Norfolk County Council

Policy and Resources Committee

Date:	**Monday, 30 November 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 S Agnew
Mr M Baker
Mr B Borrett
Mr M Castle
Mr A Dearnley
Mr C Jordan
Mrs J Leggett
Mr I Monson
Mr S Morphew
Mr A Proctor
Mr D Ramsbotham
Mr D Roper
Mr R Smith
Dr M Strong
Mrs A Thomas
Mr M Wilby

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 October 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 25 November 2015**

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Section A – Items for Discussion and Decision/Action

6. Financial Savings/Monitoring Reports

a. Finance Monitoring Report P6 September 2015 **(Page 15)**

Report by Executive Director of Finance

b. Delivering Financial Savings 2015/16 **(Page 61)**

Report by Executive Director of Finance

7 Mid-Year Treasury Management Monitoring Report 2015-16 **(Page 93)**

Report by Executive Director of Finance

8 Staff Car Parking **(Page 108)**

Report by Executive Director of Finance

9 Review of Financial Standing Orders (FSOs) **(Page 113)**

Report by Executive Director of Finance

10 County Hall Programme **(Page 167)**

Report by Executive Director of Finance

11 Health and Safety Mid-Year Report **(Page 183)**

Report by Executive Director of Resources

12 Direct Property Developments and Disposal of Land and Properties **(Page 191)**

Report by Executive Director of Finance

13 Re-procurement of Telephony & Data Network Services **(Page 206)**

Report by Executive Director of Resources

Section B – Items for Report

14 Managing Director's Strategic Update:

a Devolution **(Page 213)**

Report by Managing Director

b Developing Re-Imagining Norfolk **(Page 240)**

Report by Managing Director

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: 20 November 2015

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Norfolk County Council

Policy and Resources Committee

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

Present:
Mr G Nobbs (Chair)

Mr S Agnew
Mr M Baker
Mr B Borrett
Mr M Castle
Mr A Dearnley
Mrs J Leggett
Mr C Jordan
Mr I Monson
Mr S Morphew
Mr A Proctor
Mr D Ramsbotham
Mr D Roper
Mr R Smith
Mrs A Thomas
Mr M Wilby

Substitute Members present:
Mr B Watkins for Dr M Strong

Members Present:

Mr R Coke
Mr J Joyce
Mr P Smyth
Mr J Timewell
Ms S Whitaker
Mrs C Walker
Mr A Adams
Mr R Bearman
Dr A Boswell
Mrs J Brociek-Coulton
Mr B Hannah
Mr B Spratt
Mr J Timewell

(For ease of reference, items appear in these minutes in the order in which they appear on the agenda. This was not necessarily the order in which these items were considered at the meeting).

1.1 Apologies

1.1A Apologies for absence were received from Dr M Strong.

1.2 **Leader's Announcements**

1.2 A **MA Broadcast Journalism students**

The Chair extended a warm welcome to a number of MA Broadcast Journalism students and their Tutor, Clare Precey from the UEA, who were in attendance to observe the meeting.

1.2 B **The County Hall Refurbishment Programme**

The Chair gave an update on the County Hall Refurbishment Programme. He said the opening of the new reception area was put back one week to Monday, 2 November 2015. This was because of a delay in the completion of the external works to the upper concourse which would not be a safe access route into the new reception area until the time of its opening. When the new reception opened, there would be a temporary route into the building via the fire doors at the north end of the ground floor. Full details would be published and signs put in place to direct people into the building. These arrangements would be in place until at least the end of November 2015, by which time the new entrance lobby was expected to be completed.

1.2 C **Aviation Academy**

The Chair said that he was pleased to announce that the launch of the Aviation Academy would take place at Norwich Castle Museum on Wednesday 28 October 2015. The County Council was working closely with partners to deliver the Norwich International Aviation Academy (NIAA) which built on one of Norfolk's key employment sectors. The Council, the Airport, KLM UK Engineering, City College Norwich, the University of East Anglia and Aviation Skills Partnership (based in Exeter) with support from Norse, were leading on the development of the facility which involved the modification and refurbishment of an existing building on the Hurricane Way Industrial Estate, close to Norwich International Airport. The new facility would be home to the Academy, with 20 classrooms, 5 engineering workshops and an Emulation Zone (that made use of an aircraft and a helicopter) where trainees would have unparalleled facilities to learn. Initially focusing on aviation engineering the facility would gradually extend its remit into ground crew operations, air traffic control, cabin/crew training, operations, planning, and pilot training. The cost was currently projected at £12.23m, of which the Council would need to provide £6.25m in the form of a loan.

1.2 D **Devolution**

The Chair said that following the full Council meeting on 8 October 2015 discussions on devolution continued with Government officials based on the agreed themes. Officers were working towards a 'Challenge' session with Lord Heseltine on 4 November 2015. This was part of a negotiation process that would develop over time. As agreed at full Council, any potential deal would be put to all the Councils across Norfolk and Suffolk, and the LEP Board before any decisions were reached.

1.2 E **Ofsted**

The Chair said that following the publication last week of Ofsted's report on Children's Services he had received a letter from the Minister of State for Children and Families, Edward Timpson MP.

In reply to questions, Mr. Joyce, Chairman of the Children's Services Committee, agreed to ask the Minister of State if he was happy for his letter to be shared with Members.

2A **Minutes**

2A.1 The minutes of the previous meeting held on 28 September 2015 were confirmed by the Committee and signed by the Chairman.

3 **Declarations of Interest**

3.1 Mrs Leggett declared an "other interest" in that she was a trustee of Leeway Domestic Violence and Abuse Services

3.2 Mrs Thomas declared "other interests" in that she had close family ties with a retained fire fighter and she was a trustee of the Benjamin Foundation.

4. **Item 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 **Financial Savings/Monitoring Reports**

6A **Delivering Financial Savings 2015/16**

6A.1 The annexed report (6A) by the Executive Director of Finance was received. The Committee received a report that provided an overview of the progress in delivering the savings agreed by the County Council at its meeting on 16 February 2015.

6A.2 The Committee's attention was drawn to the RAG ratings that were set out in paragraph 2 of the report and to the commentary on the savings that was set out in paragraph 3.

6A.3 **RESOLVED**

That the Committee note:

a. the forecast total shortfall of £11.478m in 2015-16, for which alternative savings would need to be identified;
b. the increase in the budgeted value of 2015-16 savings projects rated as RED to £19.251m, of which £7.426m was now forecast to be delivered;
c. the forecast savings shortfall on AMBER rated projects of £0.204m; and
d. the forecast over-delivery of GREEN and BLUE rated projects totalling £0.551m.

6B **2015-16 Finance Monitoring Report August 2015**

6B.1 The annexed report (6B) by the Executive Director of Finance was received. The Committee received a report that gave details of the forecast position for the 2015-16 Revenue and Capital Budgets, General Balances, and the forecast Council's Reserves at 31 March 2016, together with related financial information. The report also provided a brief commentary on Resources and Finance budgets which were the responsibility of this Committee.

6B.2 The Committee's attention was drawn to the average value of spending on retrospective purchase orders that, for the County Council as a whole, had decreased from an average value of 21% in August 2014 to 12% in August 2015. The Executive Director of Finance agreed to provide the Committee with a comparison between the average value of spending on retrospective purchase orders at the County Council and at business practices elsewhere.

6B.3 Members' attention was also drawn to the details that were contained in the capital programme which was set out at Appendix 2 to the report.

6B.4 **RESOLVED**

That the Committee note:

a. the period 5 forecast Revenue overspend of £8.755m (previous period 4, overspend £10.807m) on a net budget of £318.428m, as set out in Appendix 1 of the report;
b. the forecast General Balances at 31 March 2016 of £19.200m, before taking into account any over/under spends;
c. the revised expenditure and funding of the 2015-18 capital programme as set out in Appendix 2 of the report;
d. the forecast financial information in respect of Resources and Finance budgets which were the responsibility of this Committee, as set out in Appendix 3 of the report.

7 **Re-imagining Norfolk: Service and Financial Planning 2016-17 to 2018-19**

7.1 The annexed report (7) by the Executive Directors of Finance and Resources was received. The report updated the Committee on proposals for the County Council to refocus its role and pursue its priorities within a radically reduced level of resources.

7.2 The Committee was informed that this report covered the budget savings proposals of the Finance and Property Directorate and from the Resources Directorate. The most significant change in this update report was the additional proposal to make changes to the Council's framework of pay and other employment terms and conditions. The target figure for this saving totalled £3.4m for the years 2017-19. To explore this proposal, the Personnel Committee would be asked to review the full range of employee terms and conditions of service and to report back to this Committee before the budget was set by the Council.

7.3 The Committee also heard that the Treasury Management Group would be asked to re-examine the Council's minimum revenue provision (MRP) policy which related to a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements, and could be thought of as a provision for "debt repayment". The Treasury Management Group would be expected to bring forward to Council a revised MRP policy to that which had been rejected by Council at its previous meeting, and which, if approved by Council, would release revenue to support the revenue budget, without compromising the Council's responsibility to set aside amounts sufficient to re-pay its debt. If the Council was to not approve a revised MRP policy then a number of savings scheduled to be delivered in 2017-18 would have to be brought forward by a year.

7.4 It was confirmed that all service departments were undertaking the equivalent of a zero based review to reshape the services and products that they provided and to bring about the cultural changes that were needed throughout the Authority.

7.5 Members' attention was drawn to the need for the Council to look to increase revenue through commercial projects. For example, the Council was exploring options regarding direct property development and developing jointly with NORSE the role of the Council's own energy company. Members were reminded that on 1st June 2015 the Committee had authorized the Assistant Director, Property to develop proposals for the direct development of surplus land at Acle, Lingwood and Blofield (working with appropriate partners) to maximise the financial return to the Council. The recommendations regarding the development of this land were due to be brought before the Committee at its next meeting.

7.6 The Committee heard that the County Council was continuing to work with the District Councils on the design of financial tools to drive up the collection of what were already high Council tax collection rates.

7.7 **RESOLVED**

That the Committee note:

a. The service delivery model required to provide the service within a budget of 75% of addressable spend, as set out in section 2 of the report;
b. The list of savings proposals, including initial RAG ratings, which were included in this report for consideration as part of the next item on this agenda alongside the proposals brought forward from other Committees with a view to consulting with the public.

8. **Strategic and Financial Planning 2016-17 to 2018-19**

8.1 The annexed reports by the Executive Director of Finance at items 8 and 8A (which had been circulated with the supplementary agenda) were received.

8.2 It was noted that the first of these reports (at item 8) provided the Committee with an update on progress towards the setting of the 2016-17 to 2018-19 Strategic and Financial Plan, and the timetable for Committee decisions in the led up to the Council setting the Budget and Council Tax in February 2016.

8.3 The second of these reports (at item 8A) (which had been commissioned by the Leader and Deputy Leader) amended the savings proposals summarised in the first of these reports (at item 8) and provided details of the impact of this change on the Council's overall budget position. The report at item 8A also summarised the proposals which the Council did not propose to take forward within the 2016-17 budget process and, at table 4 of that report, assessed the impact of their withdrawal on the overall budget planning position.

8.4 The Committee heard from the Chairs of Service Committees about the detailed budget options discussions that had taken place at Service Committees to date. It was noted that the detail of these would be reported in the minutes of service committees.

8.5 The Committee was informed that the revised proposals would lead to a balanced budget in years 1 and 2 and to a planned budget surplus in year 3. The Council would not know with any degree of certainty about the Government's plans for local authority funding until after the announcement of the Chancellor's Autumn Statement (in November) and the Provisional Finance Settlement (in December 2015). Recent modelling forecasts by the Society of County Treasurers pointed to a reduction in RSG of £20m in 2016-17, while the Council had based its budget forecast for RSG on a more cautious reduction of £10m.

8.6 Officers said that the Council's current savings model made no assumptions about an increase in Council Tax which might need to be considered in the new year as a means to mitigate against the necessity for funding reductions.

8.7 Members' attention was drawn to the fact that the savings proposals would have to be unpacked and that not all the constituent parts of a package could be implemented at the same time, for example, where a savings proposal related to a change in the use of several Council buildings and/or to contracts with several organisations to provide the same service.

8.8 In reply to questions, Officers said that the savings proposals included a small number of Saturday mobile library routes being withdrawn: these were to communities that would continue to receive a mobile library service at other times of the week.

8.9 In reply to further questions, Officers said that the savings that were expected of economic development were relatively modest and should be able to be met by the LEP identifying alternative sources of funding and from savings that came from the Council operating its own corporate bidding team. It was agreed that the published proposal for a reduction in road maintenance would make it clear that this saving led to a reduction in the funding available for salting and gritting of roads in the winter.

8.10 The Chairman said that he did not agree with the comment that was made by some Members of the Committee that there had never been any intention that the savings proposals that were withdrawn at today's meeting would proceed to public consultation and that, from the start of the budget planning process, these proposals were included only for political reasons. He said that in the interests of openness and transparency it was necessary for all of the savings proposals that were considered during the review process to be clearly identified and for the public to understand the likely implications if they were to be implemented. He gave an undertaking that at the end of the public consultation exercise the results would be published on the County Councils public consultation website.

8.11 **RESOLVED:**

That, with regard to the report at item 8 on the agenda, the Committee:

a. Note the verbal updates from the service committee chairs on their budget option discussions during the October Committee round;
b. Note the proposals from Committees to ensure that collectively they enable the Council to achieve a balanced, sustainable budget;
c. Note the revised financial position as set out in section 5 of the report and the implications for the 2016-17 budget;
d. Agree to undertake more detailed formal consultation for any proposals that impact on specific users or residents; and
e. Agree the arrangements set out in the report for assessing the impact of any proposals in line with Equalities legislation, ensuring there were sound arrangements for individuals and groups directly affected by potential proposals to have an opportunity to voice their views.

8.12 That, with regard to the report at item 8A on the agenda, the Committee:

a. Approve the list of proposals to be withdrawn, set out in Appendix 1 to this report; and
b. Note the impact of this withdrawal on the Council's revised financial position as set out in section 3 of the report, and the implications for the 2016-17 budget.

9 **Norfolk County Council Constructors Framework Replacement**

9.1 The annexed report (9) by the Executive Director of Resources was received. The Committee received a report about the re-procurement of the expiring Construction Framework that had recently been concluded. The extension of the current framework expired in November 2015 *(note: there was some uncertainty in the meeting regarding this date which was confirmed at the end of the meeting)* and the Committee's authorisation was required to issue provisional award notifications which, provided that there was no procurement challenge, would lead to formal award being finalised on the 9th November 2015.

