for in prior financial year
Land Adjacent to 20 Three Mile Lane, Costessey		0.100	0.000	-0.100	Sale of property completed in March 2013-14
Herondale HFE, Acle		0.900	0.000	-0.900	No longer being considered for sale
Former Sailing Base, Filby		0.010	0.000	-0.010	Delayed until future years
Mildred Stone House HFE, Great Yarmouth		0.000	0.000	0.000	Delayed until future years due to community asset listing
Former St Michael's School Site, Kings Lynn		0.000	0.000	0.000	Sale delayed until 2015-16 pending termination of lease with KLWNBC
Clere House HFE, Ormesby St Margaret		0.000	0.000	0.000	Sale delayed until 2015-16
Land at Norwich Road, Acle		0.000	0.000	0.000	Removed from schedule
Marsh House, Kings Lynn		0.185	0.000	-0.185	Delayed until 2015-16
Primary School, Cringleford		0.750	0.000	-0.750	Reclassified to financial packages
Lingwood Junior School, Lingwood (Pond site)	Preparation for Market	0.000	0.000	0.000	Sale delayed until 2015-16
Surplus ETD Land, Earsham	Preparation for Market	0.000	0.000	0.000	Sale delayed until 2015-16
General Capital Receipts		**2.258**	**6.384**	**4.128**	
Land at Sewell Park College, Norwich	Completed 18 November 2014	0.000	0.587	0.587	
Former Highways Depot, Stalham	Legal in progress	0.250	0.215	-0.035	
Primary School, Cringleford	Legal in progress	0.000	1.775	1.775	
Former Sixth Form Centre, Swaffham		0.150	0.000	-0.150	Sale of property completed in March 2013-14

The Hollies and Ivy House, Great Yarmouth		0.200	0.000	-0.200	Sale of property completed in March 2013-14
Former Highway Depot, Hillington		0.200	0.000	-0.200	Sale of property completed in March 2013-14
Former School, Necton		0.350	0.000	-0.350	Sale removed from schedule as the property is no longer being marketed due to planning issues
Alderman Jackson School, Kings Lynn		0.335	0.000	-0.335	Delayed until 2015-16
Financial Packages Capital Receipts		**1.485**	**2.577**	**1.092**	
Priory Farm, Wiggenhall St Germans	Completed 7 July 2014	0.150	0.130	-0.020	
Dairy Farm, Burlingham	Completed 4 September 2014	0.000	0.138	0.138	
Sparrow Hall Bungalow, Blofield	On Market	0.150	0.120	-0.030	
Hall Farm, Thorpe Market	On Market	0.000	0.618	0.618	
Barns at College Farm, Denver	Preparation for Market	0.300	0.300	0.000	
Hall Farm Cottage, Haddiscoe	Preparation for Market	0.200	0.230	0.030	
Land for 150 Homes Including Affordable Housing, Acle		4.000	0.000	-4.000	Planning for this site has now been agreed in principle but is subject to finalising the S106 agreement. Therefore, the property is likely to be marketed in December or January with a sale hopefully completed early in 2015-16.
Vicarage Farm Barns, North Elmham		0.200	0.000	-0.200	Anticipated sale now 2015-16
Development Site, Hilgay		0.080	0.000	-0.080	Anticipated sale now 2015-16
Additional Land for Hospice, Hopton		0.060	0.000	-0.060	Anticipated sale now 2016-17
Site for 20 Homes Including 12 Affordable Housing, South Walsham		0.500	0.000	-0.500	The initial planning application was not approved. This has now been revised and resubmitted but has delayed the sales process.
Row Hill Farm Barns, Hindringham		0.000	0.000	0.000	Anticipated sale now 2015-16
Tunstead Barns, Tunstead		0.150	0.000	-0.150	Anticipated sale now 2015-16
Site for 14 Homes Including Affordable Housing, Blofield	Preparation for Market	0.475	0.000	-0.475	Anticipated sale now 2015-16
Site for 5 Homes Including 3 Affordable Housing, Salthouse	Preparation for Market	0.065	0.000	-0.065	Anticipated sale now 2015-16

Church Farm Barns, Bacton		0.090	0.000	-0.090	Anticipated sale now 2015-16
Farms Capital Receipts		**6.420**	**1.536**	**-4.884**	
TOTAL RECEIPTS		**10.163**	**10.497**	**0.334**	

Appendix 6: Greater Norwich Growth Board introduction

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

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

The total requirement is as follows:

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

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

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

The current planned schemes are as follows:

Project	Funding Source	Scheme Total	15/16	16/17	17/18	18/19
		£m	£m	£m	£m	£m
Salhouse Road Walk/ Cycle route	City Cycle ambition grant	**0.200**	0.200			
Golden ball street	LTB funding (£2m)	**2.500**	1.500	1.000		
Yellow Pedalway	S106 Funding	**0.100**	0.100			
Guardian road/ Dereham road junction improvements	LTB Funding	**1.650**	0.050	0.050	0.750	0.750
Earlham Millennium Green path improvements		**0.066**	0.066			
Marriott's Way		**0.250**	0.250			
Roundhouse Way	LTB Funding	**0.500**	0.050	0.450		

Interchange						
Eaton Interchange		**0.100**	0.025	0.075		
Longwater Scheme development	LTB Funding	**2.000**	0.750	0.750	0.500	
NDR future costs, figures based on GNGB estimates	DfT grant, NCC borrowing supported by GNGB CIL, NCC capital receipts	**108.805**	27.650	63.500	17.655	
Total Costs		**121.277**	**33.486**	**66.561**	**19.980**	**1.250**
Identified Funding		**119.205**	32.450	65.600	19.905	1.250
Pooled CIL Funding requirement		**2.072**	1.036	0.961	0.075	

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

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

Policy and Resources Committee

Item No 14 B

Report title:	**2014-15 Capital Finance Monitoring Report Month 10 (January 2015)**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Executive Director of Finance (Interim)**

Strategic impact

This report provides a monthly update on the progress towards the achievement of the capital programme set by the Council in February 2014.

The primary purpose of this report is:

- to keep members informed of the progress of capital projects, and
- to give members confidence that capital expenditure is within approved funding available
- to respond to committee requests for further information and
- to demonstrate progress in generating capital receipts.

Capital Finance Monitoring reports are produced at the end of each month, and reported to the nearest subsequent Policy and Resources Committee.

Executive summary

Capital Programme

On 17 February 2014, the County Council agreed a 2014-15 capital programme of £202.462m with further future years' funding of £188.676m. Following the agreement of that programme, there have been further adjustments resulting in the programme's revised position reported at Month 9. This report summarises further revisions to the programme resulting in a revised programme of £173.106m, a reduction of £13.224m in Month 10 due mainly to reprofiling, as set out in the Annex A.

Capital Receipts

There has been a reduction of £0.944m in forecast capital receipts from property due to two properties which are now expected to be disposed of in 2015-16. This report summarises the disposal schedule and its proposed impact on the capital receipts reserve, including a revised figure of £5.740m of capital receipts from the sales of property now forecast to be used to reduce borrowing, against an initial forecast of £2.258m.

Capital Expenditure

The report summarises the capital expenditure which has taken place in the year to date. There has been further progress on Postwick Hub, Better Broadband and the development of dementia care facilities in Bowthorpe with NorseCare. In addition, the Council has seen the delivery of Lingwood Primary School, improvement and expansion of Eaton Primary School and Easton VC Primary School, two major museums projects and the completion of four refurbished floors at County Hall. The South Lynn Fire Station was officially opened on 2 February to house up to three fire appliances in the Kings Lynn area.

Recommendations:

Members are recommended to:

- **note the revised expenditure and funding of the 2014-17 capital programme and the changes which have occurred following the position reported elsewhere on this agenda, as set out in Section 1 of the Annex A**
- **note the progress towards the achievement of the 2014-15 programme, as set out in Section 2 of Annex A**
- **note the proposed changes to the disposals schedule and the impact on the capital receipts reserve, summarised in Section 4 of Annex A and further detailed in Appendix 5.**
- **note the impact of using borrowing to finance the programme on future revenue budgets, as identified in Appendix 2.**

1. Introduction

1.1 This report sets out the revised 2014-17 capital programme incorporating changes following the position reported elsewhere on this agenda.

2. Evidence

2.1 The Council set an initial 2014-15 capital programme of £202.462m in January 2014, which has been subsequently revised to £186.330m at month 9 to account for reprofiling and other adjustments as reported elsewhere on this agenda.

2.2 There has been further reprofiling and adjustments of -£13.224m in the period following the Month 9 report, as set out in the attached report. This has resulted in a revised 2014-15 programme of £186.330m.

3. Financial Implications

3.1 The revised position of the 2014-15 capital programme is £173.106m.

3.2 This is to be funded by £38.151m of unsupported borrowing; £10.311m of capital receipts; £5.762m of revenue & reserve funding; and £118.882m of grants and contributions.

3.3 The impact of the additional borrowing on future revenue budgets as a result of interest costs and setting aside amounts for the repayment of the borrowing is £3.278m, as set out in Appendix 2.

4. Issues, risks and innovation

4.1 Risks associated with the capital programme, in terms of prioritising funding, and the timing and control of spend, are being addressed through links with Asset Management Plans and the on-going development of the Property Client function. The capital monitoring report highlights activity and risks associated with the capital programme.

4.2 The revised approach to capital programme planning increases the focus on deliverability, and comparing projects on a council-wide basis in order to ensure optimal use of resources.

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

5. Background

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

5.2 Further details are given in the annex to this report.

Officer Contact

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

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Annex A

Norfolk County Council

Annex A: 2014-15 Capital Finance Monitoring Report Month 10

Report by the Executive Director of Finance (Interim)

Introduction

This report gives details of:

- Changes to the capital programme during January 2015
- future capital programmes
- forecast and actual income from property sales
- how the programme is funded and
- other key information relating to capital expenditure.

Context

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

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

Revised Capital Programme

The revised opening position of £237.935m for the 2014-15 capital programme was reported to Policy and Resources committee on 14 July 2014. This report identifies further refinements to that opening capital programme as plans are developed for the delivery of the constituent projects. There has been further reprofiling of £11.082m during January, primarily as a result of reviewing the NDR profile and changes to the schools capital programme.

Progress on Capital Projects

The progress on the capital programme at the end of January is broadly in line with expectations based on previous patterns of reprofiling. Further reprofiling is expected to occur in the coming months as there is further exploration of the barriers to progress on some major schemes, such as issues with planning consent. The Council has made progress on a number of major schemes during 2014-15, including:

- the delivery of the first two floors of County Hall, Lingwood Primary School, improvement and expansion of Eaton Primary School and Easton VC Primary School, and two major museums projects.
- significant further progress on Postwick Hub, Better Broadband and the development of dementia care facilities in Bowthorpe with NorseCare. Progress on Better Broadband was reported to the 18 November EDT committee in a paper entitled "Better Broadband for Norfolk – 6 Monthly Update".
- The completion of South Lynn Fire Station, which was officially opened on 2 February 2015.

Details of schemes co-ordinated by the Greater Norwich Growth Board are now included at Appendix 6.

Capital Receipts
There has been a reduction in the projected property capital receipts for 2014-15 as reported in section 4, primarily due to two properties which are now expected to be disposed of in 2015-16. These changes to the disposal schedule have resulted in a revised figure of £8.362m of general capital receipts now forecast to be used to reduce borrowing incurred through financing the 2014-15 capital programme.

1 Capital Programme 2014-15 Period 10 Position

1.1 The 2014-15 Capital Programme was approved by the County Council on 17 February 2014 and is published in the Council's 2014-15 Financial Strategy and Medium Term Financial Strategy.

1.2 Subsequent to the agreement of the 2014-15 Capital Programme, there has been further reprofiling and other changes reported to Cabinet in 2013-14, slippage, and adjustments to funding which were not anticipated at the time of the Capital Programme's publication. These changes have now been incorporated into the below reported opening position of the 2014-15 programme.

1.3 Subsequent to the Period 9 monitoring report, the capital programme has undergone further revisions as summarised in Table 2.

1.4 The latest revised programme totals £451.190m, made up of:

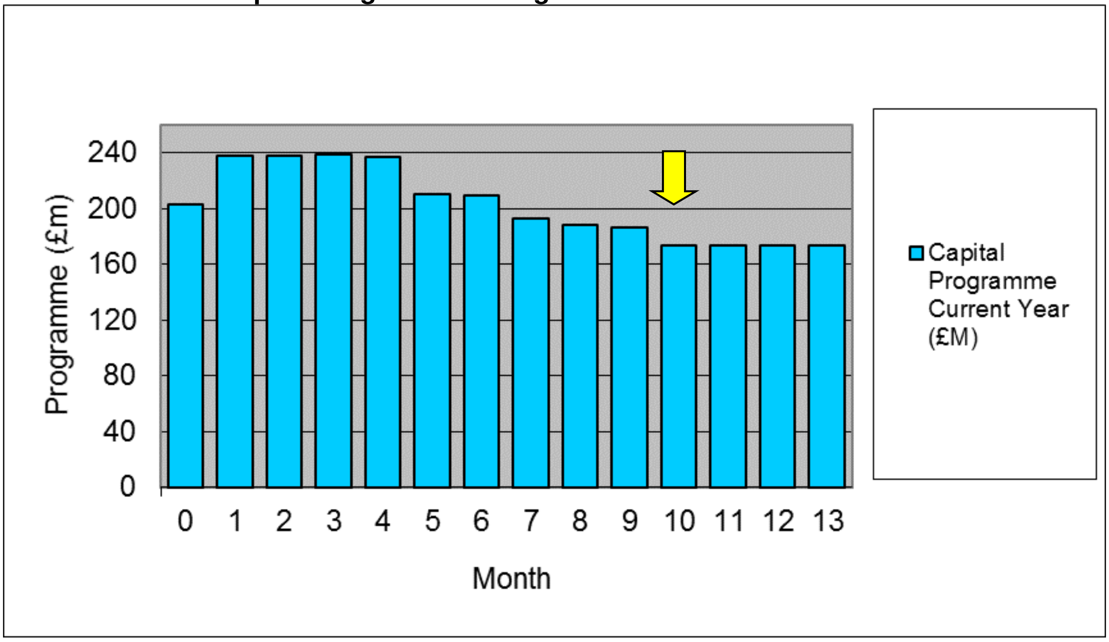
Table 1: Revised Capital Programme

	2014-15	2015-17
	£m	**£m**
New schemes approved January 2014	24.446	142.188
Previously approved schemes	178.016	46.488
Totals in Medium Term Financial Strategy	**202.462**	**188.676**
Re-profiling and other adjustments at financial year end	17.878	7.958
Slippage	2.359	0.000
Other Adjustments (Primarily additional funding announcements for Children's Services and Highways)	15.236	0.000
Capital Programme Opening Position	**237.935**	**196.634**
Previously approved reprofiling	-67.135	67.135
Other movements previously approved	15.530	1.010
Totals previous period	**186.330**	**264.779**
Re-profiling this period	-11.082	11.082
Other movements to be approved	-2.142	2.224
Revised capital programme outturn	**173.106**	**278.084**
Total		**451.190**

1.5 This table highlights a reduction of £11.082m in the 2014-15 capital programme due to reprofiling schemes to later years, as identified in Appendix 1.

1.6 The following chart identifies the cumulative effect of the changes to date on the capital programme.

Chart 1: Capital Programme changes to date 2014-15 at Period 10



1.7 The arrow at Month 10 shows the latest position.

1.8 The table below provides a high level view of how the revised 2014-15 programme is made up for each service:

Table 2: Revised capital programme 2014-15

Service	Opening Capital Programme 2014-15	Cumulative Changes To Date	Reprofiling To Be Approved	Other Changes To Be Approved	2014-15 Capital Programme	Forecast Outturn	Over / (Under)spend
	£m	£m	£m	£m	£m	£m	£m
Children's Services	91.160	-48.176	-5.854	0.260	37.390	37.390	0.000
Adult Social Care	10.552	-5.925	-0.228	0.050	4.450	4.450	0.000
Community & Environmental Services	102.179	0.745	-5.000	-2.487	95.437	93.895	-1.541
Resources	13.589	1.180	0.000	0.000	14.769	14.484	-0.285
Finance	20.455	0.570		0.035	21.060	21.058	-0.002
Total	**237.935**	**-51.606**	**-11.082**	**-2.142**	173.106	**171.276**	**-1.828**
		186.329		**-13.224**			

1.9 Reprofiling and other changes to schemes are identified in further detail in Appendix 1.

1.10 The underspend on Community & Environmental Services is primarily due to the reduced costs of providing drainage improvements, through managing the work in house over a number of years, as explained Appendix 1. Of the £1.541m underspend, £1.441m was to be funded from unsupported borrowing. As a result of this underspend, a saving of over £0.100m pa has been added to future revenue budgets.