9.2 **RESOLVED**:

That the Committee:

a. Approve the appointment of five contractors for each of the lots mentioned in the report;

b. Approve the issue of standstill letters to all those who applied, notifying them of the provisional award;

c. Note that a ten-day standstill period would commence on 27th October 2015 and end at midnight on 6th November 2015. The purpose of the standstill period would be to allow time for unsuccessful applicants to challenge the outcome of the procurement process before any contract was awarded. Provided there was no challenge, the formal award would then take place on 9th November 2015 and transition to the new framework could then commence.

10 **Interim Report from the DNA Member Working Group**

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

10.2 **RESOLVED**:

That the Committee:

a. Note the progress of the Member Working Group's review work and support the findings, lessons learned and action points;
b. Agree that the Member Working Group should continue as a standing group to provide strong member oversight of significant ICT and IM activity, including the current voice and data procurement and the imminent procurement of a replacement for Care First, and to provide regular reports to the Committee.

11 **Performance monitoring report**

11.1 The annexed report (12) by the Executive Directors of Finance and Resources was received. The report provided a "snapshot" in the transition from an old to a new approach to performance reporting. This was key to ensuring that the resources available to the Council were used to best effect and, that by doing things differently, the Council was able to deliver demonstrable results in the Council's performance to the people of Norfolk.

11.2 The Managing Director drew Members attention to the proposed performance "pyramid" at page 148 of the Agenda which would lead to improvements in the way in which performance information was structured and reported to Members through a further series of Re-Imagining Norfolk Workshops and through Committee meetings over the next 6 months.

11.3 Members' heard that as part of the Re-Imagining Norfolk Strategy the Audit Committee had reviewed the Council's approach to corporate risk management. As a result, the Corporate Risk Register was re-evaluated and integrated, where appropriate, with newly identified risks, together with a change in the way in which these risks were reported to Members.

11.4 **RESOLVED**:

That the Committee note:

a. The improvements being implemented to strengthen the Council's performance and risk management system;
b. The potential 'vital signs' included in the report for organisational health and service performance for possible inclusion in the 'performance pyramid'.

The meeting concluded at 12.35 pm

Chair

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Policy and Resources Committee Item No 6a

Report title:	**Finance monitoring report P6 September 2015**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Annexes to this report summarise the Period 6 (September 2015) forecast financial outturn position for 2015-16, to assist members maintain an overview of the overall financial position of the Council, including the budgets for which this committee is directly responsible.

Executive summary

This report gives details of the forecast position for the 2015-16 Revenue and Capital Budgets, General Balances, and the forecast Council's Reserves at 31 March 2016, together with related financial information. The report also provides a brief commentary on Resources and Finance budgets which are the responsibility of this Committee.

Members are asked to:

- **note the period 6 forecast Revenue overspend of £5.743m (previous period 5, overspend £8.755m) on a net budget of £318.428m, as set out in Appendix 1;**
- **note a resolution of the 9 November 2015 ASC Committee in respect of the ASS Transformation Programme, as set out in Appendix 1 paragraph 5.4;**
- **note the forecast General Balances at 31 March 2016 of £19.200m, before taking into account any over/under spends;**
- **note the forecast financial information in respect of Resources and Finance budgets which are the responsibility of this Committee, as set out in Appendix 2;**
- **note the revised expenditure and funding of the 2015-18 capital programme as set out in Appendix 3;**
- **support and contribute to the development of the 2016-19 capital programme, as described in Capital Annex 2.**

1. Introduction

On 16 February 2015, the County Council agreed a net revenue budget of £318.428m. At the end of each month, officers prepare financial forecasts for each service including forecast expenditure and the planned impact on earmarked reserves.

2. Evidence

Three appendices are attached to this report:

Appendix 1 summarises the forecast revenue outturn position, including:
- Forecast over and under spends within each Service
- Forecast reserves balances
- Changes to the approved budget
- The impact of planning assumptions
- Treasury management
- Payments and debt performance

Appendix 2 summarises the forecast outturn for budgets which are the responsibility of the Policy and Resources Committee, including forecasts and other information relating to:
- Resources budgets
- Finance and property budgets
- Finance General budgets.

Appendix 3 summarises the forecast capital outturn position, and includes
- Changes to the capital programme
- Future years capital programmes
- Forecast and actual income from property sales
- Capital programme funding
- Other information relating to capital expenditure.

An annex to Appendix 3 sets out the approach to developing the 2016-19 capital programme.

3. Financial Implications

As stated above, the forecast revenue outturn for 2015-16 is an **overspend** of **£5.743m**, on a net budget of £318.428m. Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers will explore measures to reduce or eliminate potential over-spends in-year, for example by reducing expenditure to minimise the call on reserves.

The Council's capital programme for 2015-18 totals £561m, and has been updated to incorporate the additional costs of the NDR discussed at 6 November 2015 County Council.

4. Issues, risks and innovation

Risk implications

4.1 As part of the overall development of a new performance management framework for the Council, a new approach to corporate risk management is being adopted. This was described as part of the Risk Reporting and Management section of the Performance monitoring report reported to the October 2015 meeting of this committee.

4.2 A key part of the review and refresh of the register was the development of corporate level financial risks. There are now 13 key risks for the Council. Of these, 6 risks relate directly to finances in the following areas:

- reductions in local and national income streams
- data protection procedures
- contract management for commissioned services
- implementation of the DNA programme
- effective procurement and
- governance protocols for entities controlled by the Council.

4.3 A copy of the full Corporate Risk Register was presented to the Audit Committee on 24 September 2015 (agenda, page 348). This provides a full description of the risks, mitigating actions that have been undertaken and what progress has been made in reducing the level of risk.

5. Background

5.1 Having set a revenue and capital budget at the start of the financial year, the Council needs to ensure service 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
Simon George	01603 222400	simon.george@norfolk.gov.uk
Harvey Bullen	01603 223330	harvey.bullen@norfolk.gov.uk

Norfolk County Council

Appendix 1: 2015-16 Revenue Finance Monitoring Report Month 6

Report by the Executive Director of Finance

1 Introduction

1.1 This report gives details of:

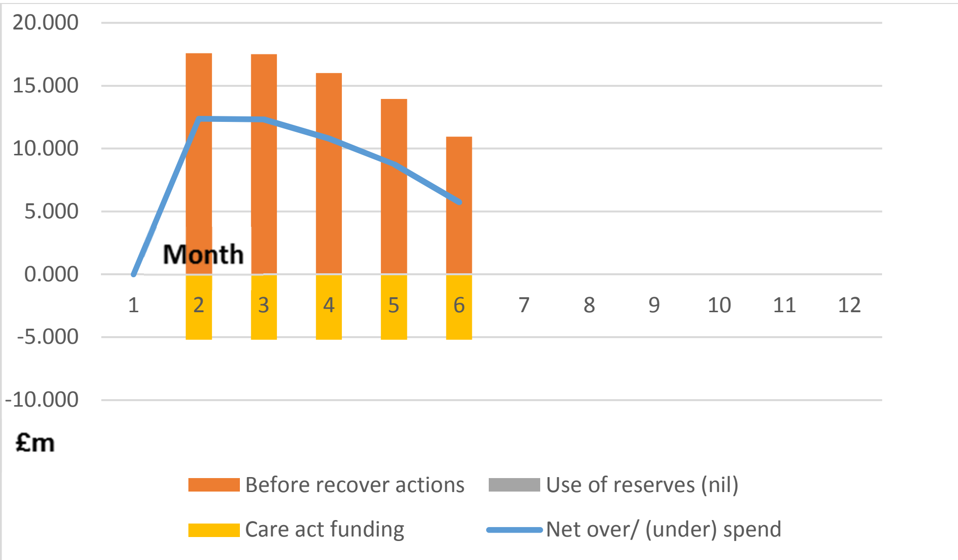
- the latest monitoring position for the 2015-16 Revenue Budget
- forecast General Balances and Reserves at 31 March 2016 and
- other key information relating to the overall financial position of the Council.

2 Summary of financial monitoring position

2.1 At the end of September 2015 (month 6):

Revenue expenditure is forecast to **overspend** by **£5.743m** (after identified recovery actions), on a net budget of £318.428m. The chart below shows the month by month trend.

Chart 1: forecast revenue outturn 2015-16, by month, after recovery actions and approved use of reserves: Month 6 forecast overspend of £5.743m (month 5 £8.755m).



The main reasons for the forecast overspend remain as follows

- In Adult Social Services, the net cost of services to users (Purchase of Care)
- Within Children's Services, Looked After Children numbers remain high.

2.2 The forecast overspend has reduced by £3m since period 5 due mainly to a change in interest payable assumptions, generating £2.5m, and an improvement of £0.4m in various areas of Children's Services.

2.3 General Balances are forecast to be £19.200m at 31 March 2016, before taking into account any forecast under/overspends.

2.4 The Council has earmarked revenue reserves which are forecast to be £38.555m at 31 March 2016. The plan for 2015-16 predicted reserves of £32.341m (Budget Book page 144), but this did not fully reflect the grants and contributions brought forward.

The Council separately holds Reserves in respect of Schools forecast to be £34.723m at 31 March 2016.

3 Agreed budget, changes and variations

3.1 The 2015-16 budget was agreed by Council on 16 February 2015 and is summarised in the Council's Budget Book 2015-18. A summary of the budget by service is as follows:

Table 1: 2015-16 original and revised net budget by service

Service	Approved net base budget	Opening budget this period	Changes in P5 August 2015	Revised budget
	£m	£m	£m	£m
Adult Social Services	242.197	241.721	-0.019	241.702
Children's Services	174.531	173.933	-0.081	173.852
Community and Environmental Services	156.310	170.646	-0.233	170.413
Resources	38.299	23.181	-0.026	23.155
Finance and Property	13.130	15.255	0.307	15.562
Finance General	-306.039	-306.308	0.052	-306.256
Total	**318.428**	**318.428**	**-**	**318.428**

3.2 The Council's total net budget has not changed during the year to date.

3.3 Some budget movements have taken place between services during the accounting period: these related to

- the re-allocation of Building Maintenance budgets from services to the Corporate Property team to reflect operational arrangements, and
- an inflation clawback which provided the additional efficiency savings required to fund County Council's budget decision to allocate £0.500m monies to Adult Social Care.

3.4 The inflation clawback adjustment was allocated as follows:

Committee	Inflation adjustment £m
Adults	0.019
Children's Services	0.079
EDT	0.145
Communities	0.095
Policy and Resources	0.161
Rounding	0.001
	0.500

4 Control of growth, cost pressures and savings targets

4.1 **Planning assumptions:** The key cost pressures identified during the preparation of the 2015-16 budget (budget book page 10) are shown in the following table along with a brief narrative showing the status in each:

Table 2: 2015-16 key planning pressures

Key planning assumptions	Impact £m	Status
Pay and price inflation – in particular pressures relating to third party contracts.	10.904	The general price inflation rate was minus 0.1% in the year to September 2015 (August nil%) is lower than forecast at the time of budget setting. Budgets have been adjusted to reflect lower inflation in order to fund £0.5m priorities agreed at February County Council. Agreed pay increases are in line with budget assumptions.
Demand / Demographics – pressures through both the age profile of the county and through changes to need, including supporting looked after children.	21.230	Long term demographic pressures still apply. The forecast cost of supporting looked after children continues to result in a significant forecast overspend over and above the budgeted impact.
Legislative requirements – including implementation of the Social Care Act 2014, new responsibilities for social care in prisons, and the impact of conversions of schools to academies.	13.113	Financial pressures resulting directly and indirectly from legislative changes are expected to have the predicted impact on budgets, including the costs of early assessments of service users who fund their own care which have been introduced in 2015-16.

4.2 **Savings targets:** The key savings targets required for the preparation of a balanced 2015-16 budget are addressed in a separate report to this committee.

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 2015-16 revenue outturn shows a net projected overall **overspend** of **£5.743m**, after identified recovery actions and anticipated use of earmarked funds/reserves.

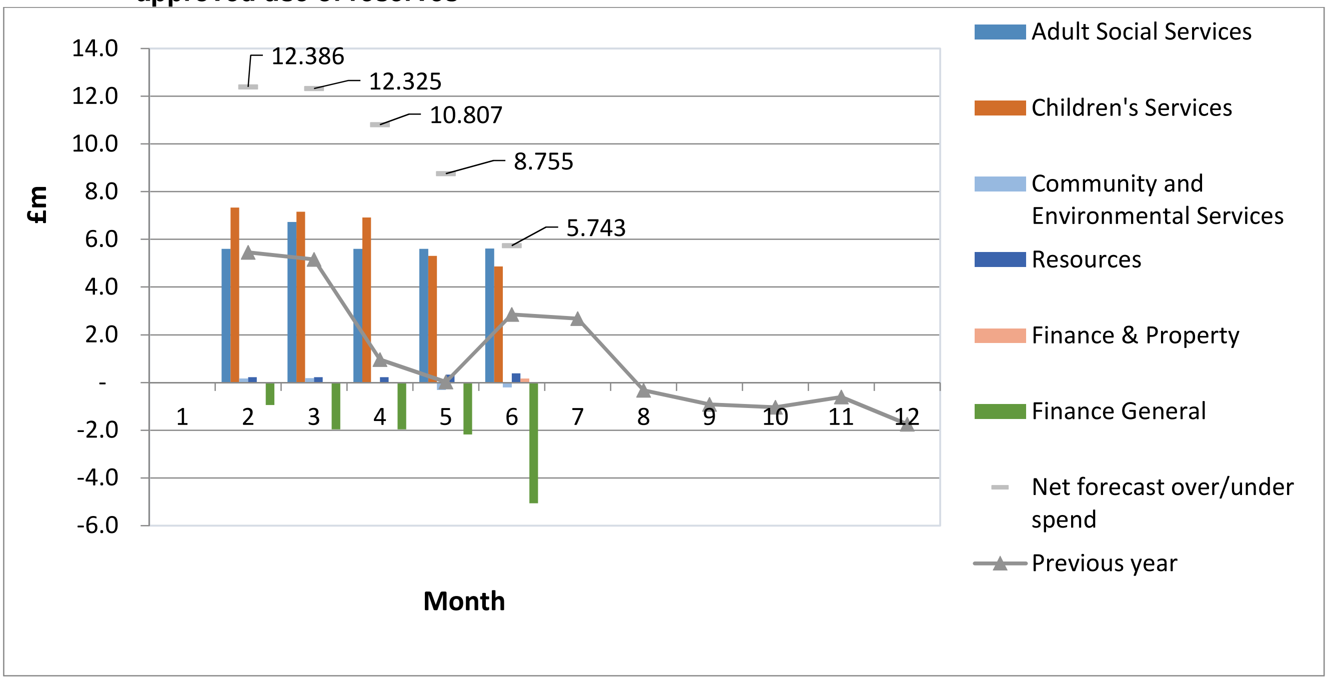
5.3 Details of all projected under and over spends for each service, together of areas where mitigating action is being taken, are shown in the final section of this report, and are summarised in the following table:

Table 3: 2015-16 projected budget variations by service

Service	Revised Budget £m	Projected net (under)/ over spend after use of reserves £m	%	RAG
Adult Social Services	241.702	5.612	2.3%	A
Children's Services	173.852	4.863	2.8%	R
Community and Environmental Services	170.413	-0.209	-0.1%	G
Resources	23.155	0.388	1.7%	G
Finance	15.562	0.156	1.0%	G
Finance General	-306.256	-5.067	1.7%	G
Totals	**318.428**	**5.743**	**1.8%**	**A**

5.4 The following chart shows service outturn projections by month:

Chart 2: service revenue outturn projections 2015-16, by month, after recovery actions and approved use of reserves



The main reasons for the forecast overspend are as follows:

- **Adult Social Services**: the overspend is primarily due to the net cost of Services to Users (purchase of care) and risks associated with the delivery of this and other savings resulting in a forecast gross overspend of £10.8m. The overspend has been partially off-set by the use of new funding for implementing the Care Act of £5.2m resulting in a net forecast overspend of £5.6m.