1.11 The underspend on Resources relates to the delivery of DNA, primarily resulting from a reduction in the number of devices ordered.

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

Table 3: Opening capital programme 2015-17

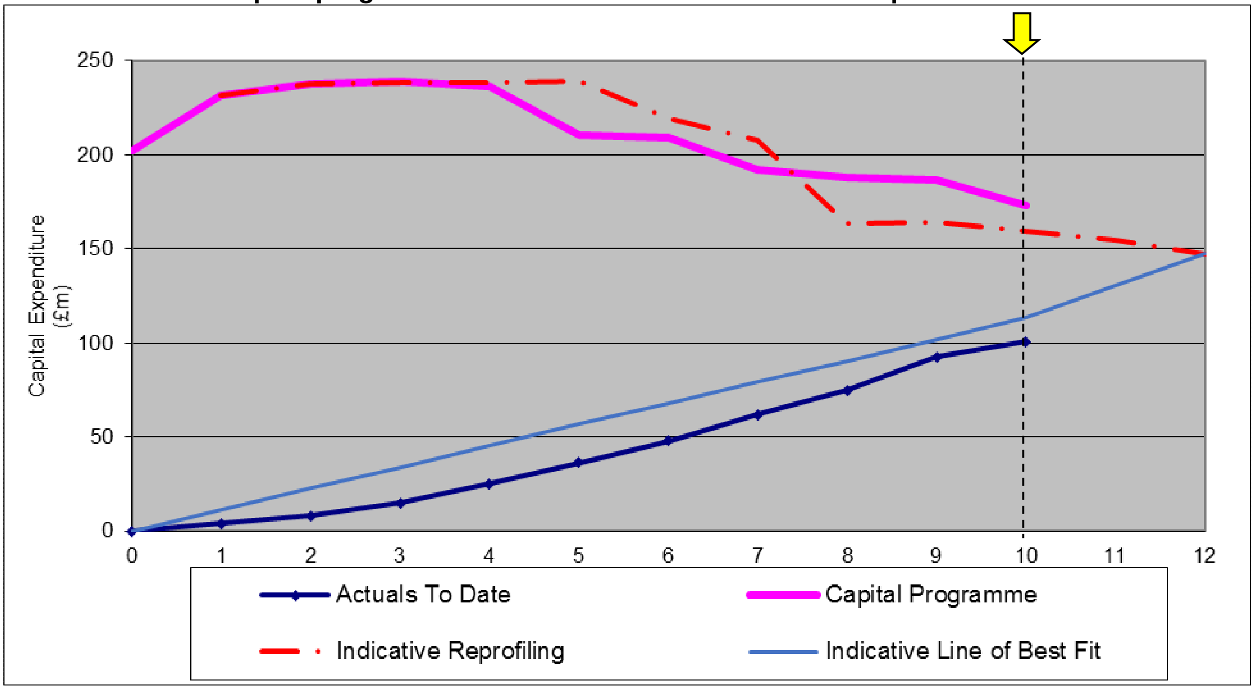
Service	**Revised Position at end of December 2014 £m**	**Reprofiling in January £m**	**Other Movements in January £m**	**Revised Position at end of January 2015 £m**
Children's Services	99.268	5.854	2.224	107.346
Adult Social Care	6.168	0.228	0.000	6.396
Community & Environmental Services Cultural Services	133.174	5.000	0.000	138.174
Resources	15.017	0.000	0.000	15.017
Finance	11.152	0.000	0.000	11.152
TOTAL	**264.779**	**11.082**	**2.224**	**278.085**

1.13 The revised position of the future years programme at the end of December is reported on the Period 9 Capital Monitoring Annex. The new capital programme approved by Council in February will be incorporated into the Period 11 monitoring report.

2 Actual Spend and Progress on Capital Programme

2.1 Progress on the overall capital programme is as follows:

Chart 2: Capital programme 2014-15 and cumulative actual expenditure



2.2 Total expenditure on the 2014-15 capital programme to the end of January was £100.700m. By comparison, the Council had spent £82.188m by the end of January 2014.

2.3 Capital projects by their nature do not lend themselves to evenly profiled expenditure, which would suggest a target spend percentage of 83.3%. A number of reasons may result in higher expenditure during certain parts of the year. In particular, major construction and infrastructure projects would expect to incur greater expenditure during the summer and autumn. There may be other reasons for delays in projects such as difficulties in obtaining planning permission.

2.4 The graph above suggests that there may still be a significant amount of re-profiling of expenditure into future year's programmes, in line with historical trends. The difference between the current profile and actual at Month 10 is 25.1%.

2.5 The dotted line on Chart 2 present an indicative pattern of reprofiling based on last year's capital programme. If there is similar reprofiling in this year then the outturn capital programme would be £147.3m and expenditure to date would represent 68.4% of the outturn, 14.9% below expected progress if expenditure is incurred on a "straight line basis". The "line of best fit" above has been adjusted for major projects not yet in construction/delivery (as shown in Chart 3). This shows that actual expenditure is closer to an expected profile, but is still below expected progress.

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

Table 4: Comparison of capital programme, by service, and expenditure to date

Service	Capital Programme	Expenditure To Date	% Capital Expenditure Incurred	RAG
	£m	£m		
Children's Services	37.390	21.276	56.9%	G
Adult Social Care	4.450	3.534	79.4%	G
Community & Environmental Services	95.437	55.778	58.4%	G
Resources	14.769	7.169	48.5%	G
Finance	21.060	12.943	61.5%	G
Total	**173.106**	**100.700**	**58.2%**	G

2.7 A red "RAG" rating has been assigned to services where the expenditure to date is less than third of expenditure based on a "straight line" profile (amber between a third and a half or below two thirds for materially significant programmes). Reasons for expenditure being below an evenly distributed budget profile are as follows:

Children's Services (Month 10 gap: £9.882m) - "Green"

The gap between expected and current expenditure has narrowed in the last month from £12.937m to £9.882m as there has been further reprofiling of budgets to better reflect expected outcomes for the year.

Some further reprofiling may be expected in the final two months of the year but the expectation should now be that the majority of expenditure will be incurred and, if not invoiced, will be accrued at the end of the financial year.

Community & Environmental Services (Month 10 gap: £23.753m) – "Green"

The scale of the Highways capital programme means that Community & Environmental Services is materially significant to the overall capital programme and therefore, although assigned a green rating under the RAG rating system above, the programme still shows a materially significant gap.

However, there has been some further improvement in the expenditure gap during January.

As previously reported, the actual expenditure incurred by Highways does not reflect the amount of work which has been undertaken by the authority as there is a technical issue with contractor billing. This is still an issue but work is ongoing to resolve the problem at which point we can expect the payments to better align themselves to the work completed.

The difference also reflects a forecast underspend on drainage schemes in Waste Management, previously reported under ETD Other.

Resources (Month 10 gap: £5.138m) – "Green"

The majority of the Resources 2014-15 capital programme now comprises two major schemes:

- Better Broadband - £9.725m

- DNA - £5.000m

Better Broadband payments are paid quarterly and based on milestone reports received from BT. The progress on the scheme has been reviewed and expenditure forecasts reprofiled accordingly earlier this year. The expenditure on the programme is not consistent with a straight line profile due to the timing of invoice payments which are subject to the milestone reports mentioned above. This delay in payment is resolved at the outturn of the financial year when accruals are processed for uninvoiced payments and therefore does not represent a concern at this point.

Issues with the coding of DNA equipment have now been resolved and is in line with expected progress based on the programme. There is a modest underspend forecast for the scheme as a result of requiring fewer machines.

2.8 An important indicator of progress on the capital programme as a whole is the stage, or gateway, of the constituent projects. The certainty of a project being delivered on time and within budget increases as it moves through the gateways from feasibility to completion.

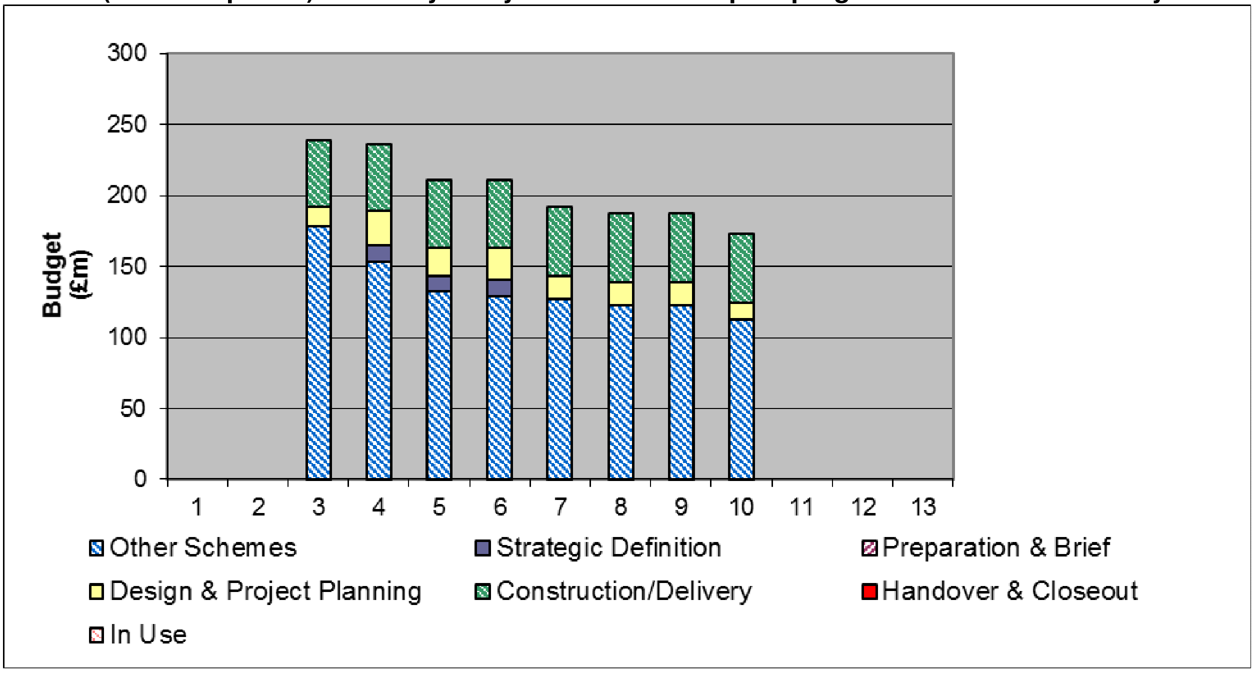
2.9 The following gateways will be applied to determine the progress of the schemes within the programme:

Project stage / Gateway	**Description**
Strategic Definition	Unallocated funding for which initial business cases and strategic briefs are still being developed
Preparation and Brief	Projects which have been identified and are undergoing options analysis and feasibility to identify the best route for delivery
Design and Project Planning	Projects where initial plans are being developed into a comprehensive project plan and design, through from the initial concept design to the technical design
Construction/Delivery	Construction, delivery & installation of the assets is underway
Handover & Closeout	Works on the assets are substantially complete and they have been handed over but are still undergoing a defects maintenance period prior to completion
In Use	Project is signed off, complete and in use
Other Schemes	Schemes below the de minimis for gatewaying (currently £5m)

2.10 The gateways identified above are based on the progress measurements used by the Council's property consultants, NPS, and are consistent with the Royal Institute of British Architects (RIBA) industry standards for project management.

2.11 The table below is being developed to identify the current gateways of projects over £5m within the capital programme at the end of January 2015. To date this analysis represents approximately 30% of the programme.

Chart 3 (in development): Gateway analysis of 2014-15 capital programme at end of January 2014



2.12 Progress on delivery of schemes at the beginning of 2014-15 has been good. Highlights in 2014-15 include:

- the delivery of three floors of County Hall, Lingwood Primary School, improvement and expansion of Eaton Primary School and Easton VC Primary School, and two major museums projects.
- significant further progress on Postwick Hub, Better Broadband and the development of dementia care facilities in Bowthorpe with NorseCare. Progress on Better Broadband was reported to the 18 November EDT committee in a paper entitled “Better Broadband for Norfolk – 6 Monthly Update”.

2.13 Norfolk Fire and Rescue Service’s new South Lynn Fire Station was officially opened on 2 February 2015 by Her Majesty the Queen and His Royal Highness the Duke of Edinburgh. The new South Lynn station has been designed to house up to three fire appliances or other emergency vehicles as well as allowing Norfolk Fire and Rescue Service to accommodate other blue light partners such as the East of England Ambulance Service.

3 Financing The Programme

3.1 The Council uses a number of sources of funding to support its capital programme.

3.2 Funding comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves.

3.3 The table below identifies the planned funding of the revised capital programme:

Table 5: Financing of the capital programme

Funding Stream	Approved Capital Programme	Previously Approved Changes	Changes To Be Approved	2014-15 Programme	2014-15 Forecast Outturn	2014-15 Over / (Under) Spend	Future Years Forecast
	£m	£m	£m	£m	£m	£m	£m
Prudential Borrowing	44.884	-7.753	1.020	38.151	36.424	-1.726	50.940
Capital Receipts	2.258	8.546	-0.493	10.311	10.311	0.000	17.324
Revenue & Reserves	3.567	1.999	0.196	5.762	5.762	0.000	0.576
Grants and Contributions		0.000					209.246
DfE	58.463	-27.403	-4.780	26.280	26.280	0.000	
DfT	48.760	13.308	-2.801	59.267	59.163	-0.104	
DoH	7.482	-4.442	0.043	3.083	3.083	0.000	
DCLG	0.406	0.227	0.000	0.633	0.633	0.000	
DCMS	10.378	-0.653	0.000	9.725	9.725	0.000	
GNDP/CIF	0.000	3.651	-3.651	0.000	0.000	0.000	
Developer Contributions	0.000	11.810	-2.437	9.374	9.374	0.000	
Other	26.265	-15.421	-0.321	10.522	10.522	0.000	
TOTAL	**202.462**	**-16.132**	**-13.224**	**173.106**	**171.276**	**-1.831**	**278.085**

3.4 The table above shows a forecast prudential borrowing requirement for the Council to support the 2014-15 programme of £36.424m. The underspend of £1.726m from borrowing is primarily related to the lower than expected cost of providing drainage improvements at the County's landfill and Household Waste Recycling Centres.

3.5 The increase in the forecast borrowing requirement is due in part to the forecasting of lower general capital receipts for 2014-15 as detailed in Section 4 and also an adjustment to the funding of the NDR in the current financial year.

3.6 The Council has been successful in an application for a £0.410m interest-free loan from Salix to fund the borrowing of some CERF projects associated with the development of County Hall.

3.7 The revenue consequences of borrowing are shown in Appendix 2. The key issues continue to be:

- To evidence that spend-to-save schemes generate savings to fund their costs; and
- That unsupported borrowing schemes are reviewed to identify alternative revenue funding.

Further details of spend-to-save schemes and other schemes largely funded through borrowing are shown in Appendices 2 and 3.

4 Capital Receipts

4.1 The Council's Asset Management Plan, as approved on 14 April 2014, details the short and medium term plan for the management of the Council's assets and how this supports the delivery of the Capital Programme.

4.2 Key themes of the asset management plan relating to the capital programme were:

- Using our property portfolio more efficiently and rationalising the office space used by the Council;
- Reducing the number of surplus properties;
- Generating capital receipts in line with the requirements of the agreed capital programme; and
- Developing an investment strategy and policy.

4.3 The capital programme, approved in February 2014, further detailed how asset management would support capital expenditure through generating £10.163m of capital receipts through property disposals.

4.4 Since then, there have been a significant number of changes to the draft disposal schedule as a result of identifying further general disposals to reduce borrowing across the capital programme. The current revised schedule for disposals is:

Table 6: Revised disposal schedule £m

	2014-15 Approved	2014-15 End of December	2014-15 End of January	Changes since the end of December
General Capital Receipts Available	2.258	6.384	5.740	-0.644
Financial Packages	1.485	2.577	2.577	0.000
County Farms Capital Receipts	6.420	1.536	1.236	-0.300
Estimated Total Capital Receipts	**10.163**	**10.497**	**9.553**	**-0.944**

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

4.5.1 <u>General Capital Receipts</u>

The main reasons for the reduction in expected receipts for the year are:

- The sale of the Orchard site at Lingwood First School for £0.730m has been delayed to 2015-16. The planning application had committee approval but there have been delays in obtaining sign off on the S106 agreement.
- Addition of highways land at Hempton to the disposal programme at a value of £0.085m

- Other small changes of £0.001m

4.5.2 Financial Packages Receipts

There have been no significant changes to forecast Financial Packages receipts.

4.5.3 County Farms Receipts

The sale of barns at Denver College Farm has gained planning permission for conversion to residential but sale is now likely to occur in 2015-16, reducing expected receipts for 2014-15 by £0.300m.

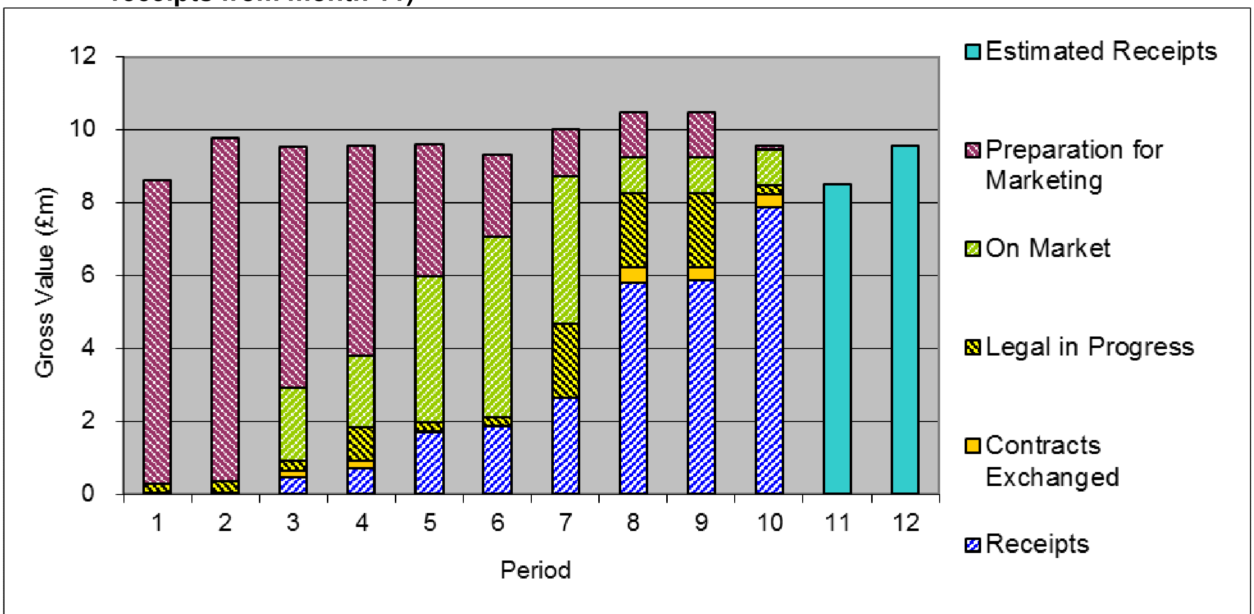
4.6 The following table classifies the movements on forecast receipts following the previous forecast.

Table 6a: Reconciliation of Disposal Schedule Estimates

	£m
Capital receipts estimate at end of previous period	10.497
Additions	0.085
Upward revaluations of estimates	0.000
Brought forward from future years	0.000
Removals	0.000
Downwards revaluations of estimates	0.000
Delayed until future years	-1.030
Revised Estimate 2014-15	**9.552**

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

Chart 4: Forecast Capital Receipts from property sales 2014-15 (estimated cumulative receipts from month 11)



The columns for periods 11-12 show estimated cumulative future monthly receipts and demonstrate a good level of confidence in their delivery in 2014-15. A detailed list of property sales and their status may be found in Appendix 5.

4.8 Where unallocated capital receipts are generated the Council uses these to support its general capital programme. Anywhere capital receipts have been allocated as part of a financial package, but are still to be used, they are retained in the capital receipts reserve to fund future projects. The table below identifies expected movements on the capital receipts reserve:

Table 7: Capital receipts reserve forecast 2014-15

	General	Financial Packages	County Farms	Total
	£m	£m	£m	£m
Opening Balance	**0.000**	**1.385**	**0.367**	**1.752**
Forecast receipts from sales of properties	5.740	2.577	1.236	9.552
Receipts from sales of assets to leasing companies	0.867	0.000	0.000	0.867
Other capital receipts	2.055	0.000	0.000	2.055
Forecast receipts generated in year	**8.662**	**2.577**	**1.236**	**12.474**
Sales expenses	-0.300	-0.079	0.000	-0.379
Receipts repayable to third parties	0.000	0.000	0.000	0.000
Forecast net receipts available for funding	**8.362**	**3.884**	**1.603**	**13.847**
Forecast use to fund incomplete leases	0.000	0.000	0.000	0.000
Forecast use to fund programme and reduce borrowing	-8.362	-1.040	-0.910	-10.311
Forecast Closing Balance	**0.000**	**2.843**	**0.692**	**3.536**

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

4.10 Other capital receipts includes proceeds generated to date by Great Yarmouth Development Company and therefore receivable by Norfolk County Council as a repayment of the loan made to the company for investing in the development at Royal Britannia Crescent.

5 New capital scheme proposals requiring borrowing

5.1 There are no new schemes identified requiring borrowing.

6 Spend to Save schemes

6.1 An analysis of spend-to-save schemes, Economic Development schemes, and schemes funded through the Norfolk Infrastructure Fund is set out in Appendix 3.

7 Capital schemes in development

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

- Land developments at former Scottow Enterprise Park (former RAF Coltishall). Further details are in the supplementary agenda to 24 November 2014 Economic Development Sub-Committee. These were included in the capital programme agreed by Council on 16 February 2015 and will be included in the next monitoring report.
- Further development of broadband in rural areas (more details in Better Broadband for Norfolk 6 monthly update presented to 18 November 2014 Environment, Development and Transport Committee) This was included in the capital programme agreed by Council on 16 February 2015 and will be included in the next monitoring report.
- Greater Norwich infrastructure projects, including the NDR – see Appendix 6.

7.2 A14 Cambridge to Huntingdon Improvement Scheme 2016-2020

The Secretary of State for Transport proposes to construct the A14 Cambridge to Huntingdon Improvement Scheme. The scheme is under development and is to be jointly funded by the Secretary of State and local authorities and LEPs based in the Eastern region. The outturn cost of the scheme is approximately £1.345 billion based on the works taking place between the financial years 2016-17 and 2019-20. Local authorities and LEPs will be contributing £100m, with £75m from Cambridgeshire County Council and Greater Cambridge Greater Peterborough LEP. Norfolk County Council's contribution will be £0.040m per annum from January 2020 to January 2044, resulting in a total commitment of £1m.

7.3 One Public Estate programme

The Council was successful in a joint bid with Suffolk to be part of the "One Public Estate Programme," and our inclusion was confirmed in September 2014. The programme is designed to facilitate and enable local authorities to work successfully with central government and local agencies on public property and land issues through sharing and collaboration. It has four main objectives:

- Create economic growth;
- Generate capital receipts;
- Reduce running costs; and
- Deliver more integrated and customer focused services.

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

7.4 Bowthorpe Development

Norfolk County Council, acting as the Accountable body for the Local Infrastructure Fund on behalf of the Greater Norwich Growth Board, is in the process of drafting a loan agreement with Norwich City Council. The loan is to the value of £1.865m and is intended to support the development of key infrastructure as part of the major development at Bowthorpe Threescore.

7.5 Priority Schools Building Programme

The second phase of the PSBP national programme was launched on 1 May with a value of around £2billion over a five year programme. All local authorities, dioceses, sixth form colleges, academies and multi-academy trusts were invited to submit an expression of interest for those schools and sixth form colleges in the very worst condition to undertake major rebuilding or refurbishment.

Norfolk submitted an expression of interest bid for three priority schools for approximately £2.5 million funding based on our existing condition information.

One of the authority's applications was successful with Marshland High School being included in the funding round. Scoping studies are due to commence from April onwards to assess the detailed work required.

7.6 Museums Joint Committee Capital Projects

The Museums service are currently working on two new capital projects:

- Voices From The Workhouse is a £1.8m scheme at Gressenhall Farm and Workhouse subject to Heritage Lottery Fund second round approval. This is due to start early next year with a view to completion by Autumn/Winter 2015. This bid was included in the capital programme agreed by Council on 16 February 2015 and will be included in the next monitoring report.
- The redevelopment of the keep at Norwich Castle Museum and Art Gallery is a longer term renovation project to take place from 2016-17 to 2018-19. The cost of this project will likely be in the region of £10m and is currently subject to planning approval and securing external funding sources. In February 2015, the Norfolk Museums Service welcomed news of a £1 million government investment in a project to restore the interior of the Norwich Castle Keep. This £1m will allow Norfolk Museums Service to carry out the critical planning and development work, including architectural, archaeological, structural and environmental surveys.

7.7 DfT Local Highways Maintenance Challenge Fund

The Local Highways Maintenance Challenge Fund was announced as part of the Autumn Statement in 2014 and seeks to address major maintenance schemes on local infrastructure which would otherwise be unaffordable through the annual block funding allocation.

The fund is due to run for six years with a total of £575m of funding available to Local Authorities; £75m of this funding is available for 2015/16. The funding will be for schemes over £5m and is allocated through a bidding process.

The Council has submitted two bids for the current round of funding:

- Greater Norwich Area Surface Water Drainage scheme – an application has been submitted to substantially improve the drainage systems servicing a number of Norwich suburbs, including Costessey, Sprowston and Thorpe St Andrew. These areas have seen significant development in the second half of the twentieth century and the systems serving them are now reaching the end of their useful lives. A number of localised flooding events in 2014 served to highlight the scale of the problems faced.

The Council has bid for £9.123m from the Fund to be matched by £1.200m of local funding to improve and upgrade the drainage systems, bringing them up to current standards.

- Fen Road Maintenance – The Council has submitted a joint bid with Cambridgeshire and Peterborough for the maintenance of roads in the fenland area of East Anglia. These roads are built on peat subsoil and the droughts affecting the region in 2010, 2011, & 2012 resulted in exceptional damage to the road infrastructure in this area. This has led to speed restrictions, road closures and diversions in the area.

  The joint bid seeks to address the long term challenges of repairing and improving this infrastructure. Norfolk's bid is for £4.602m of funding to be matched by £0.598m of investment from the Council. If successful, this will reduce the need to apply future restrictions in these areas and future-proof the Council from further significant repair costs.

7.8 Children's services new funding announcements

DfE have confirmed the capital settlements for Devolved Formula Capital and School Condition Allocation funding in 2015-16. The settlements for Norfolk County Council will be as follows:

Funding Stream	**Allocation (£m)**
Devolved Formula Capital	1.875
School Condition Allocation	9.241

Indicative amounts for Condition funding were included in the 2015-18 capital programme. These amounts will be included in the revised funding for Children's Services in the next report, where the approved capital programme will also be incorporated into the monitoring.

7.9 Replacement recycling centre for Norwich 2020-21

The contract for the existing Mile Cross Recycling Centre in Norwich is due to expire in September 2021. This is the largest recycling centre in Norfolk, and a replacement site or sites may need to be found before that date. The capital cost, excluding land, is estimated to be between £1.3m and £3.0m. The process of finding and securing a site, obtaining planning permission, exploring funding options, and construction can be lengthy. The team managing this project has established a good track record of cost control and savings in relation to drainage improvements at recycling centres, as can be seen in Appendix 1. Initial discussions with Members on the desired scope for the new centre will take place as part of the EDT Committee strategic review. This follows a meeting of the Waste Advisory Group on Wednesday 4th March following which a Member Briefing Note is being prepared for members of EDT Committee. There will be further member involvement as options are identified. Subject to progress, an outline scheme is likely to be submitted to the capital prioritisation process during the autumn 2015.

Appendices

Appendix 1: Reprofiling and Other Changes to the 2014-17 Capital Programme

Appendix 2: Revenue Consequences of Borrowing

Appendix 3: Spend to Save and NIF-Supported Schemes

Appendix 4: Norfolk Infrastructure Fund Update

Appendix 5: Capital Receipts

Appendix 6: Greater Norwich Growth Board introduction

Appendix 1: Reprofiling and Other Changes to the 2014-17 Capital Programme

i. This appendix sets out the reprofiling and other changes which have occurred during January 2015.

ii. The changes to the 2014-15 programme are as follows:

Reprofiling

Table A1a: Reprofiling in January 2015

Service	Project	Funding Type	Amount £m	Explanation
Children's Services - schools	A1 - Growth	Multiple Funding Sources	-0.319	Reprofiled budgets as per progress of projects. Mostly related to Basic Need unallocated pot.
	A3 - Growth	Grants and Contributions	-0.800	Construction costs expected in 2015-16: Wymondham Reorganisation reprofiled £0.300m, Great Yarmouth Reorganisation reprofiled £0.500m, for modular classbases as outlined in capital strategy and programme.
	A4 - Growth	Grants and Contributions	-1.221	Chapel Road - reprofiled based on progress of project.
	A4 - Growth	Grants and Contributions	0.063	Other small reprofiling back to 2014-15.
	B2 - Targeted need	Borrowing and Capital Receipts	-0.650	Reprofiled budget on Norwich Compass Centre short stay school.
	B4 - Targeted need	Multiple Funding Sources	-0.050	Woodside One Preschool - reprofiled to agree to programme, as no construction in year.
	C3 - condition	Borrowing and Capital Receipts	0.010	Other small reprofiling back to 2014-15.
	D - Other schemes	Multiple Funding Sources	-2.497	Reprofiled to reflect expenditure on School-based projects.
			-5.464	
Children's Services - other		Borrowing and Capital Receipts	-0.390	Looked after Children - reprofiling care leaver accommodation expenditure into future years.
Children's Services Total			**-5.854**	
Adult Social Care	Rashes Green	Grants and Contributions	-0.007	Rashes Green - reprofile and virement of funds to Great Yarmouth Dementia Day Care

	Improvement East Grant	Grants and Contributions	-0.023	Reprofile to agree to programme.
	Cromer Road Sheringham (Independence Matters)	Borrowing and Capital Receipts	-0.198	Work on this has been delayed and will now start in 2015/16
Adult Social Care Total			-0.228	
Community & Environmental Services				
ETD Highways	Northern Distributor Road	Grants and Contributions	-5.000	Budget has been reprofiled to reflect the expected agreement of £5m DfT funding in 2015-16.
Community & Environmental Services Total			-5.000	
Total Reprofiling			**-11.082**	

Other Changes

Table A1b: Other changes in January 2015

Service	Project	Funding Type	Amount £m	Explanation
Children's Services	D - Other schemes	Multiple Funding Sources	0.242	Additional Revenue Contributions from Schools for School based projects.
	Prior Year projects	Grants and Contributions	0.018	Additional Developer contributions unallocated.
Children's Services Total			**0.260**	
Adult Social Care	Winterbourne Project	Grants and Contributions	0.050	Funding from Department of Health to renovate 2 bedroom accommodations for Learning Difficulties service users
Adult Social Care Total			0.050	
Community & Environmental Services				

Cultural Services	Library CERF Projects adjustment	Borrowing and Capital Receipts	-0.035	Reduction in original CERF budget allocation
ETD Highways	Bus Priority	Grants and Contributions	-0.046	Reductions in Grapes Hill project by £0.021M & St.Stephens/Surrey Street by £0.025M
	Cycling	Multiple Funding Sources	0.001	Movement on several schemes.
	Local Road Schemes	Grants and Contributions	-2.400	Lodge Farm Costessey is an externally funded (S278) scheme The forecast spend was reviewed and lowered in January to £1.700m comprising £1.000m in 14/15 and £0.700m in 15/16.
	Other Schemes	Multiple Funding Sources	-0.090	Reduction in several schemes including Parish Partnership schemes.
	Traffic Management & Calming	Grants and Contributions	0.084	Inclusion of various small traffic calming schemes
Community & Environmental Services Total			**-2.487**	
Finance	CERF Pot	Borrowing & Capital Receipts	0.035	Disaggregation of funding to schemes within services
Finance Total			**0.035**	
Total Other Changes			**-13.224**	

iii. Reprofiling into future years is as per Table A1a.