  ASS Transformation Programme: Following consideration of the Adult Social Services Transformation Programme (ASC Committee 9 November 2015 Item 12), the following was resolved:
  "The Adult Social Care Committee is of the view that sufficient funding is essential for the transformation programme in adult social care in order to successfully achieve budget savings. The Policy & Resources Committee is asked to ensure that sufficient resources are available to make this happen."

  The department is taking rigorous recovery action to reduce in-year spending as far as possible. Detailed explanations of variances and the overspend action plan can be found in the 2015-16 ASC Finance Monitoring Report Period 6 (September) presented to 9 November ASC Committee.

- **Children's Services**: The Children's Services forecast overspend has reduced by £0.442m since last month.

  Overall, the number of Looked After Children has not reduced as quickly as originally planned, with resulting financial pressures in agency residential, agency fostering and in-house fostering costs. The implementation of a new staffing structure has meant a pressure on the agency social worker budget, and there is a forecast overspend for additional support costs for care leavers.

  The positive changes this month include vacancy savings, optimising the use of conditional grants and reserves, and various minor savings. Further details are shown in the 17 November 2015 Children's Services Committee Integrated Performance and Finance Monitoring Report ("Item 7 Replacement Report").

5.5 **Resources**: At the end of month 6 there is a forecast overspend primarily relating to the decision to delay charging staff to use the County Hall car park. Staff car parking is the subject of a separate report on this agenda. A detailed breakdown of Resources budgets is shown in Appendix 2.

5.6 **Finance General underspend**: A detailed breakdown of the £5m Finance General underspend is included in Appendix 2. The underspend has increased by £2.8m this month due mainly to a significant change in interest payable forecasts. The latest forecast assumes that the Council will not undertake any borrowing in 2015-16, which has reduced forecast net interest payable by £2.5m since period 5.

5.7 The forecast for our largest areas of risk and expenditure (Children's and Adults placement budgets) are built upon detailed models. The overspend on these models is then reduced by evidenced actions to deliver savings or reductions in the overspend itself. Officers are working on such actions and as such it is expected that the overall forecast overspend will reduce as we move further through the year.

Potential cost pressures and potential improvements not reflected in forecasts:

5.8 **ASC judicial review**
The Council has received a claim for a Judicial Review of a fee uplift decision made by the Council, at the Adult Social Care Committee on 9 March 2015, in respect of care charges. The application for judicial review was submitted to the High Court in early June 2015. A report discussing the Costs of Care in Adult Social Service was presented to the 7 September Adult Social Care Committee. The Judicial Review and the Cost of Care exercise currently underway may result in increased costs.

6 General balances and reserves

General balances

6.1 On 16 February 2015 Council agreed the recommendation from the Executive Director of Finance that a minimum level of General Balances of £19.2m be held in 2015-16, an increase of £0.200m. General Balance levels at 31 March 2016 are estimated as follows.

Table 4: forecast general balances

	£m
General Balances 1 April 2015	**19.000**
Use of funds for one-off purposes: Increase in General Balances (Budget Book 2015-18 page 117)	0.200
Latest forecast General Balances at 31 March 2016	**19.200**

The forecast does not take into account any current year projected over/under spends.

Earmarked reserves balances and forecasts

6.2 A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. The plan for 2015-16 predicted reserves of £32.341m (Earmarked reserves - non schools, Budget Book page 144), and the forecast outcome below is in line. The Council carries a number of reserves with totals as follows:

Table 5: actual and forecast revenue reserves

	Balances 31 March 2015 after year end adjustments (relate to services rather than committees)	Previous period 31.3.16 forecast	Latest forecast balance 31.3.16
	£m	£m	£m
Earmarked reserves - non schools			
Adult Social Services	8.748	2.203	2.203
Children's Services	5.403	2.668	2.668
CES	26.478	17.368	17.368
Resources	14.651	6.880	7.253
Finance and Property	0.967	0.452	0.452
Finance General	12.235	11.611	8.611
	68.483	**41.182**	**38.555**
Earmarked reserves - schools			
Schools - LMS balances	22.545	18.209	18.209

Schools - other reserves	17.301	16.552	16.514
Total schools reserves	**39.846**	**34.761**	**34.723**
Total Reserves	**108.329**	**75.943**	**73.278**

Note: forecasts in table above exclude accounting provisions, so differ from reserves and provisions figures quoted in service committee reports.

6.3 ASS reserves are forecast to reduce by over £6m, due mainly to full use of the service IT and Residential Review reserves totalling £3.2m to offset demand pressures within Purchase of Care, approved as part of the 2015-16 approved budget, plus £2.7m planned expenditure from grants and contributions brought forward, and £0.7m from the Prevention fund. There have been no movements in the forecast since period 5.

6.4 Children's Services forecast net use of reserves is unchanged since the previous period. The year on year change represents forecast use of various reserves, including significant use of grants and contributions brought forward from 2014-15.

6.5 Net reserves use is forecast across the majority of CES services. This includes significant use of the apprenticeship scheme and capital sustainability reserves with no change to the forecast since period 5.

6.6 Resources reserves show a forecast reduction for the year of £7.5m, primarily due to the planned use of £4.8m (previous month £5.9m) ring-fenced Public Health monies and the projected use of £1.5m (previous forecast £1.1 m) from the General IT fund towards the DNA project. In addition, there is significant forecast use from the Organisational Change and Redundancy reserve, the Repairs and Renewals reserve, and the Car Leasing Scheme reserve totalling approximately £1m.

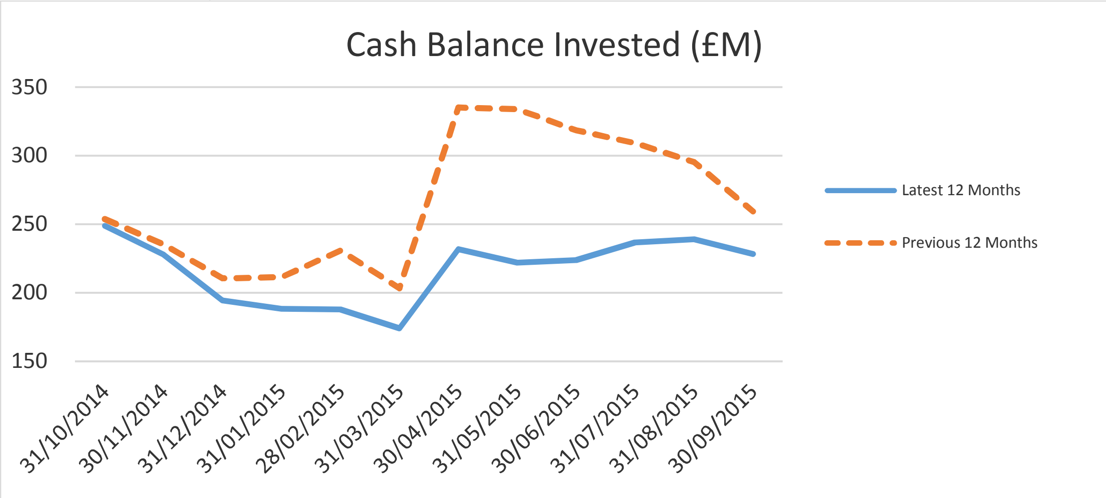
6.7 The forecast balances for Finance and Finance General reserves have decreased by £3m. This is due to the use of £1m from the insurance reserve, and £2m of the Farms building maintenance fund in line with Budget Book assumptions (page 118).

7 Treasury management

7.1 The corporate treasury management function ensures the efficient management of all the authority's cash balances.

The graph below shows the level of cash balances over the latest 12 months (against a comparison for the previous 12 months). The spike in April 2014 (dashed line) reflects the front loading of Business Rates Retention and Revenue Support Grant (half of the £246m annual total received in one month), whereas the current year's receipts will be more evenly distributed through the year.

Chart 3: Treasury cash balances



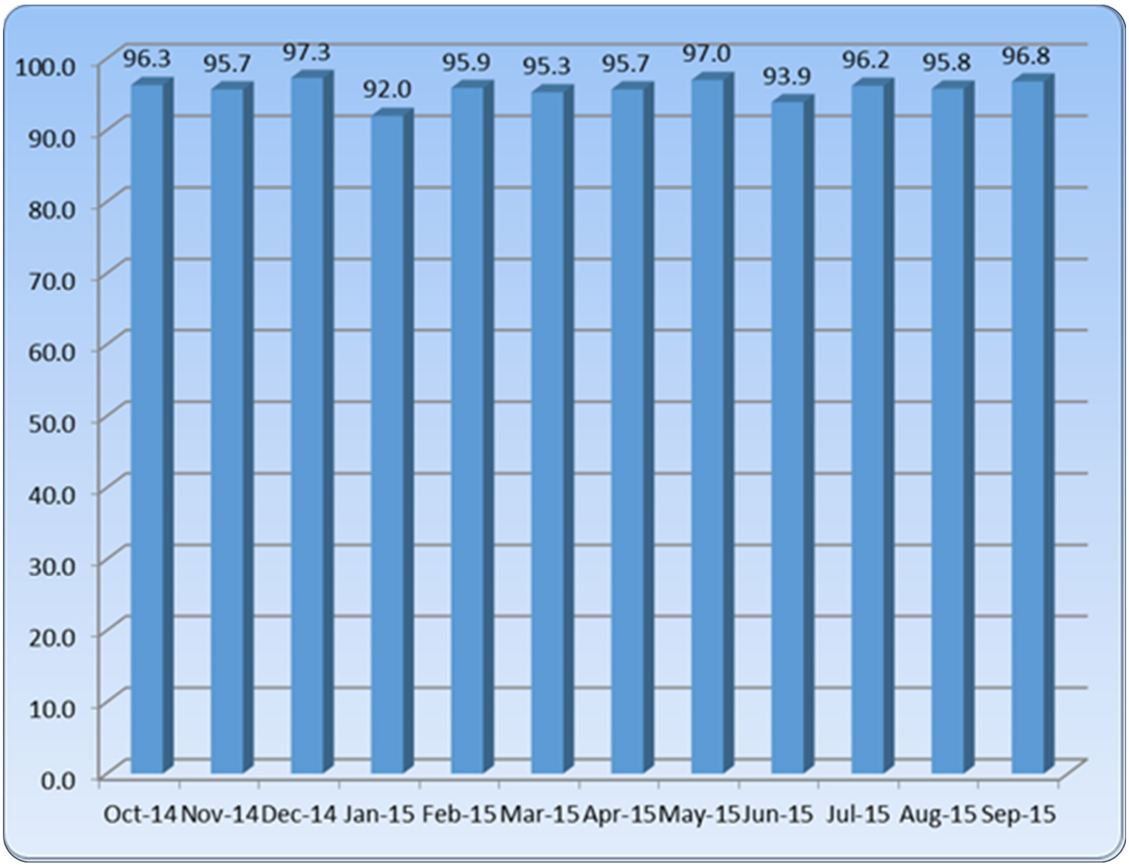
Gross interest earned for the period 1 April 2015 to 30 September 2015 is £0.802m.

In accordance with the approved 2015-16 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.

Along with a number of other authorities, the Council has sold its remaining claim against the insolvent estate of Glinir. This brings an end to the Council's dealings in respect of Glitnir. The sale has removed uncertainty regarding repatriation of Icelandic Kroner to the UK in light of the capital controls currently imposed by the Icelandic government.

8 Purchase and payment performance

8.1 **Payment performance**: approximately 420,000 invoices are paid annually. In September 2015 96.8%, (August 95.8%) were paid within a target of 30 days from receipt, against a target of 90%. The percentage has not dropped below 92% in the last 12 months, as shown in the graph below.

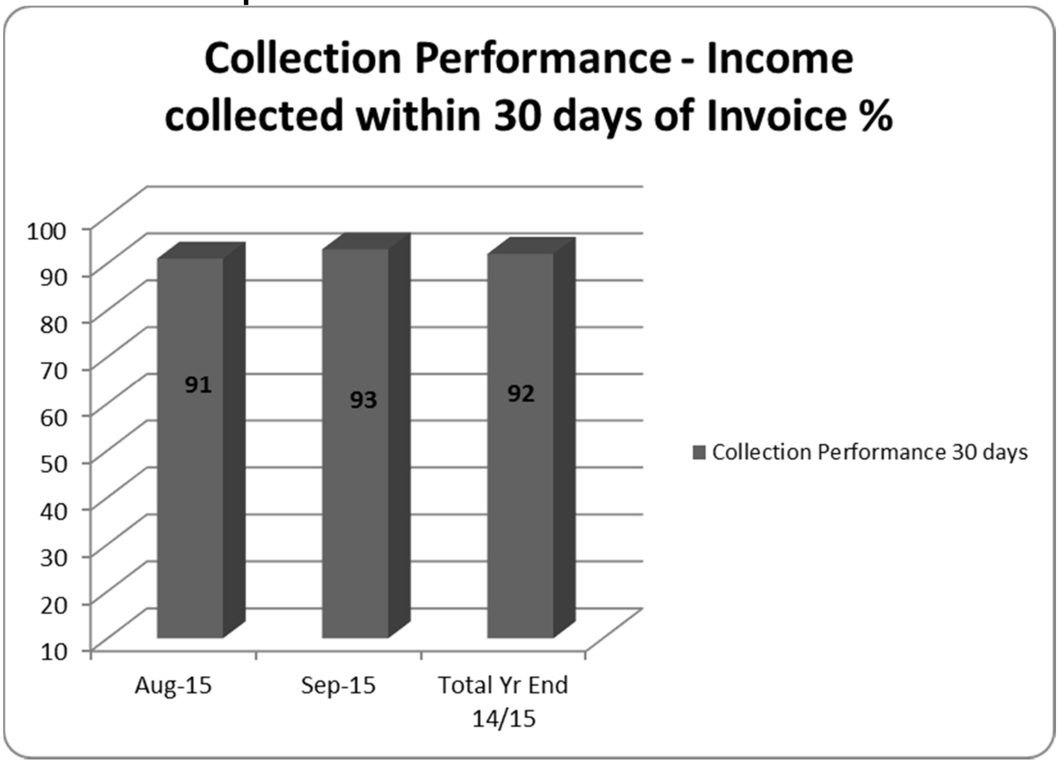


*Note: The figures include an allowance for disputes/exclusions.

9 Debt recovery

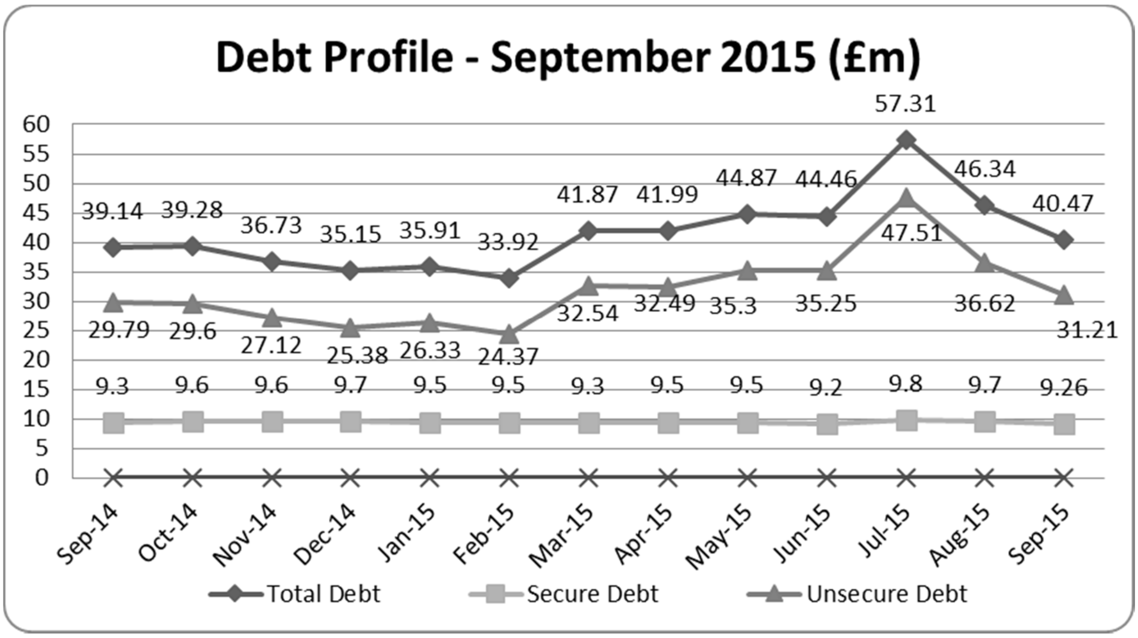
9.1 **Introduction**: Each year the County Council raises over 130,000 invoices for statutory and non-statutory services totalling over £920m. The value of outstanding debt is continuously monitored and recovery procedures are in place to ensure that action is taken to recover all money due to Norfolk County Council.
In 2014/15 92% of all invoiced income was collected within 30 days of issuing an invoice, and 97% was collected overall.

9.2 **Debt collection performance measures**



- Collection performance for September 2015: 93% (August 91%) of invoiced income, measured by value, was collected within 30 days
- Levels of outstanding debt – secured £9.26m and unsecured £31.21m (August 2015 £9.7m & £36.6m respectively). The majority of unsecured debt relates to social care (£20.2m, previous month £25.44m).

9.3 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. The level of debt is shown in the following table:



9.4 The "spike" in July related to amounts due from CCGs, the majority of which was for amounts since collected for shared care, continuing care, free nursing care and Better Care Pooled Fund.

9.5 **Debt write-offs:** 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.

9.6 Service departments are responsible for funding their debt write offs. Once the debt is written off the amount of the write off is reflected a) in the service department's budget through the reversal of the income from the transaction or b) where a service has set up a bad debt provision (for example Adult Social Services) the provision is used to fund the write-off. Further details of the recovery actions taken prior to any debt being written off were reported to the September meeting of this committee.

9.7 For the period 1 April to 30 September 2015, 305 debts less than £10,000 were approved to be written off following approval from the Executive Director of Finance. These debts totalled £154,634.51.

9.8 One debt over £10,000 identified for write off in 2015-16 has been subject to Policy & Resources Committee approval. This debt totalled £16,507.73.

Revenue Annex 1

Projected revenue outturn by service analysis

The latest projection for the 2015-16 revenue budget shows a net projected overall variance as follows:

Table A1a: projected revenue over and (under) spends by service

Service	Revised Budget	Service total projected over / (under) spend	Remedial action: use of reserves / unallocated funds	Net total over / (under) spend	%
	£m	£m	£m	£m	
Adult Social Services	241.702	10.812	-5.200	5.612	2.32%
Children's Services	173.852	4.863		4.863	2.80%
Community and Environmental Services	170.413	-0.209		-0.209	-0.12%
Resources	23.155	0.388		0.388	1.68%
Finance and Property	15.562	0.156		0.156	1.00%
Finance General	-306.256	-5.067		-5.067	1.65%
Totals current month	**318.428**	**10.943**	**- 5.200**	**5.743**	**1.80%**
Previous month	318.428	22.236	-13.481	8.755	2.75%

Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Where overspends are forecast, it may be necessary to identify remedial action, alternative sources of funding, or to plan draw on reserves.
The £5.2m use of reserves shown above relates to the use of Care Act funding not specifically allocated when budgets were approved.

Reconciliation between current and previously reported underspend

Table A1b: monthly reconciliation of over / (under) spends

	£m
Forecast 2015-16 over/(under)spend previous report	**8.755**
Movements in current period - summary	
Adult Social Services	0.004
Children's Services	-0.442
Community and Environmental Services	0.099
Resources	0.057
Finance and Property	0.156
Finance General	-2.886
Latest forecast over / (under) spend after use of reserves	**5.743**

The net over / 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 monthly monitoring within services.

Projected revenue budget outturn by service – detail

	Projected over spend	Projected under spend	Change this month
	£m	£m	£m
Adult Social Services			
Central Services – Business Development		-0.354	0.007
Commissioning, including Supporting People	0.997		-0.331
Early Help and Prevention	0.333		-0.011
Safeguarding	11.026		0.569
Income from Service users		-1.045	-0.226
Management, Finance and Transformation	0.052		-0.004
Human Resources		-0.197	0.003
Other minor items		0	-0.003
Over / (under) spend before recovery actions	**12.408**	**-1.596**	**0.004**
	10.812		
Application of Care Act funding		-5.200	
Forecast total for Adult Social Services	**12.408**	**-6.796**	**0.004**
Over / (under) spend after recovery actions and approved use of reserves	**5.612**		

Children's Services	Projected over spend	Projected under spend	Change this month
Spending increases and reductions	£m	£m	£m
LAC agency residential costs	3.502		-0.160
LAC agency fostering	1.423		0.011
Additional in-house fostering costs due to the "staying put policy"	0.896		0.040
Additional cost of fostering recruitment	0.060		
Additional cost of purchasing adoption out county placements	0.130		
Additional residence/kinship costs	0.378		
Additional cost of care leavers independent living support	1.000		
Additional number of Boarding Pathfinder placement	0.049		
Additional cost of agency social workers and NIPE social workers	1.500		
Reduced cost of Early Years & Childcare Service		-0.400	
Savings on Information Advice and Guidance Service vacancies		-0.450	
Capitalisation of school broadband costs		-0.176	
Additional school attendance court fine income		-0.160	
Savings on staff costs due to vacancy management		-0.475	
Reduced cost, school staff redundancies/retirement scheme		-0.206	0.150
Reduced LAC legal costs		-0.195	
Other minor savings across Children's Services		-0.120	-0.120

One-off corrective actions			
Educational Psychology Income		-0.100	
Support for Children with Disabilities		-0.300	-0.100
Vacancy Management		-0.280	-0.140
2 year old trajectory funding		-0.890	
Use of grants and reserves		-0.338	-0.123
Dedicated schools grant			
Underspend on on schools contingency fund		-0.500	-0.500
Additional cost of Independent and non maintained provision	2.600		2.600
Additional special school places	0.900		0.900
Additional cost of Alternative provision	0.900		0.900
Reduced cost of suspended school staff		-0.120	-0.120
Use of schools contingency fund reserve to fund above DSG variances		-3.780	-3.780
Forecast outturn for Children's Services	**13.353**	**- 8.490**	**- 0.442**
	4.863		

Community and Environmental Services	Projected over spend	Projected under spend	Change this month
Highways and Transport Services		-0.007	0.275
Environment and Planning – Energy and Waste		-0.153	-0.320
Economic Development and Strategy		-0.090	
Business Development and Support	0.250	-	0.250
Cultural Services		-	
Customer Services		-	
Community Safety & Fire		-0.209	-0.106
Forecast out-turn for CES	**0.250**	**-0.459**	**0.099**
		-0.209	

Resources, Finance and Finance General	Projected over spend	Projected under spend	Change this month
Resources	£m	£m	£m
Director of Resources – County Hall car park income	0.689		0.165
Policy and Performance		-0.101	-0.101
Procurement		-0.110	-0.111
Human Resources		-0.072	0.122
Democratic Services		-0.018	-0.018
ICT		-	
Net forecast outturn for Resources	**0.689**	**-0.301**	
	0.388		**0.057**
Finance and Property			
Finance – including schools finance and other staff costs/savings		-0.100	-0.100
Property – office accommodation	0.256		0.256
Net forecast outturn for Finance and Property	**0.256**	**-0.109**	
	0.156		**0.156**
Finance General			
Adjustment to forecast interest on balances (see Appendix 3)		-4.100	-2.504

Local Assistance Scheme current year underspend		-0.400	-0.400
National insurance savings re Childcare Vouchers		-0.190	-0.190
Adjustment to minimum revenue provision to reflect re-profiling of capital schemes to be funded from borrowing		-1.010	0.063
Additional costs arising from Norse pension liabilities and volume discount.	0.633		0.145
Net forecast outturn for Finance General	**0.633**	**-5.700**	
		-5.067	**-2.886**

Norfolk County Council

Appendix 2: Resources and Finance commentary

Report by the Executive Director of Finance

1 Introduction

The Policy and Resources Committee is responsible for the oversight of the Council's Resources and Finance budgets (including the Finance and Corporate Property service, and Finance General, excluding Consultation unit and Public Health). This appendix is designed to give a brief overview of the financial performance of each of these service areas.

The table below summarises the forecast outturn position as at the end of September 2015 (Period 6).

2 Resources

2015 / 16	Current Budget Net Expenditure / (income) £m	Net Expenditure / (income) Year to Date £m	Full Year Forecast £m	Outstanding budget tfr/ rounding £m	Overspend / (Underspend) £m
Managing Director's Office	0.424	0.221	0.424		-
Director of Resources	(1.228)	(0.378)	(0.540)	0.001	0.689
CIPPS & BPPS	1.679	0.760	1.578		(0.101)
Corporate Programme Office	0.790	0.302	0.790		-
Procurement	1.337	0.554	1.226	0.001	(0.110)
Human Resources	3.813	3.276	4.041	(0.300)	(0.072)
Communications	0.732	0.336	0.732		-
nplaw	(0.453)	(0.038)	(0.453)		-
Democratic Services	2.342	1.664	2.324		(0.018)
Public Health	(1.201)	2.333	(1.201)		-
ICT	14.353	9.041	14.353		-
Total Corporate Resources	22.588	18.071	23.274	(0.298)	0.388

Note: there is a difference between the total budget above and the "Resources" budget shown in table 1 to Appendix 1 as some services managed within the Resources department are not the responsibility of this committee.

The main reason for the net overspend above is £0.330m relating to a decision to delay charging staff to use the County Hall car park, pending the report of a small group set up to examine options for managing parking at County Hall.

Other forecast overspends within the service are off-set by potential savings from vacancy management and income generation in other areas.

Where expenditure year to date in excess of the profiled net budget, it is generally accounted for by expenditure having been committed, where related income has not been received or re-charges have yet to be made.

3 Finance and Property, and Finance General

2015 / 16	Current Budget	Expenditure Year to Date	**Full Year Forecast**	**Reported Overspend / (Underspend)**
	£m	£m	**£m**	**£m**
Finance	6.706	5.002	6.606	-0.100
Property	8.856	6.604	9.112	0.256
Finance & Property	**15.562**	**11.606**	**15.718**	**0.156**
Finance General	-306.256		-311.323	-5.067
Total Finance	**-290.694**	**11.606**	**-295.605**	**-4.911**

At the end of month 6, there is a forecast net over spend within the Property function. This overspend relates to one-off forecast costs of servicing office accommodation at County Hall and other properties, at a time when staff are being re-located. The property overspend is partly offset by a Finance underspend, primarily due to reduced costs of providing finance services to schools.