Appendix 1 (continued): Drainage improvements ("DRIMPS") projected underspend £1.4m

A1.1 The DRIMPS programme was set up in 2008 following letters from both the HSE and the Environment Agency raising issues of non-compliance both with the recycling centre welfare facilities and the drainage systems on site.

A1.2 The HSE wrote to the Council expecting NCC to meet the requirements of the Workplace (Health, safety and Welfare) Regulations 1992 by installing flushing toilets at all sites currently without them.

A1.3 The Environment Agency wrote to NCC in August 2007 about the requirement for waste to be stored on an impermeable surface with a sealed drainage system and advised the Council to undertake remedial works without undue delay. Failure to ensure all sites have appropriate facilities and drainage could have resulted in enforcement action being taken and, potentially, sites being closed.

A1.4 NCC undertook a programme of work to bring the welfare facilities and drainage up to the required standard to allow continued operation of the sites.

A1.5 A successful capital funding bid was made based on cost estimates provided by our strategic partners at the time, to be funded from prudential borrowing.

A1.6 The delivery mechanism of the scheme was reviewed upon completion of the first welfare upgrade at Caister Recycling Centre following recognition that delivering the scheme to that standard through the strategic partner would push the project over budget. It was decided that the scheme could be delivered in house utilising skills and expertise within the closed landfill team, albeit to a longer timescale. All sites now have the required standard of welfare facilities.

A1.7 The design solutions for drainage have been focused around providing environmentally friendly and low maintenance solutions. The team have worked hard to find an alternative to tankering contaminated water off site due to the implications that this would have had on the services revenue budget.

A1.8 Following investigations, 16 sites were identified as requiring new drainage infrastructure. The remaining 3 recycling centre premises under NCC control were newly built and had appropriate drainage (King's Lynn, Thetford and Dereham). Two of the 16 sites still require a drainage upgrade, one has an agreed and permitted solution and is awaiting construction (Wymondham) and the remaining site (Morningthorpe) has yet to have a solution finalised. Both are programmed to be completed during early 2015/16.

A1.9 Current uncertainty over the most appropriate solution at Morningthorpe provides some difficulty in finalising the exact level of underspend. However a substantial underspend of approximately £1.4m is anticipated. The effect of this forecast underspend has been to reduce future revenue financing costs by approximately £0.140m pa, which in turn has released this amount for use in on-going revenue budgets.

Related future projects – replacement Norwich recycling centre

A2.0 The contract for the existing Mile Cross Recycling Centre in Norwich is due to expire in September 2021. This is the largest recycling centre in Norfolk, and a replacement site or sites may need to be found before that date. The capital cost, excluding land, is estimated to be between £1.3m and £3.0m. The process of finding and securing a site, obtaining planning permission, exploring funding options, and construction can be lengthy. The team managing this project has established a good track record of cost control and savings in relation to drainage improvements at recycling centres, as can be seen above.

Initial discussions with Members on the desired scope for the new centre will take place as part of the EDT Committee strategic review. This follows a meeting of the Waste Advisory Group on Wednesday 4th March following which a Member Briefing Note is being prepared for members of EDT Committee. There will be further member involvement as options are identified.

Subject to progress, an outline scheme is likely to be submitted to the capital prioritisation process during the autumn 2015.

Appendix 2: Revenue Consequences of Borrowing

i. The Council is required under the Local Government Act 2003 to have regard for the CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code).

ii. The Prudential Code sets out the principles by which authorities should ensure that their level of borrowing is prudent and affordable. It also prescribes the indicators an authority must use to assess the prudence and affordability of its borrowing.

iii. The prudential indicators, which include the authorised limit for borrowing and the expected ratio of financing costs to net revenue stream for future years, are set annually and were agreed alongside the Capital Programme on 17 February 2014.

iv. The indicators are monitored on a monthly basis and any significant deviation from the set level, which would indicate that the Council is acting imprudently, is reported to Members by Treasury Management. Currently the Council is working well within the indicators set in February and does not plan to undertake any further borrowing in 2014-15.

v. The level of borrowing on the Council's Balance Sheet reflects prior capital funding decisions and must be viewed in the context of the overall portfolio of assets held by the Council.

vi. The Council is required to set aside an amount of money annually to service its debt and ensure that its actions do not impair the ability of the Council to borrow to support its capital requirements in the future. This is known as the Minimum Revenue Provision (MRP). The underlying assets provide services for the Council over a significant period of time and, through setting aside an amount of money annually to service the associated borrowing, the Council matches the cost of these assets to the service potential provided by them.

vii. Additional borrowing results in an increase in the amount of interest the Council must pay each year and an increase in the MRP it must make. The table below shows the incremental effect of the current programme of unsupported borrowing on future revenue budgets:

Table A2a: Analysis of unsupported borrowing required to support the capital programme

	2014-15	**2015-16**	**2016-17**	**2017-18**
	£m	**£m**	**£m**	**£m**
Forecast additional borrowing required in year	36.424	35.752	15.188	N/A
Cumulative additional borrowing	**36.424**	**72.176**	**87.364**	**87.364**
Interest		1.821	3.788	4.623
MRP		1.457	2.887	3.495
Total annual revenue impact of borrowing (cumulative)		**3.278**	**6.675**	**8.117**

viii. The figures are based on interest rates for borrowing of 5.00%, 5.50% and 5.50% for 2014-15, 2015-16 and 2016-17 respectively. MRP is calculated on the basis of accounting for 1/25 of capital expenditure per year, which is consistent with expenditure on buildings; where expenditure is incurred on other types of asset, MRP figures will vary from those shown above.

ix. During 2014-15, the Council will be repaying loans of £9.000m, resulting in a reduction of £0.479m in interest costs.

x. Unsupported borrowing may be analysed into “spend to save” schemes and those schemes which do not have a recognised saving or income stream related to them:

Table A2b: Analysis of unsupported borrowing

	2014-15	**2015-16**	**2016-17**
	£m	**£m**	**£m**
Spend to save (Appendix 2)	25.238	10.123	
Economic Development & NIF Funded Schemes (Appendix 2)	10.025	30.109	20.000
Deferred borrowing	4.885	3.644	0.875
Other schemes	5.547	2.696	0.818
Capital receipts available to reduce deferred and other borrowing	-9.271	-10.819	-6.505
Total	**36.424**	**35.753**	**15.188**

xi. <u>Spend to Save Schemes</u>

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

xii. <u>Economic Development & NIF Funded Schemes</u>

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

xiii. <u>Deferred Borrowing</u>

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

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

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

Table A2c: Analysis of Other Schemes

Scheme	2014-15	2015-16	2016-17	2017-18
	£m	£m	£m	£m
Corporate				
Alterations to Offices to Comply with Disability Discrimination Act	0.024	0.230		
Asbestos Survey & Removal Programme (Chief Exec)	0.324	0.185		
Corporate Minor Works	0.277	0.113		
Fire Safety Requirements	0.076	0.049		
Unsupported schemes				
Closed Landfill Site Capping	0.200	0.048		
HWRC Drainage Improvements	0.350	0.250		
Kings Lynn Fire Station	1.088			
New Fire Station - Boat Store & Enhanced	0.005	0.153		
North Lynn Improvements	0.485			
Real Fire Training Unit	0.015	0.093		
Education schemes initially funded through supported borrowing				
Basic Need Unallocated				
BESD Briggan Road		0.289		
Bowthorpe St Michael	0.300			
Brooke Replacement School		0.145		
Chapel Rd site	0.149			
Condition Contingency	0.447			
Drake Land	0.050			
Gayton Land		0.066		
Kings Lynn Academy	0.034			
Mundesley Infants	0.217			
Queens Hills Land		0.203		
Robert Kett, Wymondham	0.164			
Schools Access Initiative Post 2011-12	0.045	0.120	0.200	
Sustainability	0.443	0.012		
Thetford Replacement School	0.056	0.456	0.605	
Valley Primary	0.136			
Other education schemes	0.193	0.109		
Other small schemes				
Other Schemes	0.470	0.175	0.013	
	5.547	2.696	0.818	
Cumulative Borrowing	**5.547**	**8.243**	**9.061**	
Impact on revenue		0.467	0.723	0.801

xv. The schemes identified in the first part of Table A2c represent corporate programmes intended to maintain Norfolk County Council assets and ensure that the Council complies with legislation.

xvi. Reprofiled schemes includes costs previously reported as being deferred borrowing, as described above.

xvii. To fund or reduce the Council's unsupported borrowing detailed above, there are three options:

a. Amend the future capital programme to reduce the funding available to support these schemes, including an ongoing review of the Corporate Minor Works programme

b. Identify revenue budget to fund the capital expenditure directly.

c. Identify a suitable reserve from which to draw down the funding for the schemes.

Appendix 3: Analysis of Spend to Save and Economic Development & NIF Funded Schemes

i. The total for “spend to save” schemes in Appendix 2 Table A2b in can be analysed as follows, with details of the benefits to be realised for each project.

Table A3a: Analysis of “spend to save” capital schemes 2014-17

Scheme	Financing	2014-15	2015-16	2016-17
		£m	£m	£m
Carbon Energy Reduction Fund (CERF)	Energy cost savings	1.505		
County Hall Carbon Energy Reduction Fund		1.080	0.771	
County Hall Better Ways of Working	Office closures rent saving	2.462	1.760	
County Hall Strategic Maintenance		13.555	6.999	
North Norfolk Office Reorganisation	Office closures running cost saving and sales proceeds	0.022		
County Farms Improvements	Capital receipts from County Farms disposals	0.910		
Great Yarmouth Property Rationalisation	Capital receipts from disposal of Great Yarmouth office accommodation	0.420		
Scottow Enterprise Park (former RAF Coltishall)	Identified capital receipt used to replace direct funding from NIF	0.325	0.395	
The Oaks, Harvey Lane Disposal	Capital Receipt from disposal	0.100		
Watton Depot	Capital receipt from disposal of depot	0.142		
DNA	Funded from identified savings within the ICT budget	4.715		
Cromer Road, Sheringham	Capital receipt from disposal of property in Holt	0.002	0.198	
Total Current and Proposed Spend To Save Schemes		**25.238**	**10.123**	**0.000**

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

Table A3b: Analysis of Economic Development and Norfolk Infrastructure funded capital Schemes 2013-16

Scheme	Financing	2014-15	2015-16	2016-17
		£m	£m	£m
Better Broadband	Telecommunications contract savings and NIF support		14.209	
Northern Distributor Road	GNDP/ CIF	9.525	8.650	20.000
Loan to Norfolk Energy Futures	Loan Repayments From renewable energy incomes generated by a wholly owned company	0.500	7.250	
Total Economic Development and NIF funded projects		**10.025**	**30.109**	**20.000**

iii. Updates on Better Broadband, the Beach Coach Station and NORA are included in Appendix 4.

Appendix 4: Norfolk Infrastructure Fund Update

i. The Norfolk Infrastructure Fund is a reserve funded by Second Homes receipts and created to support investment in economic development and infrastructure schemes undertaken by the Council.

ii. This support is in the form of either:

   a. one-off funding from the reserve, whereby the Council does not incur future revenue costs related to borrowing, or

   b. through support for borrowing, providing an annual contribution to mitigate the future effects of interest and MRP.

iii. An annual update detailing progress on the fund was presented to Cabinet on 3 March 2014.

iv. The revised commitments on the fund at the beginning of February 2015 are as follows:

Borrowing requirement	**Total Investment**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
3rd River Crossing	0.800	0.800					
College of West Anglia	1.500		0.105	1.395			
Broadband	5.000					0.000	5.000
Thetford	0.000						
Beach Coach Station	0.124			1.247	1.048	(2.171)	
South Denes	0.000						
NORA	1.000		0.307	0.443	0.250	0.000	0.000
Total Borrowing commitment	8.424	0.800	0.412	3.085	1.298	(2.171)	5.000
Cumulative Borrowing Position		0.800	1.212	4.297	5.595	3.424	8.424
Balance of the Fund							
Opening balance of reserve		(1.151)	(1.151)	(4.745)	(2.378)	(2.015)	(0.589)
Additions to the fund			(3.658)	(1.914)	(1.161)	(0.885)	(0.885)
Borrowing costs			0.065	0.098	0.247	0.453	0.277
One off Funding							
RAF Coltishall				4.183	1.270	1.158	
NORA - one-off							0.200
Breckland					0.006		
Broadband							0.000
Contribution to Willow compensation						0.700	
Reserve balance		(1.151)	(4.745)	(2.378)	(2.015)	(0.589)	(0.997)
Available capital receipts						(0.700)	
Available Funding		(1.151)	(4.745)	(2.378)	(2.015)	(1.289)	(1.697)

v. The following provides an update on the position of the current schemes within the Norfolk Infrastructure Fund:

NORA (Nar Ouse Regeneration Area) Housing Project

Progress update

The County Council agreed (April 2010) to invest £1m, supported by the Norfolk Infrastructure Fund (NIF), matched by a £1m land investment by King's Lynn and West Norfolk Borough Council (KLWNBC), to support the Nar Ouse Regeneration Area (NORA). The project was to develop 12.6 acres of residential land, providing 163 dwellings (later increased to 170) through a joint venture agreement (JVA). The rationale was to give confidence to the market in a period of inactivity, and to make good contaminated land to encourage development.

Construction of Phase 1, and the infrastructure for Phases 1, 2, and 3, commenced in August 2012 and are due to finish in February 2015. There have been additional costs for this challenging site, mainly due to ground conditions and reduced revenue, which mean that the Council's investment has been fully absorbed in Phase 1.

The Borough Council has also shared in these additional costs. This means that the £1m will not be recycled within the King's Lynn area and will be retained within the project. In addition, a further £0.2m has been requested and allocated from the NIF to offset additional risk areas. KLWNBC offered to limit the Council Council's total liability for the project to the original £1m investment, plus this additional £0.2m. There is sufficient NIF funding to support the ongoing revenue cost of borrowing until the scheme's completion.

A report to the 19 January 2015 Economic Development Sub-Committee entitled "NORA housing project update" gives an up to date commentary on this scheme.

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

Period 9 Sales update

- All 19 homes have been built. There has been further progress on the sales of properties following the May 2014 report.
- All properties have now been sold or are sold subject to contract, with work ongoing to complete the remaining sales.

Scheme estimates

- January estimates for the scheme outturn are as follows:

	Original estimate £m	Change from Original Estimate £m	Current forecast £m
Total Budgeted Costs	2.076	0.219	2.295

Estimated Sales	-2.440 +/- 5%	0.269	-2.171
Estimated deficit (+)	-0.364	0.488	0.124

The original feasibility study was presented by NPS and agreed by the Great Yarmouth area board in September 2011 suggested there should be a net profit of £400k on the site.

The board did accept that there was a risk with the project as this was the first new housing development of this type in the area. It was acknowledged there were wider economic benefits to the project e.g. New homes bonus, increase in council tax base, and it was hoped that the project would help stimulate the market and lead to other developments.

Due to increasing costs and a reduction in the sales receipts, Royal Britannia Crescent is forecast to make a loss of £124k, which will be covered from the Norfolk Infrastructure Fund.

The capital loan to the company is due to be repaid in 2014-15 and is incorporated into the capital receipts forecasts.