Forecast reserves for Finance and Finance General as at 31 March 2016 total £9m, with the largest reserves being Organisational Change and Redundancy, Building Maintenance (including Farms) and the Insurance reserve. The forecast has reduced this month due to use of the insurance reserve £1m and the farms building maintenance reserve £2m in line with budget book funding assumptions (page 118).

4 Finance General over and underspends

A table showing forecast under and over spends is included in Annex 1 to Appendix 1. Explanations for Finance General forecasts are as follows:

Interest on balances due to reduced borrowing (forecast underspend £4.100m)
The 2015-16 interest payable/receivable budget was prepared on the basis that borrowing to support capital expenditure would be undertaken on 1 April 2015. This assumption was made to ensure that, in accordance with the treasury management code of practice, treasury management activities are not impacted by short-term budget considerations.

The decision to defer additional borrowing during the remainder of 2015-16 will depend upon the Council's cash flow requirements and movements on short and long term interest rates which are constantly monitored, but there are no immediate plans for new borrowing. The forecast assumes no new borrowing will take place before 31 March 2016.

Norfolk's Local Assistance Scheme (forecast underspend £0.400m)
Norfolk's Local Assistance Scheme provides help to the most vulnerable people in the county, and can provide daily living expenses through short periods of crisis, or items of furniture, core electrical goods, bedding etc, in supporting people to either remain or resettle within the community. Take-up of the scheme has not been as high has expected, and one off underspend is forecast for 2015-16.

Forecast Minimum Revenue Provision (forecast underspend £1.010m)
Every year the Council has to set aside an amount which represents the minimum contribution to the repayment of borrowing. The MRP underspend is an adjustment which

reflects capital spend which was budgeted to be spent in 2014-15, but which is now forecast to be incurred in 2015-16 and beyond.

National insurance saving on childcare vouchers (forecast underspend £0.190m)
A one-off saving has occurred due to the way in which employers NI on childcare vouchers has been accounted for.

Norse pension liabilities (forecast overspend £0.633m)
This adjustment relates to additional costs arising from 2013-14 transfer of Norse Group pension liabilities to Norfolk County Council. The shortfall has arisen due primarily to a decrease in the number of NPS employees in the LGPS. A benefit to NCC of the transfer of pension liabilities is that the transfer has enabled the Norse Group to pay dividends to Norfolk County Council. A further element of the shortfall relates to the level of volume discount expected to be received from the Norse Group.

Norfolk County Council

Appendix 3: 2015-16 Capital Finance Monitoring Report Month 6

Report by the Executive Director of Finance

1 Capital Programme 2015-16 Period 6 (September)

1.1 The 2015-16 Capital Programme was approved by the County Council on 16 February 2015 and is published in the Council's 2015-18 Budget Book. Changes between budget approval and the 2015-16 capital outturn report resulted in an updated opening position shown in Table1 below.

1.2 Since then, the capital programme has undergone further revisions. The latest revised programme totals £561.107m, made up of:

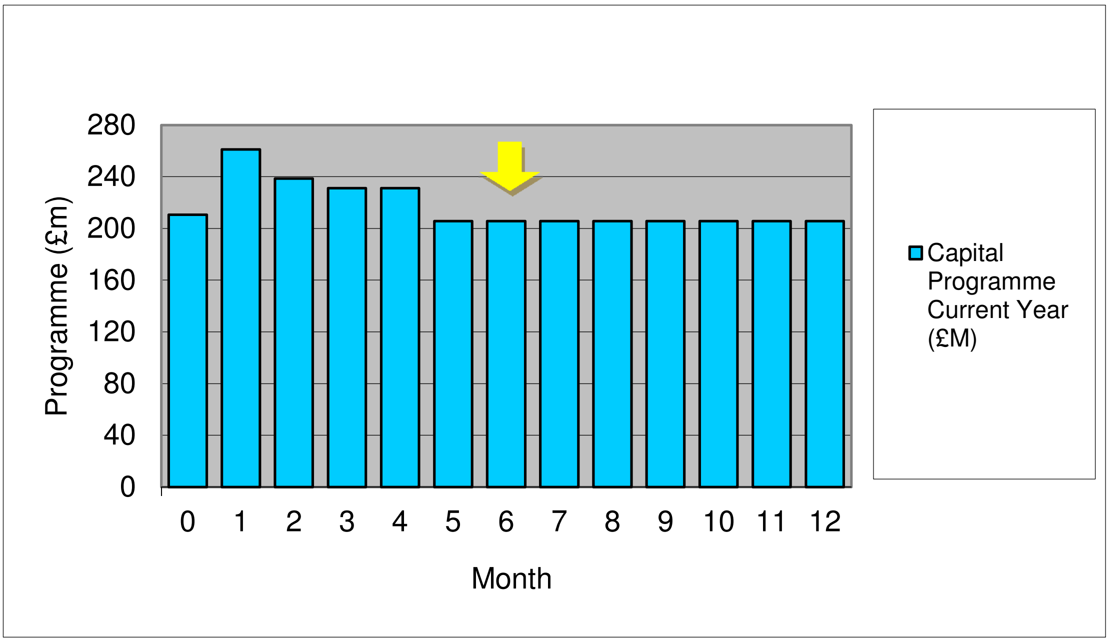
Table 1: Revised Capital Programme

	2015-16	2016-18
	£m	**£m**
New schemes approved February 2015	38.982	136.281
Previously approved schemes	171.521	92.149
Totals in 2015-18 Budget Book	**210.503**	**228.430**
Re-profiling at financial year end	39.070	3.338
Other Adjustments, including adjustments to indicative funding settlements	11.511	36.897
Capital Programme Opening Position	**261.083**	**268.665**
Previously approved reprofiling	-61.347	61.347
Other movements previously approved	5.775	-1.000
Totals previous period	**205.511**	**329.012**
Re-profiling this period	-5.034	5.034
Other movements to be approved	5.584	21.000
Revised capital programme forecast outturn	**206.062**	**355.045**
Total		**561.107**

1.3 The increase of £26.5m relates mainly to additional funding associated with the NDR, subject to final approvals, as discussed at 6 November 2015 County Council, plus a number of other road and cycling schemes.

1.4 The following chart identifies the cumulative effect of the changes to date on the capital programme.

Chart 1: Capital Programme changes to date 2015-16 at period 6



1.5 Month "0" represents the approved capital programme, and month one the revised opening position after re-profiling of unspent budget from 2014-15. The arrow at Month 6 shows the latest position.

1.6 The table below provides a high level view of how the revised 2015-16 programme is made up for each service:

Table 2: Revised capital programme 2015-16

Service	Opening Capital Programme 2015-16	Cumulative Changes To Date	Reprofiling To Be Approved	Other Changes To Be Approved	2015-16 Capital Programme	Forecast Outturn	Over / (Under)spend
	£m	£m	£m	£m	£m	£m	£m
Children's Services	100.392	-36.686			63.706	63.706	0.000
Adult Social Care	8.733	0.040	-6.390		2.384	2.390	0.006
Community & Environmental Services	116.003	-13.974	1.356	5.585	108.971	108.733	-0.237
Resources	17.989	-4.953			13.036	12.989	-0.047
Finance	17.966	0.001		-0.001	17.966	17.740	-0.226
Total	**261.083**	**-55.572**	**-5.034**	**5.584**	**206.063**	**205.558**	**-0.504**
		205.511		**0.551**			0.000

1.7 Reprofiling and other changes to schemes are identified in further detail in Capital Annex 1.

1.8 The revised programme for future years (2016-17 and 2017-18) is as follows:

Table 3: Capital programme 2016-18

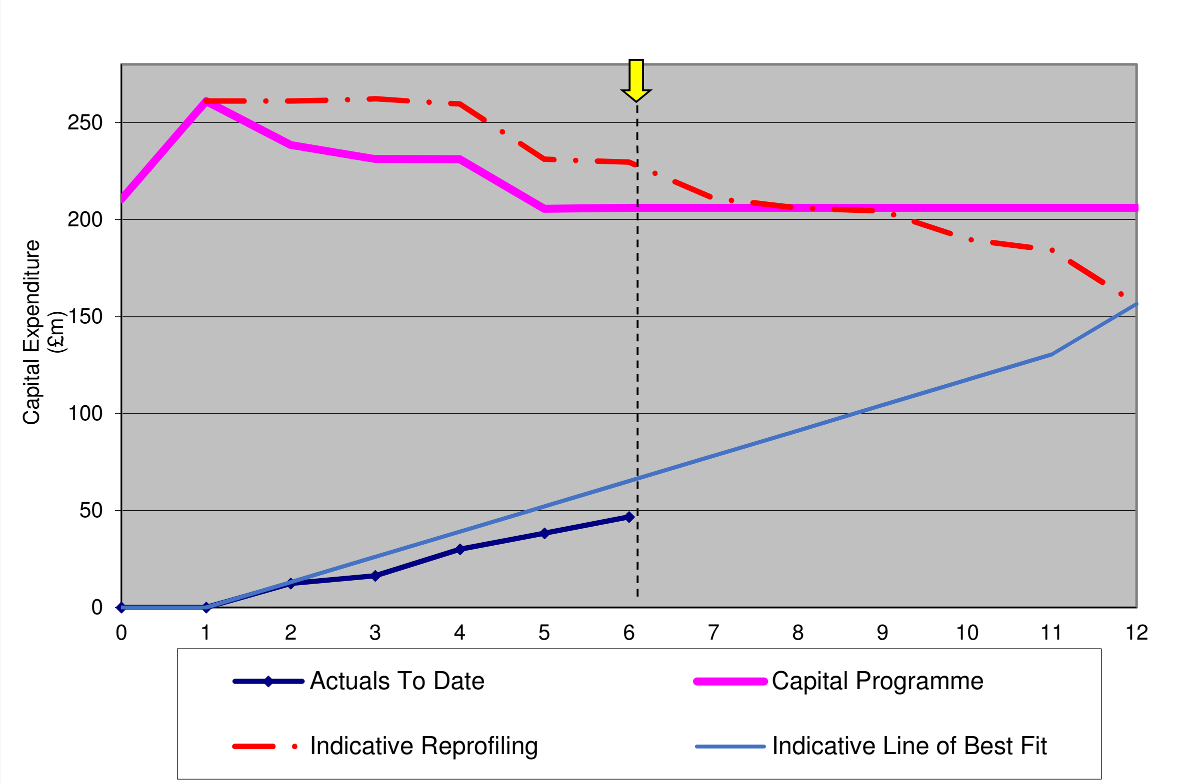
Service	Forecast for 2016-18 at end of August 2015 £m	August Reprofiling (from 2015-16 to future years) £m	Other Movements £m	Revised 2016-18 forecast at end of September 2015 £m
Children's Services	113.207	0.000	0.000	113.207
Adult Social Care	4.013	6.390	0.000	10.403
Community & Environmental Services	187.492	-1.356	21.000	207.136
Resources	22.100	0.000	0.000	22.100
Finance	2.200	0.000	0.000	2.200
TOTAL	**329.012**	**5.034**	**21.000**	**355.046**

The changes to the overall programme reflected in tables 2 and 3 related primarily to the additional £29.9m costs of the NDR discussed at County Council on 6 November 2015. A breakdown of the changes to the programme for this and other projects are shown in Capital Appendix 1. All the NDR cost and funding increases discussed at County Council have been incorporated.

Actual Spend and Progress on Capital Programme

1.9 Progress on the overall capital programme is as follows:

Chart 2: Capital programme 2015-16 and cumulative actual expenditure



1.10 Total expenditure on the 2015-16 capital programme to the end of September was £46.802m.

1.11 The graph above suggests that expenditure is below expectations. Although the graph shows that re-profiling is taken place earlier than last year, there may still be a significant amount of re-profiling of expenditure into future year's programmes. The historic re-profiling trend is identified by the dashed line.

1.12 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
	£m	£m	
Children's Services	63.706	6.830	10.7%
Adult Social Care	2.384	0.403	16.9%
Community & Environmental Services	108.971	31.317	28.7%
Resources	13.036	3.672	28.2%
Finance	17.966	4.581	25.5%
Total	**206.063**	**46.802**	**22.7%**

1.13 Children's Services expenditure is likely to be below the expected profile as some work undertaken during the summer school holidays still to be invoiced, with early indications that over £2.5m was spent in period 7. There will be further reprofiling of the Children's Services programme during the year, which has been a major driver of the indicative reprofiling in Chart 2 in prior years, and a number of new schemes have recently been approved including Drake Infants School convert to a 420 place primary school (£5.6m), and the Great Yarmouth Primary Academy Growth project – phase 1 (£0.9m).

1.14 The development of the Children's Services capital programme has continued during 2015-16 with reports on the capital programme going to Children's Services committee and the Capital Priorities Group, in particular relating to the Great Yarmouth Reorganisation project.

1.15 Construction of the Postwick Hub junction has continued during 2015-16 with completion expected this year.

Norwich Northern Distributor Road

1.16 Consent from the DfT for the Norwich Northern Distributor Road scheme was notified on 2 June 2015. The scheme was discussed in detail at 2 September 2015 and 6 November 2015 County Council, subject to approval by the DfT of the NDR 'full approval' submission.

1.17 The financial totals included in this month's capital programme have been updated for the £29.9m shortfall in funding identified at the September meeting plus the additional £0.5m contingency allowance approved in November. The funding totals including the £10m which each of the DfT and New Anglia LEP have indicated they will contribute to the project

1.18 During September 2015, final agreements have been prepared for the element of the project to be finance by future CIL receipts. In March 2011 the Greater Norwich Development Partnership Policy Group agreed to use a significant proportion of future CIL revenues to establish a shared infrastructure investment fund to support delivery of priority infrastructure projects, including up to £40m for the delivery of the NDR. The County Council is the accountable body for the delivery of the NDR, and will borrow this element of funding.

2 Financing The Programme

2.1 The Council uses a number of sources of funding to support its capital programme.

2.2 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.