<u>Supporting better broadband access in rural areas</u>

Progress update

- On 21 December 2012, using the Broadband Delivery UK (BDUK) Framework Contract, Norfolk County Council signed a contract for the delivery of improved broadband infrastructure across Norfolk
- Once complete in late 2015, the combination of commercial deployments and the 'Better Broadband for Norfolk' project should mean that 89% of Norfolk premises to have access to 'next generation access' infrastructure and 83% of all Norfolk premises have access to speeds of 24Mbps+
- All premises are expected to have access to a minimum of 2Mbps (enough to run BBC iPlayer).
- Further funding of £5.590m was announced by central government subject to the provision of match funding. A further £4m was requested from DCMS and agreed subject to the entire £9.590m being matched with local funding.
- A report was presented to the Environment, Development and Transport committee on 8 July 2014 detailing options for procurement and match funding. Currently, Norfolk County Council proposes to make a £1m contribution with the remaining being sought from District Councils and the Local Enterprise Partnership.
- The programme is still on schedule to be complete by the end of 2015. A report to the 18 November EDT committee entitled "Better Broadband for Norfolk – 6 Monthly Update" gives an up to date commentary regarding progress on this scheme.

Appendix 5: Capital Receipts

i. The current budgeted requirement for borrowing and capital receipts to support the 2014-15 capital programme is £48.462m, with a further £68.264m required to fund 2015-17.

ii. As detailed in Appendix 2, borrowing to finance the capital programme incurs revenue costs for both the interest on loans and the Minimum Revenue Provision that the Council is required to set aside. These increased revenue costs have an impact on the future revenue budgets set by the Council.

iii. In order to reduce the borrowing required to finance the programme, the Council may seek to generate capital receipts through the rationalisation of its property portfolio.

iv. The table below sets out in detail the sales which the Council has generated to date in 2014-15 in order to realise capital receipts and reduce the Council's borrowing requirement:

Table A5a: Sales to Date

Property	2014-15 Status	Capital Programme 2014-15	Forecast / Actual Receipt	Variance	Notes
		£m	£m	£m	
Former Landfill Site, North Walsham	Completed 4 July 2014	0.000	0.004	0.004	
Former Highways Office, Aylsham	Completed 19 June 2014	0.175	0.303	0.128	
Shrublands, Great Yarmouth	Completed 7 July 2014	0.050	0.166	0.116	
Tanner House, Thetford	Completed 17 July 2014	0.000	0.262	0.262	
Magdalen House HFE, Great Yarmouth	Completed 6 August 2014	0.000	0.000	0.000	
Unthank Centre, Norwich	Completed 7 August 2014	0.000	0.715	0.715	
30 Swansea Road, Norwich	Completed 26 September 2014	0.000	0.174	0.174	
Earthsea House, East Tuddenham	Completed 30 September 2014	0.000	0.310	0.310	
Former Youth & Community Centre, North Walsham	Completed 22 October 2014	0.000	0.200	0.200	
322-323 St John's Way, Thetford	Completed 6 November 2014	0.000	0.250	0.250	
Former Claydon High School, Great Yarmouth	Completed 13 November 2014	0.000	2.550	2.550	
Land at Lynn Road, Walsoken	Completed 5 December 2014	0.000	0.018	0.018	
Sculthorpe Depot, Tattersett	Completed 19 December 2014	0.000	0.060	0.060	
Highways Depot,	Exchanged	0.000	0.373	0.373	

Watton					
Former Railway Line, Walsingham	Legal in Progress	0.001	0.030	0.029	
Former Court House, Fakenham	On Market	0.000	0.155	0.155	
Dereham Road Land, Norwich	On Market	0.000	0.085	0.085	
Highways Land, Hempton	Preparation for Market	0.000	0.085	0.085	
Former Drill Hall, Great Yarmouth		0.025	0.000	-0.025	Staged payment accounted for in prior financial year
The Hollies Youth & Community Centre, Loddon		0.004	0.000	-0.004	Staged payment accounted for in prior financial year
New Youth & Community Centre, Sheringham		0.058	0.000	-0.058	Staged payment accounted for in prior financial year
Land Adjacent to 20 Three Mile Lane, Costessey		0.100	0.000	-0.100	Sale of property completed in March 2013-14
Herondale HFE, Acle		0.900	0.000	-0.900	No longer being considered for sale
Former Sailing Base, Filby		0.010	0.000	-0.010	Delayed until future years
Mildred Stone House HFE, Great Yarmouth		0.000	0.000	0.000	Delayed until future years due to community asset listing
Former St Michael's School Site, Kings Lynn		0.000	0.000	0.000	Sale delayed until 2015-16 pending termination of lease with KLWNBC
Clere House HFE, Ormesby St Margaret		0.000	0.000	0.000	Sale delayed until 2015-16
Land at Norwich Road, Acle		0.000	0.000	0.000	Removed from schedule
Marsh House, Kings Lynn		0.185	0.000	-0.185	Delayed until 2015-16
Primary School, Cringleford		0.750	0.000	-0.750	Reclassified to financial packages
Lingwood Junior School, Lingwood (Pond site)		0.000	0.000	0.000	Sale delayed until 2015-16
Surplus ETD Land, Earsham		0.000	0.000	0.000	Sale delayed until 2015-16
Former Cromer High Station, North Repps		0.000	0.000	0.000	Sale delayed until 2015-16
Rear of 101-106 Norfolk Street, Kings Lynn		0.000	0.000	0.000	Sale delayed until 2015-16
Lingwood Junior School, Lingwood (Orchard Site)		0.000	0.000	0.000	Sale delayed until 2015-16
General Capital Receipts		**2.258**	**5.740**	**3.482**	
Land at Sewell Park College, Norwich	Completed 18 November 2014	0.000	0.587	0.587	
Primary School, Cringleford	Completed 16 January 2015	0.000	1.775	1.775	
Former Highways	Legal in	0.250	0.215	-0.035	

Depot, Stalham	progress				
Former Sixth Form Centre, Swaffham		0.150	0.000	-0.150	Sale of property completed in March 2013-14
The Hollies and Ivy House, Great Yarmouth		0.200	0.000	-0.200	Sale of property completed in March 2013-14
Former Highway Depot, Hillington		0.200	0.000	-0.200	Sale of property completed in March 2013-14
Former School, Necton		0.350	0.000	-0.350	Sale removed from schedule as the property is no longer being marketed due to planning issues
Alderman Jackson School, Kings Lynn		0.335	0.000	-0.335	Delayed until 2015-16
Financial Packages Capital Receipts		**1.485**	**2.577**	**1.092**	
Priory Farm, Wiggenhall St Germans	Completed 7 July 2014	0.150	0.130	-0.020	
Dairy Farm, Burlingham	Completed 4 September 2014	0.000	0.138	0.138	
Hall Farm Cottage, Haddiscoe	Completed 18 December 2015	0.200	0.230	0.030	
Sparrow Hall Bungalow, Blofield	On Market	0.150	0.120	-0.030	
Hall Farm, Thorpe Market	On Market	0.000	0.618	0.618	
Land for 150 Homes Including Affordable Housing, Acle		4.000	0.000	-4.000	Planning for this site has now been agreed in principle but is subject to finalising the S106 agreement. Therefore, the property is likely to be marketed in December or January with a sale hopefully completed early in 2015-16.
Vicarage Farm Barns, North Elmham		0.200	0.000	-0.200	Anticipated sale now 2015-16
Development Site, Hilgay		0.080	0.000	-0.080	Anticipated sale now 2015-16
Additional Land for Hospice, Hopton		0.060	0.000	-0.060	Anticipated sale now 2016-17
Site for 20 Homes Including 12 Affordable Housing, South Walsham		0.500	0.000	-0.500	The initial planning application was not approved. This has now been revised and resubmitted but has delayed the sales process.
Row Hill Farm Barns, Hindringham		0.000	0.000	0.000	Anticipated sale now 2015-16
Tunstead Barns, Tunstead		0.150	0.000	-0.150	Anticipated sale now 2015-16
Site for 14 Homes Including Affordable Housing, Blofield		0.475	0.000	-0.475	Anticipated sale now 2015-16

Site for 5 Homes Including 3 Affordable Housing, Salthouse		0.065	0.000	-0.065	Anticipated sale now 2015-16
Church Farm Barns, Bacton		0.090	0.000	-0.090	Anticipated sale now 2015-16
Barns at College Farm, Denver		0.300	0.000	-0.300	Anticipated sale now 2015-16
Farms Capital Receipts		**6.420**	**1.236**	**-5.184**	
TOTAL RECEIPTS		**10.163**	**9.553**	**-0.610**	

Appendix 6: Greater Norwich Growth Board introduction

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

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

The total requirement is as follows:

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

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

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

The current planned schemes are as follows:

Project	Funding Source	Scheme Total	To Date	15/16	16/17	17/18	18/19
		£m		£m	£m	£m	£m
GNGB Strategic Infrastructure Programme							
Salhouse Road Walk/ Cycle route	City Cycle ambition grant	**0.200**		0.200			
Golden ball street	LTB funding (£2m)	**2.500**		1.500	1.000		
Yellow Pedalway	S106 Funding	**0.100**		0.100			
Guardian Road/ Dereham road junction improvements	LTB Funding	**1.650**		0.050	0.050	0.750	0.750
Earlham Millennium		**0.066**		0.066			

Green path improvements							
Marriott's Way		**0.250**		0.250			
Roundhouse Way Interchange	LTB Funding	**0.500**		0.050	0.450		
Eaton Interchange		**0.100**		0.025	0.075		
Longwater Scheme development	LTB Funding	**2.000**		0.750	0.750	0.500	
Total Costs		**7.316**		**2.991**	**2.325**	**1.250**	**0.750**
Identified Funding		**6.400**		2.150	2.250	1.250	0.750
Pooled CIL Funding requirement (excluding NDR)		**0.916**		**0.841**	**0.075**		
Pooled CIL Projection		**32.389**	**0.377**	**2.292**	**7.247**	**10.576**	**11.897**
CIL Available for further projects including financing the NDR to 2018/19		**31.473**	**0.377**	**1.451**	**7.172**	**10.576**	**11.897**
NDR							
NDR costs, figures based on 2015-18 capital programme	DfT grant, NCC borrowing supported by GNGB CIL, NCC capital receipts	**151.600**	37.795	32.650	63.500	17.655	
Identified Funding							
DfT Grant		**88.200**	20.700	24.000	43.500		
NDR Reserve		**2.500**	2.500				
NCC Borrowing & Capital Receipts		**20.900**	9.150	8.650	3.100		
NDR CIL-Supported Borrowing Requirement		**40.000**	**5.445**	**0.000**	**16.900**	**17.655**	
Cumulative Interest at Discounted Rate			**0.286**	**0.286**	**1.004**	**1.913**	**1.913**
MRP							**1.000**
Total Revenue to be Supported by CIL			**0.286**	**0.286**	**1.004**	**1.913**	**2.913**

Costs for the NDR differ from those reported to the Greater Norwich Growth Board due to reprofiling.

MRP on the project will not be chargeable until the year after the scheme is complete so the short term impact of CIL receipts not being available will be that the authority may need to borrow and incur associated interest costs. The level of CIL receipts identified above will be more than sufficient to offset these short term costs.

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

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

Policy & Resources Committee

Item No. 15

Report title:	**Annual report on the Norfolk Infrastructure Fund**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Executive Director, Community and Environmental Services**

Strategic impact

Norfolk needs to deliver significant levels of growth. However, public funding for the essential infrastructure to support this growth is very limited. For growth to be sustainable, it must be accompanied by investment in the necessary supporting infrastructure, while maintaining the quality of Norfolk as an environment in which to work and live. The Norfolk Infrastructure Fund (NIF) is designed to assist in achieving that balance. In some cases projects are grants, in others, loans due to return to and top up the Fund.

Executive summary

The report gives a progress update on activity and spend in 2014/15 and outlines commitments already scheduled beyond this financial year. Economic Development Sub-Committee has oversight of the NIF and members received this report at their meeting of 19 March 2015. For the benefit of members of Policy & Resources Committee, the original Cabinet report from 2010, on the establishment of the Fund, is attached at Appendix B. Current projects are:

- £6m to support broadband development in rural parts of Norfolk.
- £2.420m to support the development of housing on part of the Beach Coach Station Car Park in Great Yarmouth (Royal Britannia Crescent).
- £7.208m towards the purchase of RAF Coltishall (now known as Scottow Enterprise Park), including £1m towards improving essential infrastructure at the site and £0.650m to support the delivery of the Park's development vision.
- £1m investment in a housing joint venture with King's Lynn and West Norfolk Borough Council on the NORA (Nar Ouse Regeneration Area) site in King's Lynn, supplemented by a further £0.200m agreed by this sub-committee in January 2015.

Projects previously funded by the NIF can be found in Appendix A.

Beyond 2014/15, commitments are already scheduled for:

- Great Yarmouth Energy Park - £2.75m for the acquisition of licences on key sites to support the creation of a 50-acre business park, to serve as a base for the gas/offshore wind supply chain and capitalise on business generated by the East Anglia Array wind farm.
- Better Broadband for Norfolk – £6m, part of a £16m County Council commitment, levering £43.34m of funds from other sources, for the improvement of basic speeds and access to Superfast broadband in 90% of rural locations in the county.

Members of Economic Development Sub-Committee were asked to consider broad priorities for the £0.451m available for new commitments from the Fund.

Recommendations: members are requested to:

i) Note the report

1. Proposal

1.1. In January 2010, Cabinet agreed to the establishment of a Norfolk Infrastructure Fund (NIF) to help fund infrastructure projects and support economic growth. This report can be found at Appendix B.

Proposals for the operation of the Fund were subject to stakeholder consultation and agreed by Cabinet in May 2010. The agreed principles were:

- The primary purpose of the NIF is to help finance the investment necessary to deliver the significant growth planned for the county, in terms of jobs and housing. At the time, it was identified that projects should support the East of England Plan (EEP), primarily for the designated growth points/regeneration areas of Greater Norwich, Great Yarmouth, King's Lynn and Thetford. Priorities should now be seen in the context of the New Anglia Strategic Economic Plan.
- In general terms, the NIF should be allocated to projects that have the greatest potential to help deliver this growth in a sustainable way. The success of the NIF will be measured in terms of infrastructure provided, jobs and housing delivered, employment land created and the leverage of external funding. The number and scale of potential schemes far exceeds the resources available through the NIF and projects have to be prioritised. The criteria for prioritisation (not in order of importance) that were agreed include:
    - **Scale of growth accommodated (jobs and/or housing).** The amount of new housing or employment supported by a particular project is a key factor in prioritisation. Growth Points and designated regeneration areas will therefore be a priority, as will other locations earmarked for significant new growth allocations (>500 houses in the period to 2026). This includes North Walsham, Fakenham, Attleborough and Dereham.
    - **Inclusion within relevant Integrated Development Plan (IDP).** Within the relevant Growth Point/regeneration areas, priority will be given to those projects prioritised within the IDP for the area. This will also help ensure that the NIF is consistent with the wider strategies on which IDPs are based. In growth areas without IDPs, priority will be given to those projects identified within Local Development Frameworks.
    - **Leverage of external or match funding.** Projects which can lever in private sector investment and/or matched funding will increase the outputs that can be secured from the NIF and this will be reflected in the prioritisation.
    - **Potential return on investment.** It is envisaged that some investments, by unlocking growth, will produce a financial return from development to the NIF. These projects will be a priority as this return can be reinvested, via the NIF, in further projects.

The Fund utilises the 25% second homes funding retained by the County Council, anticipated to be £0.885m annually, providing an investment fund of approximately £10m, as well as a one-off contribution from the Council's New Homes Bonus allocation.

This is the fourth annual Norfolk Infrastructure Fund progress report. It updates members on decisions and progress on individual schemes, the overall financial position of the Fund and makes recommendations on the future direction of the NIF. Commitments to date include:

- £6m to support broadband development in rural parts of Norfolk.
- £2.420m to support the development of housing on part of the Beach Coach Station Car Park in Great Yarmouth (Royal Britannia Crescent).
- £7.208m towards the purchase of RAF Coltishall, including £1m towards improving essential infrastructure at the site and £650,000 to support the transition from development to delivery of the Coltishall development vision.
- A £0.8m investment to meet blight costs associated with progressing the proposed third river crossing in Great Yarmouth
- A £1.5m investment to enable the development of a new technology block at the College of West Anglia
- £1m investment in a housing joint venture with King's Lynn and West Norfolk Borough Council on the NORA (Nar Ouse Regeneration Area) site in King's Lynn

Progress on projects is detailed in the report. Due to the profile of funding for schemes, the forecast balance of the fund at 31 March 2015 is estimated to be £1.692m, and we have committed to funding £3.952m of borrowing.

2. Progress against plan

This section provides updates on live NIF projects. Those that have been funded from the NIF, but are now complete, can be found in Appendix A.

2.1. NORA (Nar Ouse Regeneration Area) Housing Project

Norfolk County Council agreed to invest £1m, matched by a £1m land investment by King's Lynn and West Norfolk Borough Council (KLWNBC), to support the Nar Ouse Regeneration Area (NORA). The project was to develop 12.6 acres of residential land, providing 170 homes through a joint venture agreement (JVA).

The strategic objectives of the project are to:

- Enable and risk-manage a financially viable housing development on the NORA site at this time of market inactivity.
- Use the initial public sector investment (£1.4m in capital, £3.6m cash flow, plus land) to realise the first phase of the development.
- Retain the choice to reinvest the returns from the first phase in order to realise future phases.
- Actively contribute towards improving future prospects for the community of King's Lynn and West Norfolk.

Progress update

- The joint venture agreement was signed in October 2012
- Pre-commencement planning conditions and associated works were completed and signed off in July 2013.
- There have been significant issues regarding ground conditions and a pumped sewer main across the site, which have now been resolved, but which absorbed the initial £1m allocated.
- Infrastructure works commenced in August 2013 and construction of the first phase of 54 dwellings commenced in November 2013, and are due to complete by the end of March 2015.
- A further £0.2m was requested from the NIF to support risk areas in Phase 2, and the Economic Development Sub Committee approved this at their 19

January 2015 meeting. This spend should be made early in 2015/16.

- KLWNBC have agreed to limit the NCC total liability for the project to £1.2m and the Economic Development Sub-Committee approved this in January 2015, with nplaw to be instructed to make the necessary JVA amendments.
- By February 2015, 40 sales had been agreed (74%) of the available stock of 54 houses. Phase one has also delivered 8 affordable homes.
- The full development will deliver added value benefit over time, including New Homes Bonus income, which over six years will gross £1,226,508 (£981,206 to KLWNBC and £245,302 to Norfolk County Council). Council tax receipts will be generated, and over six years are estimated at £1,023,230 (£91,143 to KLWNBC and £932,087 to Norfolk County Council.)

2.2. **Beach Coach Station Car Park, Great Yarmouth (Royal Britannia Crescent)**

The Great Yarmouth Area Board commissioned the Great Yarmouth Development Company (GYDC), whose members include Norfolk County Council and Great Yarmouth Borough Council (GYBC), to develop a proposal to construct 19 new homes, including three affordable homes, on the site of Beach Coach Station Car Park on Nelson Road North in Great Yarmouth.

A £2.42m investment from the NIF was agreed by Cabinet in November 2011. The investment is in the form of a loan to the GYDC. The intention is for the loan to be repaid from the sale of the properties. GYBC agreed to provide the land.

Progress update

- Following construction, the homes were handed over in August 2013.
- Sales of the final properties were completed in November 2014.
- The first AGM of the property owners' residential management company (RBC Management Ltd) took place in February 2015.
- The 2 year defect warranty period completes in July 2015 and this is likely to be regarded as the project end date for the GYDC.
- Final costs are expected to be £2.440m and the sales are £2.316m all of which will be completed this financial year. Therefore there is a loss on the project. This is due to higher than anticipated land preparation costs (flood mitigation works) and receipts being lower than expected.

2.3. **Great Yarmouth Energy Park (South Denes)**

In November 2012 the Board of the GYDC approved the undertaking of a baseline study and preparation of a regeneration plan, with associated delivery strategy, for an area of land in South Denes, to the north of the Enterprise Zone. The majority of the site's freehold is owned by GYBC, but subject to long leases. Most of the remainder is owned by one other company, with more modern leases. The aim is to create a 50-acre Energy Park, suitable as a base for the offshore gas and wind industry supply chain, capitalising on future business to be generated by the East Anglia Array wind farm.

The Regeneration Plan delivered in December 2013 estimated that £3m of capital will be required for acquisition of the leases on priority sites. GYBC recommended £0.250m of capital receipts be allocated to taking the project forward, and have applied to the New Anglia Local Enterprise Partnership for Enterprise Zone Challenge Fund monies to cover this cost. The Leader of Norfolk County Council agreed that the balance (£2.75m) be funded through NIF, although due to the profile of expected acquisitions and disposals we would not expect the full amount of funding to be required at any one time.

A high level, four year delivery strategy was provided in Spring 2014, offering an investment profile for the period. Investment is based on a pooled arrangement, where all capital receipts will be ring-fenced for future re-investment until completion of the Delivery Strategy. Upon completion of the project, the available pooled funds will be used to return any upfront investment to the partners. Losses or surpluses will be shared by partners, with any surpluses reinvested in future regeneration projects. Business cases for each lease acquisition will be presented to the GYDC Board for consideration.

Progress update

- November 2012 GYAB requested a baseline study, Regeneration Plan and Delivery Strategy.
- December 2013, the Regeneration Plan was received.
- Spring 2014 - investment profile for a four year project was delivered.
- Spring 2014 – outline business cases drafting commenced for priority sites.
- Spring 2014 – meetings with site tenants commenced.
- Spring 2014 - alternative accommodation searches commenced, to support non-energy employers on the site.
- Summer 2014 – branding templates and communications strategy agreed.
- Autumn 2014 – GYBC seek member views on the use of CPO to acquire leases.
- December 2014 – surrender of the first lease completed (£125k funded from NIF).
- Spring 2015 – a minority landowner has indicated they might consider sale of their freehold.
- Spring 2015 – an updated work plan for 2015-16 is presented to the March 2015 board, including recommendations for project resourcing.

2.4. **Scottow Enterprise Park (former RAF Coltishall)**

Up to £7.208m of investment from the Norfolk Infrastructure Fund has been approved for the former RAF Coltishall site. The investment covers the cost of purchasing the site from the Ministry of Justice (MoJ), investment towards improving essential infrastructure at the site and investment in delivering the Council's agreed development vision.

Receipts generated by the site, which are not reinvested in the facilities, could be utilised to reinstate the investment drawn down from the Norfolk Infrastructure Fund.

The Council completed its purchase of the former RAF base from the MoJ on 8 January 2013.

Progress update

There has been modest spend in 2014/15 from the £1m of approved capital funding, allocated over two years for essential infrastructure improvements. This has included design work for the new community concern access improvement, highway improvements on the wider network and some upgrade works to the site utilities. Contractual works to separate the high voltage network from HMP Bure are due to be completed at the end of the current financial year.

In the order of up to £2.355m of capital investment is required in 2015/16. This includes delivery of the new access (which seeks to address concerns expressed by the local community about lorry traffic through Badersfield), completion of the utility separation for the water main network and infrastructure utilities upgrade works. Work on the feasibility and design of the capital works continues, in order to verify the expected level of expenditure. The remaining £0.597m of approved NIF funding for essential infrastructure improvements will be used, and the balance of funds will be raised through prudential borrowing.

Income generation levels have exceeded expectations, as a number of potential tenants have been brought to the site, securing rental income. There have been increased direct costs progressing new lettings, but securing new land leases such as the solar farm will guarantee a significant income stream for the next 20 years. Together with other rental income from tenancies, it is forecast that this will cover overhead expenditure within the financial year.

2.5. **Better Broadband for Norfolk (supporting better broadband access in rural areas)**

Two thirds of Norfolk companies are located in rural areas with most employing fewer than 10 staff. Broadband is currently poor or non-existent in many rural locations. Cabinet agreed the following objectives for its 'Better Broadband for Norfolk' project objectives:

- An 'open infrastructure' enabling multiple Internet Service Providers (ISPs) to offer services to residents and businesses. This will drive competition and on-going service development
- All customers to have a choice of at least two ISPs, in order to offer them best value for money
- The delivery of economic benefits, based on significant levels of 'speed uplift' (the amount of broadband speed increase from the current service) made possible by improved broadband infrastructure availability in large parts of Norfolk
- 2Mbps speeds as a minimum across Norfolk, so that everyone who wants access to broadband can have it
- Increase the number of properties that have access to Superfast broadband.

Building on a successful bid to the Government's BDUK fund for £15.44m – supplemented by over £11m from BT, the chosen supplier - Norfolk Council agreed a match-funding contribution of £15m to the project.

£5m of the Council's contribution is to come from the Norfolk Infrastructure Fund, the remainder from prudential borrowing. The £5m from the NIF is scheduled to be committed in 2015-16 and will be allocated to completion of the first Better Broadband for Norfolk contract, which will see the percentage of properties in Norfolk that have access to Superfast broadband (24 Mbps+) increase from the 43% that will benefit from BT Openreach and Virgin Media commercial deployments to 83% by the end of 2015.

A further successful bid to the Government's Local Growth Fund, in conjunction with New Anglia Local Enterprise Partnership (NALEP), has just secured a further £6m from Government, £5m from NALEP and £5.9m from BT, with an additional £1m from the County Council.

This should increase superfast coverage to 90% of Norfolk properties. The County Council's £1m is scheduled to be committed in 2017-18.

Progress update

The project is on target and budget to deliver 83% access to Superfast by the end of 2015.

3. Financial Implications

3.1. The NIF utilises the 25% second homes funding retained by the County Council, anticipated as £0.885m annually, as well the one off contribution of the 2011/12 New Homes Bonus allocation of £0.799m. Due to the profile of funding for schemes, the forecast balance of the fund at 31 March 2015 is estimated to be £1.692m. As at 31 March we have undertaken £3.952m of borrowing, assuming anticipated returns on investment are received the ongoing revenue cost covered by the Fund is approximately £0.453m.

3.2. The table below shows the profile of the Fund since its inception, including projected spend for future years that has already been agreed.

Borrowing requirement	Total Investment	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
3rd River Crossing	0.800	0.800					
College of West Anglia	1.500		0.105	1.395			
Broadband	5.000					0.000	5.000
Beach Coach Station (Britannia Crescent)	0.124			1.247	1.048	(2.171)	
Gt Yarmouth Energy Park	0.125					0.125	
Scottow Enterprise Park - Capital costs						0.403	0.597
NORA	1.200		0.307	0.443	0.250	0.000	0.000
Total Borrowing commitment	9.549	0.800	0.412	3.085	1.298	(1.643)	5.597
Cumulative Borrowing Position		0.800	1.212	4.297	5.595	3.952	9.549
Balance of the Fund							
Opening balance of reserve		(1.151)	(1.151)	(4.745)	(2.378)	(2.015)	(0.992)
Additions to the fund			(3.658)	(1.914)	(1.161)	(0.885)	(0.885)
Borrowing costs			0.065	0.098	0.247	0.453	0.320
One off Funding							
Scottow Enterprise park - revenue funding				4.183	1.270	0.755	
NORA - one-off						0.000	0.200
Thetford					0.006		
Broadband							0.000
Contribution to Willow compensation						0.700	
		(1.151)	(4.745)	(2.378)	(2.015)	(0.992)	(1.357)
Capital receipts						(0.700)	
Reserve balance		(1.151)	(4.745)	(2.378)	(2.015)	(1.692)	(2.0657)

4. Issues, risks and innovation

4.1. There are risks associated with not identifying/securing some resource to support the infrastructure needed to support planned growth for the county. Without such support, the delivery of sustainable new developments could be undermined.

There is a risk that where investments are anticipated to provide repayments to the Fund, these won't be realised. This risk is being managed through the business case approval process, and overall management of the Fund portfolio.

In terms of innovation, and the proposed future direction of the Fund, as outlined in the report, there are already commitments beyond 2014/15 on broadband (£6m), Great Yarmouth Energy Park (up to £2.75m) and Scottow Enterprise Park (up to £2.3m). It is not yet clear which year those projects will spend in and any borrowing be returned to the Fund. However, at the time of writing, £0.451m is available for allocation to projects and Economic Development Sub-Committee was asked to consider broad priorities for that sum at their meeting of 19 March 2015.

5. Background

5.1. Norfolk needs to deliver significant levels of growth. However, public funding for the essential infrastructure to support this growth is very limited. For growth to be sustainable, it must be accompanied by investment in the necessary supporting infrastructure. It is important to ensure an appropriate balance between public investment in housing and this supporting infrastructure, while maintaining the quality of Norfolk as an environment in which to work and live.

The Norfolk Infrastructure Fund is designed to assist in achieving that balance. The proposals for the operation of the Fund, found in section 1 of this report, were subject to stakeholder consultation, and agreed by Cabinet in May 2010.

Officer Contact

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

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Appendix A: completed NIF projects

1. **CWA (College of West Anglia)**

1.1 In 2008, the College submitted proposals for a new-build strategy on green or brown field sites in both King's Lynn and Fenland. The Learning and Skills Council rejected these in 2009 because of its much-publicised nationwide shortage of capital funding.

1.2 The lack of investment meant the College buildings had reached the end of their useful lives – a condition survey showed that only 16% of the College's accommodation was adequate for use. As the buildings deteriorate, it would impact on the quality of provision and the willingness of students and employers to use the facilities. This could have led to the College closing its King's Lynn site, with the loss of 1,350 jobs.

1.3 The College put together a proposal to replace the unusable technology block - the demand for technology and engineering skills is clear and without access to this kind of facility the College was seriously disadvantaged in the market place. It also meant that West Norfolk would not be able to develop the skills to attract business growth and jobs.

1.4 £1.5m of expenditure from the NIF was approved towards the replacement of the technology block, matched by the borough council, the Skills Funding Agency and the College.

1.5 The project is complete, delivering training in technology and engineering skills and making a significant contribution to the continued success of CWA. The £1.5m contribution was funded from borrowing and the cost of borrowing charged to the NIF.

2. **Great Yarmouth Third River Crossing (3RC)**

2.1 In December 2009 Cabinet adopted a preferred route for the proposed third river crossing (3RC) in Great Yarmouth. The scheme is key to the Great Yarmouth transport strategy and the wider regeneration objectives of delivering jobs and economic growth. There are a number of option for delivery of this scheme. A bridge would be the cheapest solution at £112m, with a roundabout at £122m and a tunnel option at £376m.

2.2 Statutory blight relating to the 3RC amounted to £1.89m in 2010/11. £800k of expenditure from the NIF towards these costs was approved. If the scheme did not proceed, the properties could be sold, and the proceeds returned to the Fund.

In subsequent years blight costs amounted to £0.458m in 2011/12, £0.481m in 2012/13 and £0.025m in 2013/14. These costs were contained within the overall highways capital programme, by switching funding from the structural maintenance budget, within limits agreed by Cabinet.

2.3 There may be further blight in future years – currently estimated at up to £0.175m – which, again, will be contained within the highways capital programme.

2.4 New Anglia Local Enterprise Partnership's (NALEP) Strategic Economic Plan identifies funding for 3RC development from year 2017/18, to allow for delivery from 2021/22. The ability to draw down funding will depend on the award made to NALEP for the period 2015 to 2021, and future decisions by the Partnership on how to allocate this money.

3. **Thetford Riverside Development**

3.1 The Thetford Area Action Plan (TAAP) states that the town centre will be regenerated to become the focus of the community for leisure and shopping, unifying the existing and new areas of the town. The TAAP identifies the Riverside Regeneration Area as a key site for development and change within the core town centre zone. Breckland District Council brought forward a development proposal to revitalise the riverside site and create approximately.

Having originally explored partnering with the County Council, Breckland chose to work with a private sector partner on this initiative. The £0.006m shown on the financials table represents the County Council's contribution to pre-planning costs.

Report to Cabinet

4th Jan 2010
Item No 14

Proposal to create a Norfolk Infrastructure Fund

Report by the Director of Corporate Resources and Cultural Services

Summary
Norfolk has to deliver significant levels of growth up to 2021/31 in both urban and rural areas. There are three 'Growth Point' designated towns (Kings Lynn, Norwich and Thetford) and an Urban Regeneration Company for Great Yarmouth. A number of market towns will also grow significantly. Public and private sector funding for infrastructure to support growth will be severely limited for the foreseeable future and there is a real challenge to identify innovative ways to fund infrastructure projects.

In order for Norfolk County Council to improve support to these areas, it is proposed to re-allocate the 25% of second homes funding, retained by the County Council, currently to spend on affordable housing projects, into a newly formed 'Norfolk Infrastructure Fund.