2.3 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	2015-16 Programme	2015-16 Forecast Outturn	2015-16 Over / (Under) Spend	Future Years Forecast
	£m	£m	£m	£m	£m	£m	£m
Prudential Borrowing	58.244	-9.244	0.597	49.596	49.328	-0.268	43.505
Capital Receipts	7.200	-2.077	0.714	5.837	5.837	0.000	15.038
Revenue & Reserves	6.279	-1.624	1.012	5.666	5.666	0.000	1.000
Grants and Contributions		0.000					295.753
DfE	77.960	-29.884	0.000	48.076	48.076	0.000	
DfT	59.278	-1.106	-0.476	57.696	57.460	-0.235	
DoH	7.721	0.223	-6.390	1.554	1.554	0.000	
DCLG	0.967	-0.111	0.000	0.856	0.856	0.000	
DCMS	3.001	0.000	0.000	3.001	3.001	0.000	
GNDP/CIF	0.000	0.000	0.000	0.000	0.000	0.000	
Developer Contributions	9.772	0.405	1.586	11.763	11.763	0.000	
Other	30.662	-12.155	3.508	22.015	22.015	0.000	
TOTAL	**261.083**	**-55.573**	**0.551**	**206.061**	**205.558**	**-0.503**	**355.296**

2.4 The table above shows a forecast prudential borrowing requirement for the Council to support the 2015-16 programme of £49.596m: an increase since last month due mainly to the bringing forward of a potential capital loan to Norfolk Energy Futures Ltd, a wholly owned company.

3 Capital Receipts

3.1 The Council's Asset Management Plan, as approved on 1 June 2015, 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.

3.2 The plan notes that the property portfolio has latent value and the estate needs to be challenged rigorously to ensure assets are only held where necessary so that capital release or liability reduction is maximised. This in turn will reducing revenue costs of the operational property portfolio.

3.3 The capital programme, approved in February 2015, demonstrated how asset management would support capital expenditure through generating a target £8.085m of capital receipts through property disposals, in the context of a longer term disposals programme.

3.4 Since then, there have been a significant number of changes to the draft disposal schedule, in particular relating to the timing of projected receipts relating to development land within the County Farms estate.

3.5 The current revised schedule for disposals is:

Table 6: Revised disposal schedule £m

	2015-16 Approved £m	**2015-16 End of August £m**	**2015-16 End of September £m**	**Changes in September £m**
General Capital Receipts	2.734	1.830	2.485	0.655
Financial Packages	0.295	0.305	0.305	0.000
County Farms Capital Receipts	5.056	1.072	1.740	0.668
Estimated Total Capital Receipts	**8.085**	**3.207**	**4.530**	**1.323**

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

3.6.1 General Capital Receipts

The main reasons for the Increase in expected receipts for the current year is the bringing forward of The Oaks Harvey Lane plots and Bawdeswell Land expected sales dates.

A number of other small adjustments have also been made.

3.6.2 Financial Packages Receipts

No change

3.6.3 County Farms Receipts

Additional potential disposal of buildings/land at Thorpe Market brought forward from future years.

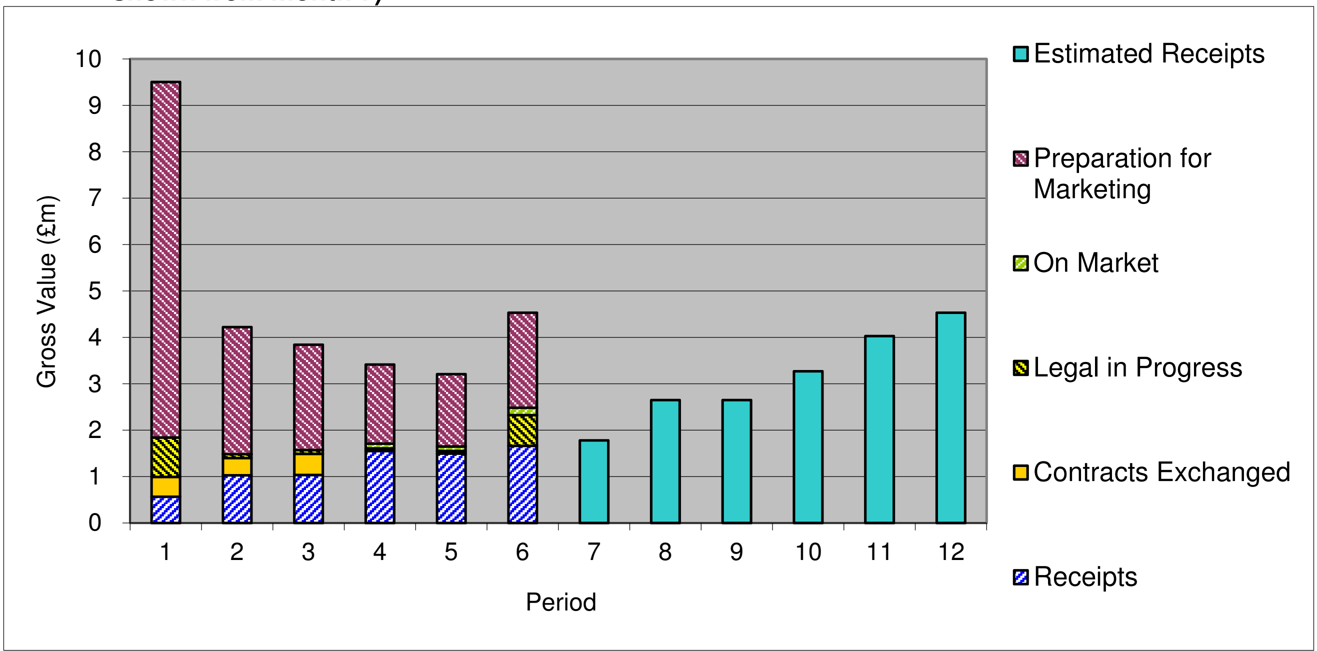
The following table classifies the movements on forecast receipts following the previous forecast.

Table 7: Reconciliation of Disposal Schedule Estimates

	£m
Capital receipts estimate at end of August 2015	3.207
Additions	0.634
Upward revaluations of estimates	0.167
Delayed from 2014-15	0.000
Brought forward from future years	0.580
Removals	0.000
Downwards revaluations of estimates	-0.057
Disposals in 2014-15	0.000
Delayed until future years	0.000
Revised Estimate 2015-16	**4.530**

3.7 The chart below shows the progress on realisation of the forecast capital receipts for 2015-16.

Chart 4: Forecast Capital Receipts from property sales 2015-16 (estimated cumulative receipts shown from month 7)



3.8 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 8: Capital receipts reserve forecast 2015-16

	General	Financial Packages	County Farms	Total
	£m	£m	£m	£m
Opening Balance	**0.000**	**2.845**	**0.409**	**3.254**
Forecast receipts from sales of properties	2.485	0.305	1.740	4.530
Receipts from sales of assets to leasing companies	0.000	0.000	0.000	0.000

Other capital receipts	0.059	0.000	0.000	0.059
Forecast receipts generated in year	**2.545**	**0.305**	**1.740**	**4.590**
Sales expenses	-0.286	-0.014	0.000	-0.300
Receipts repayable to third parties	0.000	0.000	0.000	0.000
Forecast net receipts available for funding	**2.258**	**3.136**	**2.148**	**7.543**
Forecast use to fund incomplete leases	0.000	0.000	0.000	0.000
Forecast use to fund programme and reduce borrowing	-2.258	-2.695	-0.827	-5.781
Forecast Closing Balance	**0.000**	**0.441**	**1.322**	**1.763**

3.9 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.

3.10 Other capital receipts include loan repayments from subsidiary companies.

4 Capital schemes in development

4.1 Norwich Aviation Academy Loan

At its meeting on 20 July, Policy and Resources Committee approved a loan of £6.25m to be made available to Norse Group for the purposes of developing an Aviation Academy. This scheme, to be funded through prudential borrowing, has been added in the capital programme.

4.2 Museums Capital Projects

On 9 July 2015 Historic England wrote confirming the £1m made available by the Treasury towards work in the Keep at Norwich Castle. The grant has been received and is split £0.800m capital: £0.200m revenue and the capital element is included in this report.

4.3 Whitlingham Outdoor Education Centre

The Whitlingham Outdoor Education Centre was constructed some ten years ago but is showing potentially severe deterioration. This was presented to November 2015 Children's Services committee, and this will result in a scoping report and options appraisals.

4.4 Libraries – Open Plus

At 15 November 2015 Communities Committee, the pilot of Open Plus technology at Acle Library was reported to be going well, and may result in an invest to save proposal to roll out the scheme to other libraries.

4.5 Social Care System Re-procurement

A scheme to replace the Council's Social Care system is in the process of being developed, and is the subject of a capital bid included in Capital Annex 2.

Reprofiling and Other Changes to the 2015-18 Capital Programme

i. This appendix sets out the reprofiling and other changes which have occurred during the first three months of 2015-16.

ii. The changes to the 2015-16 programme are as follows:

Reprofiling

Table A1a: Reprofiling in September 2015

Service	Project	Funding Type	Amount £m	Explanation
Adult Social Care	Adult Care - Unallocated Capital Grant	Grants and Contributions	-5.075	Reprofile of budget for schemes that have been proposed but have not yet progressed to programme initiation.
	Great Yarmouth Dementia Day Care/Adult Care - Unallocated Capital Grant	Grants and Contributions	-0.126	Project ceased as tenders for redevelopment for property did not represent value for money - monies reallocated to Adult Care Unallocated Capital grant
	Prospect Housing - formerly Honey Pot Farm	Grants and Contributions	-0.318	Supported Living scheme currently subject to planning concerns and discussions; reprofiled to future years.
	Care Act Implementation	Grants and Contributions	-0.871	Reprofile to future years for adaptations under New Care Act.
Adult social Care Total			**-6.390**	
Community & Environmental Services	ETD - Other Norfolk Energy Futures Ltd (NEF)	Borrowing and Capital Receipts	0.900	The number of potential projects under investigation by NEF is increasing. Additional projects currently under consideration include wind turbines and biogas and if these were to reach fruition then the potential draw down during the current financial year could be as much as £2.9m. Progression of potential projects will be subject to approval.
	Ec Development Scottow Enterprise Park	Borrowing and Capital Receipts	0.456	Reprofiled to enable further buildings on the site to be brought into commercial use earlier than originally envisaged due to potential tenant interest.
Community & Environmental Services Total			**1.356**	

Total Reprofiling			**-5.034**	

Other Changes

Table A1b: Other changes in September 2015

Service	Project	Funding Type	Amount £m	Explanation
Community & Environmental Services	Cycling	Grants and Contributions	2.612	Additional funding Norwich Cycle Ambition funding held by Norwich City Council for The Avenues scheme ,Magdelan Street and Cowgate Contraflow,Tombland & Palace Street,Heathgate - Valley Drive,Salhouse Road (Hammond Way - Racecourse Inn)
	Local Road Schemes	Grants and Contributions	1.648	increasee in GY BC contributions towardGorleston - Beacon Park Enterprise Zone. Additional S278 -Costessey Lodge Farm Phase 2 ,Costessey - William Frost Way to A1074 Dereham Road. Attleborough Sustainable transport package - incr in contribution from LGF.
	Norwich Hall Road - Asda	Grants and Contributions	0.397	Additional S278 contribution.
	Road Crossing schemes	Multiple Funding Sources	0.234	Local Enterprise Partnership (LEP) funding - Norwich City Eaton A11/32 Newmarket Road Toucan Crossing
	Other schemes	Grants and Contributions	0.167	King's Lynn Improvements to Bus Station and route to Train Station 0.125 increase in S106
	Structural and Bridge Maintenance	Grants and Contributions	-1.465	Amendment to funding to support NDR as reported to County Council September 2015
	NDR additional funding, current year	Reserves, Grants and Contributions	0.991	Additional funding as per September 2015 report to County Council section 2.8
	Postwick Hub junction works	Grants and Contributions	1.000	Deferred bridge maintenance used to support Postwick Hub per September 2015 report to County Council section 2.8

	Fire Station improvements CMW schemes	Borrowing (Contra adjustment)	0.001	Hingham Fire Station Fire Safety Improvements Corporate Minor Works Allocation of funding .
Community & Environmental Services Total			**5.585**	
Finance	ASC CMW	Borrowing (Contra adjustment	0.006	Caister Community Hub - Fire Risk Works, adjustment to reflect correct programme budget
	CMW Pot	Borrowing (Contra adjustment	- 0.007	Disaggregation of Corporate Minor works funding to services
Finance Total			**-0.001**	
Total Other Changes			**5.584**	
Future year's changes				
	Structural Maintenance	Grants and Contributions	-7.400	Amendment to funding to support NDR as reported to County Council September 2015
	NDR additional funding, future years		28.400	Additional funding as per 6 November 2015 report to County Council section 3.11
Community & Environmental Services Total			**21.000**	

Note: NDR funding changes shown above reflect the 6 November 2015 report to County council at which the scheme was subject to approval by the DfT of the NDR 'full approval' submission.

Norfolk County Council

Capital Annex 2: Capital programme planning 2016-19

Introduction

This annex sets out a framework for a Council-wide approach to the Capital Programme.

The three main objectives are to
- develop a capital programme which can be delivered to plan,
- minimise unaffordable revenue costs, mainly by avoiding unsupported expenditure and
- prioritise schemes to provide a Council-wide comparison and to ensure the best use of scarce resources.

Context
The capital programme is agreed by County Council as part of budget preparation in February each year. The 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.

Funding is limited so it is important that any system is able to demonstrate that projects are being prioritised on a council-wide basis with a clear focus on deliverability and maximising the use of limited funding.

Projects are considered at a high "programme" level to reflect the major external funding streams, the significant planning and prioritisation work already undertaken within Services, and the thousands of individual projects within major capital maintenance programmes for which Council-wide prioritisation would be impractical.

Contents
The following pages summarises the elements capital programme prioritisation:

Norfolk County Council
Capital programme prioritisation 2016-19
Capital Annex 2A - Capital programme 2016-19 compilation

The three main objectives in compiling an affordable capital programme are:

- to provide an ambitious and deliverable programme
- to minimise unaffordable revenue costs, mainly by avoiding unsupported expenditure

Funding for capital schemes comes from a variety of sources. Significant capital grants are received annually from the departments for Transport and Education, in the expectation that they will be spend on maintaining and improving the schools and highways estates. Other funding, often relating to specific projects, comes from a variety of sources. Capital receipts can be used to fund capital expenditure, but where there are no unallocated capital receipts borrowing might be necessary.

Funding unsupported schemes puts additional pressure on what is already a very tight revenue budget, so it is important where possible that if borrowing is required, that a source of income is identified to fund the future borrowing costs.

In developing the capital programme the following are taken into account:

1. Existing schemes and funding sources: a large part of the capital programme relates to schemes started in previous years or where funding has been received in previous years and will be carried forward.

2. Capital schemes approved during the year, including for example additional funding for the NDR and the Aviation Academy outside the annual capital prioritisation round.

3. Prioritising new and on-going schemes on a Council-wide basis to ensure the best outcomes for residents. The prioritisation model is based on the model adopted last year, and has been strengthened with a detailed scoring matrix.

4. A pro-forma summarising each new scheme will be used to inform the prioritisation process.

5. The prioritisation process will give a high weighting to schemes which have funding secured. Where non-ringfenced capital grants are received there will be an initial assumption that they will allocated to their natural home: for example DfT grants to highways, DfE grants to the schools capital programme, and DoH grants to ASC

    a. Where a scheme does not have a funding source, priority is given to schemes which can provide their own funding. Where revenue or reserves cannot be identified, then it may be possible to identify future revenue savings or income streams which can be used to re-pay borrowing costs;
    b. If there are unallocated capital receipts, these will be used to provide funding for higher priority unfunded schemes.

6. A capital project marking guide has been produced based on the suggestions made last year, and with an enhanced scoring guide.

Appendix B
Norfolk County Council
Capital programme prioritisation 2016-19
Capital Annex 2B – DRAFT Marking scheme – with enhanced marking guide

Marking scheme – with enhanced marking guidance

	Heading	Reason		Scoring guide - Enhanced	Weighting
1	**Statutory or Regulatory Duty**	Is there a clearly identifiable requirement to meet statutory or regulatory obligations?	5 4 3 2 1 0	Specific and immediate statutory duty Statutory duty – but flexibility in its application Implied / indirect duty Project may enhance statutory provision Non NCC statutory duty No statutory duty addressed	10%
2	**County Council priorities**	Does the scheme directly contribute to the Council's priorities? - Good infrastructure and/or - Excellence in education and/or - Real jobs - Supporting vulnerable people	5 4 3 2 1 0	One or more priorities very strong, or strong & covering a significant area of Norfolk Strong for one or more priorities Direct contribution, limited area Indirect contribution to more than one priority Indirect contribution to one priority No contribution to priorities	20%
3	**Cross-service working**	Will the scheme fulfil the objectives of more than one departmental service plan?	5 4 3 2 1 0	All Council Services involved in project delivery More than one service driving project Multi-agency (inc Non-NCC) working Direct enabler for other services/capital projects Indirect enabler to enhance cross-service working Single service project	10%
4	**Impact on Council borrowing**	Is prudential borrowing / capital receipt required (assume for this purpose that non-ring-fenced grants are applied to the natural recipient)?	5 4 3 2 1 0	No prudential borrowing required 100% : *Invest to save return* : >75% : *or percentage not* : >50% : *requiring prudential* : >25% : *borrowing.* : No income generated	25%
5	**Leverage Value**	Does the scheme generate funding from external grants or contributions (excluding non ring-fenced government grants)? The score is based on the percentage of total cost met by external resources.	5 4 3 2 1 0	100% and frees up other funds >80% : *percentage of total* >50% : *project cost met by* >20% : *funds generated from* >5% : *external sources* No external funding generated	15%

6	**Flexibility** / **Scalability**	Extent to which scheme can be flexed to a) provide alternative lower cost solutions and/or b) accommodate future short term changes in the capital programme priorities.	5 4 3 2 1 0	Fully scalable and flexible, timing and budget Partial scalable (budget but not timing) Partial flexibility (timing only) Very limited flexibility No flexibility	10%
7	**Avoidance of risk to service delivery**	Will not doing the scheme result in a significant drop in the level of service that the Council provides?	5 4 3 2 1 0	Immediate / definite risk to service delivery Medium term risk to statutory service delivery Probable / medium term risk to service delivery Minor effect on statutory service delivery Minor effect on non-statutory service delivery No risk to current service delivery.	10%

Allocation of resources will be based on ranking. Schemes will be included up to the point that funding is available. This might mean that projects are banded into different funding categories.

Norfolk County Council
Capital programme prioritisation 2016-19
Capital Annex 2C – existing schemes and scores

	Stat or Regulatory duty	CC Priorities	Cross-service Working	Impact on Council borrowing	Leverage Value	Flexibility and Scalability	Avoidance of risk to service delivery	Total Score	Rank
	1	2	3	4	5	6	7		
Weighting	10	20	10	25	15	10	10	100	
Scheme Title	Score	Score	Score	Score	Score	Score	Score		
On-going programmes which will be added to the 2016-19 programme subject to the availability of specific funding									
Highways Capital Improvements	3	5	2	5	5	2	5	84	
Highways Structural Maintenance	4	4	2	5	2	2	5	73	
Temporary Classrooms	4	4	1	5	0	3	5	67	
Schools Capital Maintenance	3	4	1	5	0	3	5	65	
Better Broadband for Norfolk Extension	0	5	3	4	4	0	3	64	
School Permanent Accommodation (Basic Need)	4	4	1	5	0	3	3	63	
Housing with Care Project (for ASC "unallocated" grant)	4	3	0	5	0	4	3	59	
NEFL Continuance of Borrowing Facility	0	3	2	4	2	5	0	52	
Scottow Enterprise Park capital development	0	5	4	2	0	3	3	50	
Farm property capital maintenance	2	1	0	5	0	3	4	47	
Managing Asbestos Exposure	5	1	1	0	0	5	5	36	
Repay Debt (Dummy reference bid)	0	0	0	5	0	5	0	35	
Property upgrades for flexible working	0	0	2	1	0	4	3	23	
Farm land purchase using borrowing	**0**	**1**	**0**	**0**	**0**	**2**	**0**	**8**	

Schemes scored last year which have received member approval in 2015-16									
Northern Distributor Road	3	5	1	2	4	1	5	66	
Schemes which have received member approval in 2015-16									
Aviation Academy loan to NPS									

New scheme to be scored

To date, one capital bid requiring funding has been made. This is for a Social Care System Re-procurement.

New projects: indicative score									
Social Care System Re-procmnt	4	5	4	1	0	1	4	51	

Norfolk County Council
Capital programme prioritisation 2016-19
Capital Annex 2D – DRAFT capital strategy

1 Purpose and aims of the Capital Strategy

1.1 The Capital Strategy has been developed as a key document that determines the council's approach to capital. It is an integral aspect of the Council's medium term service and financial planning process as reflected in the Medium Term Financial Strategy (MTFS).

1.2 The Capital Strategy is concerned with, and sets the framework for:

- all aspects of the Council's capital expenditure over the 3 year period 2016-17 to 2018-19
- planning, prioritisation, management and funding.

It is closely related to, and informed by

- the Council's priorities
- the Council's Asset Management Plans and
- capital funding grants and debt facilities provided by central government and other external funding sources.

1.3 The Capital Strategy is reviewed on an annual basis to ensure it continues to reflect the changing needs and priorities of the Council, and its partners throughout Norfolk and the region.

1.4 The key aims of the Capital Strategy are:

- to identify capital projects and programmes;
- to prioritise capital requirements and proposals;
- to provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities;
- to consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets;
- to identify the resources available for capital investment over the three year planning period.

1.5 The Capital Strategy provides a framework for the allocation of resources. The approval of new capital schemes and the allocation of available funding is undertaken when the capital programme is approved as part of the wider budget setting process.

2 Influences on the capital strategy

2.1 The Council continues to be faced with significant changes and challenges which affects all of the public sector and the following are some of the major influences on our Capital Strategy.

2.2 For a number of years there have been stringent reductions in revenue and capital grant funding for public services, with a strong drive towards austerity and value for money. Local authorities are facing rising demand and expectations for Council services. The Council is seeking creative new ways of providing services which may require capital investment to deliver best value for our communities and taxpayers.

2.3 The success of any Capital Programme is delivery to anticipated timescales and budgets. Failure to achieve either results in increases in capital costs and additional revenue pressures.

In a challenging financial environment, effective procurement, robust contract management and constant oversight are essential to manage costs and ensure all spend delivers the intended outcomes.

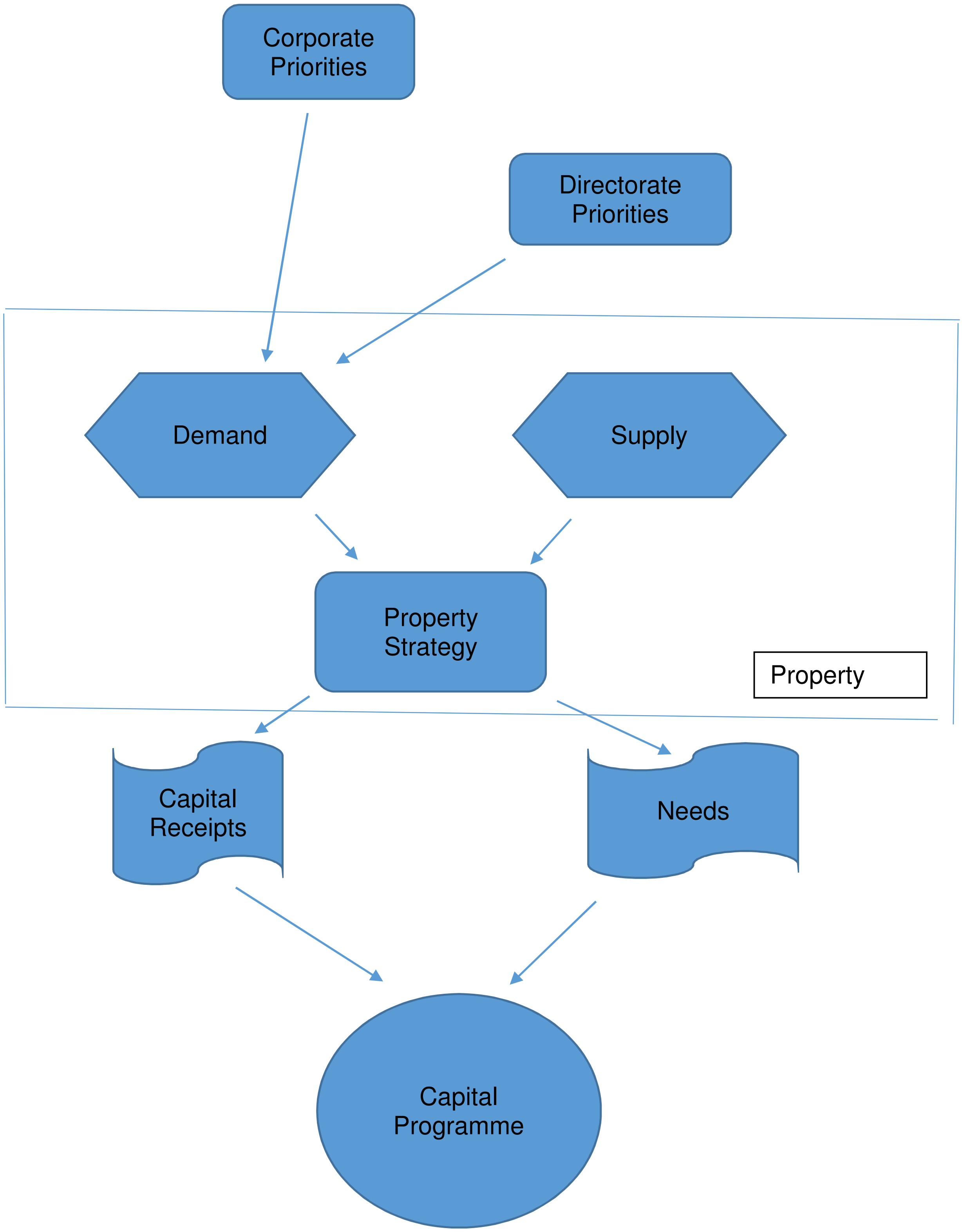
2.4 Formation and delivery of asset management plans are vital to the implementation of the Capital Strategy and to the delivery of the Capital Programme. The Council's primary asset management plan is supplemented by its:

- Transport Asset Management Plan, and
- Children's Services Capital Priorities Group assessment of growth pressures.

2.5 In order to minimise the impact of additional borrowing on future revenue budgets, and to reduce the cost of maintaining under-used or inefficient properties, the Council has a programme of asset disposals. The asset rationalisation and disposals policy is now a key element of delivering funding for future capital schemes.

2.5 The relationship between the asset management plan and the capital programme is shown below:

The fit between the Capital Programme and the Asset Management Strategy



3 Capital Expenditure

3.1 Capital expenditure and investment is vital for a number of reasons:

- As a key component in the transformation of service delivery and flexible ways of working
- A catalyst for economic growth
- To maintain or increase the life of existing assets
- To address the issues resulting from increasing numbers of service users
- As a lever to generate further government or regional capital investment in Norfolk

3.2 With a challenging financial environment for the foreseeable future that is influenced by a variety of external factors, there will only ever be a limited amount of capital resources available. Therefore, it is vital that we target limited resources to maximum effect with a new focus on our strategic and financial priorities.

3.3 Capital funding is limited. External capital grants can only be spent on capital. Projects funded from revenue, revenue reserves or borrowing all affect revenue budgets. Borrowing in particular has long term revenue consequences. Two costs are incurred when a capital scheme is funded from borrowing:

- A Minimum Revenue Provision – the amount we have to set aside each year to repay the loan and this is determined by the life of the asset associated with the capital expenditure; and
- Interest costs for the period of the actual loan.

3.4 On present long term interest rates every £1 million of prudential borrowing costs approximately £0.090m pa in ongoing revenue financing costs for an asset with an assumed life of 25 years, or as much as £0.250m pa for an asset with a 5 year life. This is in addition to any ongoing maintenance and running costs associated with the investment.

3.5 Given the revenue cost pressures shown in the Council's Medium Term Financial Strategy the scope for unsupported capital expenditure (capital expenditure that generates net revenue costs in the short or medium term) is severely limited.

3.6 The budget planning process is designed to reflect both capital and revenue proposals such that the revenue consequence of capital decisions, particularly as a result of increased borrowing, are reflected in future revenue budgets such that any capital investments are prudent, affordable and sustainable for the Council.

4 Capital project prioritisation

4.1 The Council has to manage demands for investment within the financial constraints which result from:

- The limited availability of capital grants
- The potential impact on revenue budgets of additional borrowing and
- The level of capital receipts generated.

As a result, prioritisation criteria have been developed to assess any capital bids that ensure the Programme is targeted to Council priorities.