1. Background

1.1 The infrastructure is an essential element for the planned growth of Norfolk and its economy. However the cost for infrastructure programmes falls to public and private funders and given the current economic downturn, this option is significantly reduced and will have major implications for the planned growth.

1.2 In 2004, the law in relation to council tax on second homes changed. Previously second home owners had a discount of 50% on council tax, but this reduced to 10%. This extra income to the county has been treated the same way as any other council tax income; 80% to the County, 10% to Norfolk Constabulary, 10% to the District. In 2009/10 the second homes monies are £3,316,114.

2. The infrastructure issues for Norfolk

Cabinet discussed the issue of the new growth proposed for Norfolk, as part of the East of England Plan Review to 2031, (EERA Consultation on scenarios for housing and economic growth) at their meeting on 9th November 2009. The issue of infrastructure was highlighted as the key issue facing the delivery of the planned growth, given the current implications of the recession not only on the building rates, but also the availability of funding to tackle infrastructure projects.

(Appendix 1 is taken from the Cabinet Report and lists the current known critical infrastructure requirements in the county). The infrastructure issues have arisen as a result of a number of factors, including:

a) The scale of growth which Government has asked the region to consider requires house building levels in Norfolk not experienced since the 1960s and 70s when the Town Expansion Schemes were developed (Thetford and King's Lynn) and there was large scale council house building, particularly in Norwich.

b) The infrastructure deficit has built up over time, especially for transport schemes e.g. A11 dualling.

c) Privatisation and regulation of the utility companies - private companies are unable to invest in long term infrastructure capacity as the Local Development Frameworks are seen as 'speculative' - this has lead to a more reactive programme of development, potentially hindering growth due to the long lead time needed for infrastructure development.

d) Short term horizons and reductions in Government funding - for example there is still no certainty regarding funding for the NDR even though it is pivotal for the long term development of Norwich.

e) More stringent standards and regulations - e.g. higher legal standards relating to water abstraction, water quality and waste water discharge will require very significant improvements or replacement of infrastructure.

f) The age of existing infrastructure - e.g. the national and local electricity grid is of an age where it now needs a substantial investment to match current and future demand. There are also major existing gaps in the power supply network in the county.

g) The new planning process requires a test of 'soundness' to be established before the plan is submitted for approval, leading to the need for evidence that the plan's growth can be delivered in a sustainable way. New studies for this evidence base are highlighting where gaps in existing and future infrastructure exist which will require investment e.g. for water supply, sewerage networks and treatment, power, flood defence and green infrastructure.

h) The government's planned methodology for funding infrastructure, via development profits (using the proposed Community Infrastructure Levy), has been undermined by the financial collapse of the development industry in the recent recession.

3. Infrastructure costs identified for Norfolk

Within the overall growth levels required in the county, Thetford, King's Lynn and the Greater Norwich will accommodate most of Norfolk's planned growth in housing and jobs in the next 20-30 years. There is government funding to support infrastructure costs in these growth point areas, but the funding levels are reducing. (see Appendix 2).

There are no similar routes open to other areas. In the rural areas, several market towns, such as Attleborough and Fakenham, will need to grow significantly. Integrated Development Programmes (a format designed by EEDA) have been prepared for growth point areas. These contain a prioritised programme of proposed interventions that are designed to support the delivery of jobs and housing with a particular focus on infrastructure but also other specific interventions.

A list of critical infrastructure requirements to support growth across the county has been drawn up as part of the response to EERA's growth scenario consultation (Appendix 1), which indicates the scale of the interventions required.

4. Addressing the infrastructure deficit in Norfolk

The economic downturn is leading to reduced availability of public and private infrastructure funding, which will have major repercussions for delivery of new housing and economic growth. There is a real challenge to key funding agencies to identify innovative ways to fund infrastructure projects.

It is proposed to use the affordable housing element of the 2nd homes monies (£829,000) to establish a 'Norfolk Infrastructure Fund'.

In the current three year spending period, Norfolk is expecting to receive an average of approximately £36 million per annum from Government, for affordable housing. The second homes allocation for affordable housing of £829,000 needs to be put into this context.

4.1 Current arrangements for second homes monies

In 2004, Norfolk County Council, through the Norfolk LGA agreed to use the additional funding raised from the changes in the council tax on second homes as follows;

a) 50% (around £1.2 million, at that time) to Local Strategic Partnerships (pro rata to district collection), to be spent on Local Strategic Partnership (LSP) priorities, including affordable housing where appropriate
b) 50% (around £1.2 million, at that time) to Norfolk Strategic Partnership Fund, available for all Local Strategic Partnerships (district and county) to bid against.

In 2004, after one round of applications to the Norfolk Strategic Partnership Fund, a review of the arrangement was undertaken and discussed with the Norfolk LGA in December 2004. The following proposal was agreed by the County Council and has been in place since April 2005;

a) 50% to Local Strategic Partnerships (pro rata to district collection), to be spent on LSP priorities, including affordable housing where appropriate.
b) 50% retained at County level;
    i) Half ring fenced for the County Council to spend on affordable housing projects (pro rata to district collection), in consultation with the relevant District Council
    ii) Half committed to strategic initiatives identified by the County Strategic Partnership, with no bidding process.

The funding is collected by districts each month during the year. The estimate collection for 2009/10 is £3,316,114.

Since these arrangements were set up and reviewed in 2004, the financial situation has changed radically, which prompts a review as to whether this funding is used in the best interests for Norfolk people.

4.2 Norfolk Infrastructure Fund

The purpose of this Fund would primarily be to support the infrastructure projects across the county. It will be managed by Norfolk County Council and allocated based on its Growth Point and other infrastructure priorities. It is proposed that this new Fund will start from April 2010. If the establishment of a Norfolk Infrastructure Fund is agreed by Cabinet, a report will come back to Cabinet, which will set out proposals for the how decisions on spending will be made and the criteria to be applied to proposals.

Any unspent funding remaining in the Affordable Housing allocation of second homes monies will be carried forward into the new Infrastructure Fund. This currently stands at £1,134,262.25. However North Norfolk has been in discussion with Norfolk County Council on an affordable housing project and will be looking to withdraw their allocation (£343,135.50) before March 2010.

5. Resource Implications

5.1 **Finance**: None

5.2 **Staff**: Currently Finance Officers provide support to administer the funding for this aspect of affordable housing. This staff resource will continue.

5.3 **Property**: None

5.4 **IT**: None

6. Other Implications (where appropriate)

6.1 **Legal Implications**: None

6.2 **Human Rights:**
None

6.3 **Equality Impact Assessment (EqIA)**
At this stage, an Equality Impact Assessment (EqIA) is not relevant. However it may be when individual projects are identified in which case and EqIA will be undertaken, assessed on evidence of need.

6.4 **Communications**:
None

7. Section 17 – Crime and Disorder Act

There are no direct implications in relation to crime and disorder at this stage.

8. Risk Implications/Assessment

8.1 The risks are associated with not identifying some resource to support the infrastructure projects identified as critical to the planned growth and economy for the county. Growth without infrastructure to support it, will lead to un-sustainable communities.

9. Review Panel Comments

This report has not been to a Review Panel

10. Alternative Options

10.1 The County Council may wish to review the use of the total second homes monies collected each year.

10.2 In 2005, the Norfolk County Strategic Partnership (NCSP) Board agreed that its share of 2nd homes monies would be used to support the delivery of the Local Area Agreement. In 2008, the NCSP Board agreed to put £200,000 of its allocation into a Participatory Budget (PB) pilot, 'Your Norfolk Your Decision'. Participatory budgeting is about local people deciding how to spend public sector funding.

A green flag has been given within Norfolk's Area Assessment for the innovative way that the NCSP has involved local residents in making decisions about how to spend £200,000 of money raised from the tax on second homes. The projects that were given money are already helping to improve lives and create local jobs.

10.3 The allocation to district Local Strategic Partnerships (LSP) is based pro rata on the number of second homes in the area. This means that the amount of funding available to each district LSP varies between £686,000 and £55,000.

10.4 The County Council may wish to review the arrangements for the 75% allocated to district and county LSPs, on completion of the current review of LSPs being undertaken by Corporate Affairs Overview and Scrutiny Panel.

11. Conclusion

11.1 The infrastructure deficit will not be solved by setting up a Norfolk Infrastructure Fund. However it will enable Norfolk to invest in prioritised infrastructure projects that would have a significant impact on the planned growth and economy. It may also provide opportunities to lever in match funding.

12. Recommendation

12.1 Cabinet is asked to consider the proposal and agree to establish a Norfolk Infrastructure Fund, using 25% of second homes monies collected, which has been used for affordable housing projects with district councils.

12.2 Task officers to come back to Cabinet with a paper detailing proposals for how the Fund will operate.

12.3 Cabinet is asked to incorporate this decision as part of the overall budget process at the end of January and seek agreement at Full Council in February.

Background Papers

None

Officer Contact

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

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Infrastructure Investments Required for Growth to 2031

Roads

District	**Description of works**	**Impact on dwelling delivery**
GNDP	Northern Distributor Road	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Postwick Interchange	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	A47 Blofield to North Burlingham	*[1] (see footnote)
	A140 Long Stratton Bypass	*[1] (see footnote)
	Junctions on A47 Southern bypass	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Cross Valley Link between UEA and Research Park	*[1] (see footnote)
Kings Lynn	A47 Junction improvements	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	A10 West Winch Bypass	*[1] (see footnote)
	A47 East Winch/Middleton Bypass	*[1] (see footnote)
	A149 Queen Elizabeth Way	Failure to provide this infrastructure will curtail the provision of planned dwellings.
Great Yarmouth	Gapton Hall Roundabout and Vauxhall Roundabout improvements	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	3rd River Crossing	*[1] (see footnote)
	A47 improvements	*[1] (see footnote)
Breckland	A47 Easton to North Tuddenham dualling	*[1] (see footnote)
	Attleborough - bridge over railway and distributor road	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	A11 dualling - Fiveways roundabout to Thetford	*[1] (see footnote)
	A11 junction improvements at Croxton Road, Thetford	Failure to provide this infrastructure will curtail the provision of planned dwellings.

[1] Individually this scheme is not critical to dwelling delivery but is one of several schemes that collectively have an impact. Failure to invest in too many of these schemes could have a cumulative impact that could both discourage development or make further development unacceptable.

North Norfolk	No major strategic road improvements are required to deliver dwelling growth.	*[1] (see footnote)

Transport

District	Description of works	Impact on dwelling delivery
GNDP	Improve Norwich London Rail Route	*[1] (see footnote)
	Improve Norwich Cambridge Rail Route	*[1] (see footnote)
	New Rail Halts at Postwick Park and Ride and Broadland Business Park	*[1] (see footnote)
	Expand Postwick Park and Ride	*[1] (see footnote)
	Bus Rapid Transit	*[1] (see footnote)
Kings Lynn	Kings Lynn to Ely rail line dualling	*[1] (see footnote)
	Measures to improve public transport arising from KLATS (Park & Ride, etc)	*[1] (see footnote)
	New King's Lynn Bus Station	*[1] (see footnote)
Great Yarmouth	Improve Norwich to Great Yarmouth Rail services	*[1] (see footnote)
Breckland	Thetford - New Bus Station	*[1] (see footnote)
North Norfolk	Improve frequency of Norwich to North Walsham rail service.	*[1] (see footnote)

[1] Individually this scheme is not critical to dwelling delivery but is one of several schemes that collectively have an impact. Failure to invest in too many of these schemes could have a cumulative impact that could both discourage development or make further development unacceptable.

Water Cycle

District	Description of works	Impact on dwelling delivery
GNDP	Norwich area – improvements required for waste water treatment	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Rural area – improvements required for waste water treatment at Reepham, Aylesham, Wroxham, Acle, Loddon.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Provision for water abstraction.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Norwich area - new strategic sewers required north, south and central Norwich	Failure to provide this infrastructure will curtail the provision of planned dwellings.
Kings Lynn	King's Lynn - New pumped sewage main across River to serve development in the north of King's Lynn.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Downham Market - Significant upgrading of sewers.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Hunstanton - New terminal sewage pumping station	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Wisbech - Significant upgrading to the sewerage network	Failure to provide this infrastructure will curtail the provision of planned dwellings.
Great Yarmouth	Provision for water abstraction and Discharge	Failure to provide this infrastructure will curtail the provision of planned dwellings.
Breckland	Attleborough improvements required to waste water treatment	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Attleborough – Trunk sewer to serve southern extension	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Thetford – Improvements required to waste water treatment	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Water quality and	Failure to provide this infrastructure will

	capacity improvements at Dereham, Watton and Swaffham Sewage Treatment Works	curtail the provision of planned dwellings
	Provision for water abstraction across the district.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
North Norfolk	Foul sewerage network.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Waste Water Treatment Stalham, Horning, Fakenham, Holt,Beleaugh, North Walsham, Roughton, Great Walsingham and Wells	Failure to provide this infrastructure will curtail the provision of planned dwellings.

Energy

District	Description of works	Impact on dwelling delivery
GNDP	NE Norwich Sector – Electricity supply	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	West Norwich Primary sub station (new one required)	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Form Norwich Esco to support north eastern eco extension	*1 (see footnote)
	Biomass Power station western quadrant	Failure to provide this infrastructure will curtail the provision of planned dwellings.
Breckland	Thetford primary sub station	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Reinforcement of Attleborough electricity network	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Snetterton energy solution?	*1 (see footnote)

[1] Individually this scheme is not critical to dwelling delivery but is one of several schemes that collectively have an impact. Failure to invest in too many of these schemes could have a cumulative impact that could both discourage development or make further development unacceptable.

North Norfolk	Works will be required to the Cromer Primary Substation	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Scarborough Hill switching station, Cawston substation and Thorpe in Norwich. - major reinforcement works	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Works at the North Walsham primary substation.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
	Works to the Primary Substation at Egmere.	Failure to provide this infrastructure will curtail the provision of planned dwellings.

Flood Defences

District	Description of works	Impact on dwelling delivery
Great Yarmouth	Repair and increase height of flood defences at Great Yarmouth and Gorleston	Failure to provide this infrastructure will curtail the provision of planned dwellings.

Green Infrastructure

District	Description of works	Impact on dwelling delivery
GNDP	Develop Green Infrastructure to provide spaces that will relieve recreational pressures on areas of protected habitat and maintain the setting of historic landscapes and the setting of historic buildings.	Failure to provide this infrastructure will curtail the provision of planned dwellings.
Breckland	Thetford - Develop Green Infrastructure to provide spaces that will relieve recreational pressures on areas of protected habitat	Failure to provide this infrastructure will curtail the provision of planned dwellings.

North Norfolk	Develop Green Infrastructure to provide spaces that will relieve recreational pressures on areas of protected habitat.	Failure to provide this infrastructure will curtail the provision of planned dwellings.

Appendix 2

New Growth Point; allocation of funding to Norfolk areas

Area	**Funding requested 2008-11**	**Allocation 2008/9**	**Allocation due 2009/10**	**Allocation due 2010/11**
Kings Lynn	Capital £23.5m Revenue £0.7m Total; £24.2m	Revenue £100k	Capital – £989,383 Revenue - £80,936 Total - £1,070,320	Requested; Capital - £1,570,215 Revenue – £107,915 Total - £1,678,130 Allocated: *Capital - £888,617 Revenue - £107,915 Total – £996,532
Norwich	Capital £14.2m Revenue £1.2m Total; £15.4m	Capital - £3,858,869 Revenue - £411,475 Total - £4,270,344	Capital - £4,722,371 Revenue - £428,376 Total - £5,150,747	Requested; Capital - £5,639,286 Revenue - £427,825 Total - £6,067,111 Allocated: *Capital - £3,191,580 Revenue - £427,825 Total - £3,619,405
Thetford	Capital £22.9 m Revenue £1.7m Total; 24.7m	Requested; Capital - £2,015,000 Revenue - £211,000 Total - £2,226,000 Offered and allocated; Capital - £1,946,579 Revenue - £203,980 Total - £2,150,559	Requested: Capital - £8,379,500 Revenue - £1,013,000 Total – £9,392,500 Offered and allocated: Capital - £2,619,480 Revenue - £235,696 Total - £2,855,176	Requested: Capital - £12,600,000 Revenue - £558,000 Total - £13,158,000 Offered; Capital - £3,111,137 Revenue - £235,191 Total - £3,346,328 Allocated; *Capital - £1,760,762 Revenue - £235,191 Total - £1,995,953

Policy and Resources Committee

Item No 16

Report title:	**Review of the Residential and Non-Residential Charging Policy Associated with War Veterans**
Date of meeting:	**23 March 2015**
Responsible Chief Officer:	**Harold Bodmer, Executive Director of Adult Social Services**

Strategic impact

This report provides the Committee with a review of the charging policy for Residential and Non-Residential care that is associated with War Veterans. The report considers the issues made by the Royal British Legion as part of the national campaign.

Executive summary

This report has been remitted to Policy and Resources Committee from the Adult Social Services committee with the following recommendations:

1) ASC Committee recommends to full council that the relevant council policy be changed in this cycle to grant the request put forward by the Royal British Legion in respect of charging policies in force affecting war veterans, i.e. paragraphs 2 and 3 of the introduction of the Royal British Legion submission attached to this report

2) In the interim we recommend that P&R committee officers bring forward to that committee urgently options to find within this financial year and beyond the £400,000 per annum which is estimated to be the cost of the change

The national campaign launched by the Royal British Legion on perceived unfairness around the policy of determining how much War Veterans in receipt of compensation following an injury in service prior to 5 April 2005 pay for social care has gained considerable local and national press exposure. To respond to the questions being raised it was agreed to undertake a review of existing charging policies as they affect War Veterans.

Having completed the review of the policies, having considered the points made by the Royal British Legion and checked how neighbouring councils deal with the issues it was concluded that following points should be noted and the recommendation adopted.

Recommendations:

1. **Committee is asked to note that**

   a. **Any change in policy around War Veterans would affect 104 individuals and cost approximately £400k annually to implement**
   b. **Neighbouring councils who responded to enquires have a similar if not identical charging policies in force with respect to War Veterans and have no plans to change these policies**
   c. **The Department of Health are currently working with the Royal British Legion with respect to understand the impact nationally**

d. **That any change in policy on charging is likely to lead to other groups raising similar requests**

2. **Committee is asked to consider**

   a. **The request to fund the change in policies with respect to the treatment of War Veterans pensions in charging for social care**

1. Background

1.1 The Royal British Legion launched a national campaign in October 2013 that has more recently received extensive local and national press coverage which urges changes to charging policies around the treatment of War Veterans pensions and compensation to ensure consistency for all War Veterans in that all income derived from these sources is disregarded.

1.2 The War Pensions Scheme, which predates the introduction of the welfare state, provides a range of allowances in addition to the basic war disablement pension. Some of these allowances are designed to specifically pay for the ongoing care costs associated with an individual's disability and these are paid at a preferential rate, meaning that a war pensioner does not have to use their basic war disablement pension to meet these costs or seek other benefits to cover them.

1.3 In calculating how much an individual pays for their care the current policies in place for charging for residential and non-residential care, fully disregards compensation received by War Veterans made under the Armed Forces Compensation Scheme (AFCS) but disregards only the first £10 of any pension awarded under the Armed Forces Pension Schemes (AFPS).

1.4 The current policies for charging for residential and non-residential care were recently reviewed to deal with the changes brought about by the Care Act, and are considered to be consistent with thee councils statutory policies. In addition the council's charging policies are broadly consistent with most councils across England.

1.5 To respond to the points made in the Royal British Legion's campaign the following table pulls out the key points.

Comment or statement from Royal British Legion	**Current Charging Policy Treatment**
Military compensation is awarded as recompense for the pain, suffering and loss of amenity experienced by injured Service personnel and veterans; it should **not** be treated as normal income	Under current charging policies all Guaranteed Income Payments (GIP) made under Armed Forces Compensation Scheme are disregarded
Veterans who were injured in Service on or before 5 April 2005 receive a War Disablement Pension, and are known as War Pensioners. Should a War Pensioner have social care needs, they will routinely find that their local authority takes all but the first £10 per week of their military compensation to cover the costs of their care.	Pensions awarded to former military personnel under the Armed Forces Pension Schemes or war widows pensions are paid as a Welfare Benefit rather than a compensation. The council will disregards £10 of this (in line with the guidance), any War Pension Mobility Allowance, Constant Attendance Allowance above the middle rate of care, any payments made for the

	spouse or dependent children and any supplementary pensions paid to war widows /widowers.
This is despite the fact that a veteran with a similar injury, but who was injured on or after 6 April 2005 and therefore receives compensation through the Armed Forces Compensation Scheme, is able to keep all of their compensation payments.	As above under current charging policies, Guaranteed Income Payments made to veterans under the Armed Forces Compensation Scheme are fully disregarded
It is unfair that War Pensioners are treated differently to other injured veterans. It is also unacceptable that War Pensioners are treated less favourably than civilians who have been injured in the work place, who are able to place compensation awarded into a trust fund, which is exempt from means tests for social care. This last point is in clear breach of the Armed Forces Covenant, which states that Service personnel, veterans and their families should face no disadvantage as a result of Service.	The council is following the national guidelines and are applying the same approach as neighbouring authorities including Suffolk, Cambridgeshire and Thurrock.

1.6 Specifically the policy paper from the Royal British Legion makes the following recommendation:

"We urge the Government to amend the law to provide that local authorities must fully disregard both War Disablement Pensions and AFCS payments from income assessments carried out when means testing to determine how much an individual must pay towards their care costs, residential or otherwise; save for the additional attendance allowance paid to some War Pensioners to cover some of the costs of their care."

1.7 Should any changes be considered either locally a full Equality Impact Assessment should be undertaken as other groups could argue that they are being treated unfairly. The impact of this change on Norfolk's Charging policy as a whole should be considered. The report to the Adult Social Services Committee suggested that Members may wish to w ait for the issue to be resolved at a national level.

1.8 It should be also be noted that anybody receiving non-residential care will be left with a minimum of £185.43 per week plus £15.00 per week to cover disability related expenses. For those receiving War Pensions this will be in addition to the disregard outlined above.

1.9 The Department of Health have been working closely with the Royal British Legion to assess how the disregard for payments under the War Pension Scheme may be applied under the social care charging rules in the future.

1.10 There is an opportunity to address the fairness of the current system and how much individuals pay for social care through proposals that are currently out for consultation that forms part of the care act.

2. Financial Implications

2.1 In the time available we have undertaken a high level review of the 100 War Veterans we are aware of and the approximate contribution they make to their care is £400k per annum.

2.2 If any changes were made to the existing charging policies, £400k would have to be found to offset the loss in income.

3. Background

3.1 Appended is the policy paper from the Royal British Legion. (Appendix 1)

Officer Contact

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

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Caring for our future: Consultation on reforming what and how people pay for their care and support

Submission from The Royal British Legion: Social care disregards for War Pensioners

Introduction

1. We welcome this opportunity to feed into the Government's consultation on social care funding. Although there is much to say on the topic, many of those arguments are being made concisely by other organisations with a more concentrated social care policy remit (e.g. Age UK and Leonard Cheshire Disability). The focus of this briefing is on one issue of specific concern to many veterans and those who work in the Service charity sector: namely, the need for the Government to provide a full disregard of military compensation payments when means testing to determine how much an individual has to pay towards their care costs.

2. Military compensation should not be regarded as income. The Oxford Dictionary definition of income is "money received, especially on a regular basis, for work or through investments".[1] The Government appears to have accepted this in principle, since military compensation is fully disregarded when means testing for Universal Credit. As laid out in further detail below, we believe that social care means testing must be brought in line with other Government policies, and to avoid doing so represents a failure to deliver on the Armed Forces Covenant principle of 'no disadvantage'.

3. We do, however, accept that the additional attendance allowance paid to some War Pensioners, which *is* designed to cover some of the costs of care, could be included in local authorities' income assessments, to ensure that the state is not paying out twice for the same care needs. The remaining payments, however, should be fully disregarded

About The Royal British Legion

4. The Royal British Legion (the Legion) safeguards the welfare, interests and memory of those who are Serving or have Served in the Armed Forces. We are one of the UK's largest membership organisations and are recognised as the custodian of Remembrance. The Legion is the largest welfare provider in the Armed Forces and veterans charity sector. We provide financial, social and emotional support to millions of Service personnel and veterans, as well as their dependants. In 2011/12, we spent, on average, £1.6m per week on our health and welfare work. For further information, please visit www.britishlegion.org.uk.

5. According to research commissioned by the Legion in 2006, around 60 per cent of adults in the ex-Service community were then thought to be aged over 65 years – a total of five million people in the UK. This constitutes around half of the UK population over retirement age. By 2020, it is forecast that the 85+ age group of veterans will increase by almost 220 per cent, from 290,000 to 920,000. This is the result of the final National Service generation reaching old age at a time when life expectancy is increasing.[2]

6. The Legion provides long- and short-term care to older people from the ex-service community across the UK in our six registered care homes. All homes provide personal and nursing care, and some also provide dedicated dementia care and respite care. Lister House currently has a specially designed wing to meet the needs of beneficiaries between the ages of 18 and 64

years. We also provide a number of community-based support services, including a handy van service and a community dementia support service through our Admiral Nurses.

7. The Legion also provides a number of welfare services to wounded, injured and sick Service personnel and veterans, and other working age disabled individuals. As well as investing in the development of the Battle Back Centre at Lilleshall and MOD Personnel Recovery Centres, we also assist disabled beneficiaries with accessing state benefits to enable independent living, and with War Pensions and compensation claims.

Policy context

8. The Legion was the key player in the Government's decision in 2011 to enshrine the Armed Forces Covenant in statute. The Covenant is the nation's recognition of its moral obligation to members of the Armed Forces and their families, and establishes how they should be treated, stating that the Armed Forces and their families "deserve our respect and support, and fair treatment". The two key principles underlying the Covenant are:

   - **'No disadvantage':** the Covenant commits the Government to removing, where possible, disadvantage experienced as a result of Service. For example, when Service personnel and their families are posted somewhere new, they should not experience difficulty in getting their children into local schools.
   - **'Special treatment':** for personnel and veterans who are injured as a result of their Service, or for families bereaved by Service, it is sometimes appropriate for the principle of 'special treatment' to be applied e.g. the provision of higher grade prosthetics for those who lose limbs as a direct result of their Service.

9. Service personnel and veterans who are injured or develop an illness as a result of Service, wholly or partly, can access compensation from the MOD. Those injured prior to on or before 5 April 2005 are eligible to claim under the War Pensions Scheme. Those injured on or after 6 April 2005 can make a claim under the Armed Forces Compensation Scheme (AFCS).

10. The War Pension scheme provides regular payments to individuals dependent on the percentage of whole body injury, from 20 to 100 per cent. It also provides supplementary allowances to recipients. Many of these, such as the Constant Attendance Allowance, which provides for personal assistance at home, mirror the DWP payments of the same name. Those who develop these needs as a result of other illnesses or old age, and not the Service-induced condition for which they receive the War Pension, are not eligible for these additional allowances.

11. The AFCS pays a lump sum to all recipients and a non-taxable payment for life, known as the Guaranteed Income Payment (GIP), to the most severely injured. This scheme does not have additional supplements attached, but the Government has recently legislated to provide those with very high awards (50 per cent GIPs) automatic entitlement to a new benefit, the Armed Forces Independence Payment, which mirrors the new Personal Independence Payment (replacing Disability Living Allowance).

12. We recommend contacting the Service, Personnel and Veterans Agency at the MOD for further details of these schemes and their allowances.

13. Both compensation schemes are examples of the Armed Forces Covenant in action. Recognising that Armed Forces personnel take far greater risks with their health, as well as their lives, military compensation seeks to provide some recompense for the sacrifices made. **It is not, and should never be treated as, 'income'**. To do so would undermine the very

purpose of the scheme and, in treating military compensation in a different manner from compensation gained through civil litigation, would contradict the Armed Forces Covenant principle of ‘no disadvantage’.

Social care disregards

14. It is not the purpose of the basic War Pension, nor the AFCS, to cover the costs of care needs which might arise from the Service-induced condition. Both are compensation payments for pain, suffering and loss of amenity; not occupational pensions or benefits. This is in part recognised by the Government’s decision, in October 2012, to direct local authorities to exclude AFCS GIPs from social care means testing:

    “In recognition of the contribution made by armed forces personnel injured whilst on active service, from 29th October 2012, they will no longer need to use Guaranteed Income Payments (GIPs) paid under the Armed Forces Compensation Scheme (AFCS) to pay for care and support services arranged by local authorities.”[3]

15. In contrast, when War Pensioners undergo the means testing process to determine how much they should pay towards their care costs, only the first £10 is disregarded. The rest is regarded as income. Why should social care means testing continue to regard all but the first £10 of War Pension payments as ‘income’, when Government policy elsewhere is clearly in favour of excluding it from this category? We see no justification for this disparity.

16. Parity between AFCS GIPs and War Pensions has already been achieved in relation to Universal Credit (UC), which rolls six different benefits into one payment. The means testing process for UC will fully disregard both AFCS GIPs and War Pensions, demonstrating that the Government recognises that neither should be viewed as ‘income’.

17. When civilians pursue their employers for civil damages through the civil justice system, compensation is usually be awarded as a lump sum, which is then disregarded as income for the first year, and then must be placed in a trust fund to ensure continued disregard. Alternatively, they may receive regular payments to cover the costs of future care. This places War Pensioners at a disadvantage compared with many civilians who are injured at work; a) because their basic compensation payments are not calculated to cover the costs of care; and b) because only the first £10 of their compensation payments are disregarded, whereas, if they had received a large lump sum and placed it in a trust fund, it could be disregarded.

18. The £10 disregard is also inconsistent with local authorities’ other means testing policies. Legion research found that almost every council uses its discretion to provide a full disregard of military compensation from means assessments for council tax and housing benefit.

19. We recognise that there are complexities involved in assessing War Pensioners, due to the payment of an additional attendance allowance to some disabled veterans. But we would argue that a veteran receiving a War Pension for a condition which did not lead to any additional care needs, and thus did not receive any extra allowances for these care needs, should not be forced to pay more towards their care costs on the basis of compensation payments which bear no relation to their care needs.

20. We do accept that the additional attendance allowance paid to some War Pensioners, which *is* designed to cover some of the costs of care, could be included in local authorities’ income assessments, to ensure that the state is not paying out twice for the same care needs. The remaining payments, however, should be fully disregarded.

Case study

At the age of 34, Roger Day sustained a severe injury to his leg when deployed to the Falklands during the conflict of 1982, resulting in a below-knee limb amputation. He subsequently left the Army and took over his father's butcher's shop, spending the rest of his working life running the shop. He received a War Disablement Pension for his injuries, to recognise the sacrifices that he made, but had no additional care needs, so did not receive any extra allowances under the War Pension Scheme. He suffered pain and discomfort throughout his working life but, with the assistance of an NHS prosthesis, he was able to continue working in a physical job until he retired in 2011, at the age of 63.

Aged 65, Roger has recently been diagnosed with early-onset dementia and requires additional care at home. He has not yet reached the needs threshold for residential nursing care, but his family applied to the local authority for assistance with meeting his care needs at home. Under current arrangements, only the first £10 of his War Pension is disregarded, and the rest is included in his income assessment. Essentially, the money he is being paid to recognise the suffering caused by his Service-induced injury is being treated as 'income'. As a result, his income is considered high enough for him to be able to cover his own care costs in full, and his family must find another way of paying for his care. This represents a failure to deliver on the Armed Forces Covenant principle of 'no disadvantage'. [4]

Recommendation

We urge the Government to amend the law to provide that local authorities must fully disregard both War Disablement Pensions and AFCS payments from income assessments carried out when means testing to determine how much an individual must pay towards their care costs, residential or otherwise; save for the additional attendance allowance paid to some War Pensioners to cover some of the costs of their care.

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Further information:

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[1] www.oxforddictionaries.com/definition/english/income
[2] The Royal British Legion (2006). Profile and Needs of the Ex-Service Community 2005-2020: www.britishlegion.org.uk/media/33526/summary%20and%20cons.%20report.pdf
[3] Department of Health (2012). Local Authority Circular 03: www.gov.uk/government/uploads/system/uploads/attachment_data/file/213043/Local-Authority-Circular-DH201231.pdf
[4] This is a fictional case study and is included for illustrative purposes.