The criteria will be initially applied by a group of officers representing major service areas and appropriate support skills such as property management and finance. Results will be discussed and moderated by Chief Officers and through discussions with relevant members before the capital programme is proposed to the County Council.

4.2 All capital bids that require support must be supported by a Business Case that demonstrates

- Purpose and Nature of scheme
- Contribution to Council's priorities & service objectives
- Other corporate/political/legal issues
- Options for addressing the problem/need
- Risks, risk mitigation, uncertainties & sensitivities
- Financial summary including amounts, funding and timing

4.3 The prioritisation criteria are reviewed annually to ensure they continue to reflect the changing needs and priorities of the Council.

5 Capital Programme overview

5.1 The Capital Programme should support the overall objectives of the Council and act as an enabler for transformation in order to address its priorities.

5.2 Over the last three years Norfolk County Council's capital expenditure has been as follows:

Financial year	2012-13	2013-14	2014-15
	£m	£m	£m
Capital expenditure	122.5	115.5	140.9

As at September 2015, the Council's capital programme for 2016-18 is £355m split by funding type as follows:

Funding type	**£m**	**%**
Capital grants and contributions	296	84%
Revenue and reserves		
Capital receipts	15	4%
Borrowing	44	12%
Total	**355**	**100%**

These figures are before the addition of new projects and funding announcements, and may be subject to further re-profiling from the 2015-16 programme.

6 Capital expenditure

6.1 Capital expenditure is defined under the Financial Reporting Standard (FRS) 15 as expenditure which falls into one of two categories

- The acquisition, creation or installation of a new tangible or intangible asset.
- Increasing the service potential of an asset for at least one year by:
- Lengthening substantially its life and/or market value or
- Increasing substantially either the extent to which an asset can be used or the quality of its output.

A de-minimis level is applied when accounting for a new asset as capital – for Norfolk County Council this is £40,000, although capital funding can be applied to assets with lower value.

7 Capital Funding Sources

7.1 There are a variety of different sources of capital funding, each having different advantages, opportunity costs and risks attached.

Borrowing

7.2 The Prudential Capital Finance system allows local authorities to borrow for capital expenditure without Government consent, provided it is affordable. Local Authorities must manage their debt responsibly and decisions about debt repayment should be made through the consideration of prudent treasury management practice.

7.3 As a guide, borrowing incurs a revenue cost of approximately 8-9% of the loan each year for an asset with a life of 25 years, comprising interest charges and the repayment of the debt (known as the Minimum Revenue Provision or MRP). The Council needs to be satisfied that it can afford this annual revenue cost i.e. for every £1 million of borrowing our revenue borrowing costs are as much as £0.090 million pa, or as much as £0.250m pa for an asset with a 5 year life.

7.4 Local Authorities have to earmark sufficient revenue budget each year as provision for repaying debts incurred on capital projects.

Grants

7.5 The challenging financial environment means that national government grants are reducing, or changing in nature. A large proportion of this funding is currently un-ringfenced which means it is not tied to particular projects. However, capital grants are allocated by Government departments which clearly intend that the grants should be certain area such as education or highways. So although technically the grants are un-ringfenced, the political reality is not as clear cut.

7.6 Sometimes grant funding is not sufficient to meet legislative obligations and other sources of funding will be sought to fund the gap.

Capital Receipts

7.7 Capital receipts are estimated and are based upon the likely sales of assets as identified under the developing Asset Management Plan. These include development sites, former school sites and other properties and land no longer needed for operational purposes. Receipts are critical to delivering our capital programme and reducing the level of borrowing.

Revenue / Other Contributions

7.8 The Prudential Code allows for the use of additional revenue resources within agreed parameters. Contributions are received from other organisations to support the delivery of schemes with the main area being within the education programme with contributions made by individual schools and by developers.

8 Capital Programme Management

8.1 The Capital Programme is kept under continual review during the year.

Each scheme is allocated a project officer whose responsibility is to ensure the project is delivered on time, within budget and achieves the desired outcomes.

8.2 Capital finance monitoring reports are prepared monthly, and Service Committees receive financial reports relevant to their area. The Policy and Resources Committee takes an overview of the overall capital programme. This includes recommendations to change the Programme to reflect movements in resources and variations from planned spending on schemes, and to introduce new schemes not anticipated at the time of setting the annual programme.

8.3 Various Capital Working Groups oversee the co-ordination and management of the Capital Programmes. These groups include:

Group / Programme	**Role**
The Council's Corporate Property Team	Responsible for managing the Council's property portfolio and to maximise Capital Receipts from the sale of surplus property assets. A new structure for the team has been in place since April 2015. Roles include - reviewing policies relating to property. - co-ordinating the Council's asset management plan - corporate property scheme prioritisation
The Children's Services Capital Priorities Group	A member and officer group which oversees the development and delivery of the Schools capital programme.
Highways	EDT Committee
County Farms member working group	A member working group was set up in 2014 to oversee County Farms strategy and policy.

Policy and Resources Committee

Item No 6 b

Report title:	**Delivering Financial Savings 2015-16**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Simon George – Executive Director of Finance**

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 consider and note:

a) the forecast total shortfall of £12.216m in 2015-16, for which alternative savings need to be identified;
b) the budgeted value of 2015-16 savings projects rated as RED of £19.251m, of which £6.688m are now forecast to be delivered;
c) the forecast savings shortfall on AMBER rated projects of £0.204m; and
d) the forecast over-delivery of GREEN and BLUE rated projects totalling £0.551m.

1. Savings Overview

1.1. The County Council, as part of setting its budget for 2015-16, considered proposed net 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 (net)	-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 net total	**-36.721**

1.2. The additional efficiency saving of £0.500m for 2015-16, is being used to support the adult social care budget. Following the 20 July meeting of this committee this saving will be achieved through clawing back inflation allocated in the 2015-16 budget to reflect CPI being 0% in June 2015 compared to the 2% used for budget inflation forecasts. The adjustment is allocated as follows:

Committee	**Inflation adjustment £m**
Adults	0.019
Children's Services	0.079
EDT	0.145
Communities	0.095
Policy and Resources	0.161
	0.500

1.3. The virement to reflect this has been actioned in period 6 (September 2015).

1.4. The agreed net savings of £36.721m in 2015-16 (gross saving £51.361m), 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 agreed as part of the budget process, are also shown in Annex 1.

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, or there may be a large variance in the saving (50% and above)
Amber	**Some concern** that the saving may not be delivered or there may be a variance in the saving (up to 50%)
Green	**Confident** that the saving will be delivered

Blue	Saving already **delivered**
Yellow	Alternative savings identified
Reversal	Reversal of previous year saving

2.2. The highlight report starts with the overall RAG position, as set out at Table 1. 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.

2.3. A review of savings projects has been completed, with the result that the RAG ratings and forecasts shown in Table 1 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 decisions to reduce grant payments.

2.4. 11 savings projects have been rated as RED, representing a budgeted total saving of £19.251m. It is currently forecast that only £6.688m of this saving will now be delivered as set out in the following table. This represents a shortfall of £12.563m, which relates to RED rated projects.

2.5. AMBER rated projects include a forecast shortfall of £0.204m. In addition, there is a forecast over achievement of £0.195m in relation to GREEN rated projects, and £0.356m in relation to BLUE rated projects. This results in a forecast total shortfall of £12.216m, an increase in the shortfall of £0.738m when compared to the previously reported position.

2.6. Alternative plans have been identified within the Policy & Resources budgets in respect of budgeted savings totalling £1.128m, which have therefore now been classified as YELLOW. These savings are being met through historic underspends within HR and the Corporate Programme Office, shared services with Public Health and alternative savings within ICT budgets, and the planned savings will be delivered in future years. Alternative savings totalling £0.167m have been identified within EDT budgets to replace the non-deliverable saving from reduced opening hours at some recycling sites, which was previously rated as RED. The alternative saving will fully cover the shortfall.

Table 1: 2015-16 Savings by RAG Status

						Latest Forecast Savings 2015-16 (c) analysed by Committee				
RAG Status	**Budgeted Value of Savings 2015-16 (a)**	**Previous Forecast Savings 2015-16 (b)**	**Latest Forecast Savings 2015-16 (c)**	**Savings Shortfall 2015-16 (a)-(c)**		**Children's Services**	**Adults**	**EDT**	**Communities**	**Policy & Resources**
	£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
Red	-19.251	-7.426	-6.688	-12.563		-2.516	-3.862	0.000	-0.200	-0.110
Amber	-3.540	-3.336	-3.336	-0.204		-0.401	-0.000	-1.900	-0.235	-0.800
Green	-9.187	-9.382	-9.382	0.195		-1.067	-3.305	-1.881	-0.969	-2.160
Blue	-18.088	-18.444	-18.444	0.356		-1.175	-3.175	-1.655	-0.655	-11.784
Yellow	-1.295	-1.295	-1.295	0.000		0.000	0.000	-0.167	0.000	-1.128
Gross Savings	-51.361	-39.883	-39.145	-12.216		-5.159	-10.342	-5.603	-2.059	-15.982
Shortfall	**0.000**	**-11.478**	**-12.216**	**n/a**		**-5.199**	**-5.954**	**0.145**	**-0.155**	**-1.055**
Reversal	14.640	14.640	14.640	n/a		2.000	0.000	2.000	0.000	10.640
Total	**-36.721**	**-36.721**	**-36.721**	**n/a**		**-8.357**	**-16.296**	**-3.458**	**-2.214**	**-6.396**

2.7. Table 2 below sets out the current categorisation of 2015-18 savings based on the updated RAG rating assessment and the latest forecast variance position, which includes the replacement savings of £23.503m to be identified for the three years.

2.8. Details of the specific actions being taken to deliver the identified shortfall in savings are set out in section 3 of this report, where alternative options are being explored. In addition, wider actions are being taken to deliver savings and reduce the current reported overspend as follows:

- **Adult Social Services:** The department is taking rigorous recovery action to reduce in-year spending as far as possible. A number of actions have already been initiated to mitigate the reported overspend to March 2015. Further actions have been identified to deal with the forecast position for 2015-16, which include:
  - Prioritise the use of Norsecare block purchased beds with target to achieve a 95% occupancy on average for the remainder of the year
  - Only fund a residential or nursing home placement in each locality when two placements have been released
  - Temporary residential placements should only be used where a clear plan exists for the service user to return home and the placement only authorised for the period in the plan.

- Personal Budgets should only be used to meet any unmet eligible social care need.

- **Children's Services:** The steps being taken to address the forecast overspend include continued rigour being applied to the reduction of LAC costs, a review of all vacancies held combined with a recruitment freeze with no posts to be recruited to without the Director's approval, and a review of any contracts ending within the financial year, along with a number of corrective actions which will result in a one-off impact this financial year. These actions include optimising the use of early years funding and conditional grants. A full list of actions and their impact is shown in the Children's Services Integrated Performance and Finance Monitoring Report presented to 20 October Children's Services Committee.

- **Resources:** at the end of month 6, there is a forecast shortfall of £0.330m relating to a decision to delay charging staff to use the County Hall car park. A proposal for car park charging was discussed at the 1 September 2015 meeting of this committee, at which members agreed to convene a small group to examine options for managing parking at County Hall. This group will report back to the Committee later on the agenda for this meeting.

2.9. The main areas where significant shortfalls in savings have been identified are within Children's and Adults budgets. These relate principally to delays in implementing new models of service provision (savings references COM034 and COM033), and delays in the reduction in numbers of service users (savings reference CHI001), which will take time to filter through the system. Whilst it is still expected that some of these savings will ultimately be achieved, the timescale for delivery is longer than originally anticipated.

Table 2: Categorisation of Savings 2015-18

	2015-16	**2016-17**	**2017-18**	**Total**
Savings	**£m**	**£m**	**£m**	**£m**
Org Change - Staffing	-4.476	-0.375	0.000	**-4.851**
Org Change - Systems	-4.546	-9.850	0.000	**-14.396**
Capital	-0.614	-0.227	0.000	**-0.841**
Terms & Conditions	-0.375	-0.997	0.000	**-1.372**
Procurement	-5.067	-0.270	-0.135	**-5.472**
Shared Services	-0.190	-0.205	-2.000	**-2.395**
Income and Rates of Return	-7.308	-5.362	-2.900	**-15.570**
Assumptions under Risk Review	3.874	5.156	0.000	**9.030**
Back office subtotal	**-18.702**	**-12.130**	**-5.035**	**-35.867**

Reducing Standards, including eligibility	-3.144	-3.033	-0.800	**-6.977**
Ceasing Service	-2.659	-1.590	0.000	**-4.249**
Front line subtotal	**-5.803**	**-4.623**	**-0.800**	**-11.226**
Shortfall	-12.216	-11.287	0.000	**-23.503**
Total	**-36.721**	**-28.040**	**-5.835**	**-70.596**

2.10. The breakdown of savings by Committee, for 2015-16 is shown in Table 3 below. The position for all three years is set out at Annex 2.

2.11. Work has been undertaken to validate the savings for 2016-17 agreed as part of the 2015-16 budget process. This has identified £11.287m of savings which are at risk of non-delivery. Further work to explore whether these savings can be achieved is ongoing.

2.12. A definition of savings categories is provided in Annex 4.

Table 3: 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	-0.286	-0.250	-0.005	-0.087	-3.848	**-4.476**
1b Lean	-1.540	-0.119	-0.261	-0.337	-2.288	**-4.546**
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	-0.127	**-0.375**
2a Procurement	0.000	-1.706	-1.904	-0.095	-1.362	**-5.067**
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	-0.774	-5.502	**-7.308**
4a Change standards	-0.462	-2.350	0.170	-0.502	0.000	**-3.144**
4b Stop doing things	0.000	-2.362	-0.147	-0.150	0.000	**-2.659**
4c Change assumptions	-0.756	-3.156	0.000	0.000	7.786	**3.874**
Shortfall	-5.199	-5.954	0.145	-0.155	-1.055	**-12.216**
Total	**-8.357**	**-16.296**	**-3.458**	**-2.214**	**-6.396**	**-36.721**

3. Commentary on savings rated RED

3.1. Following review, 11 savings have been rated as RED to reflect significant concern that the saving may not be delivered, and a forecast savings shortfall of £12.563m within RED rated projects identified. Commentary on the RED rated savings is provided below.

Adults

3.1.1. COM018 – Review Care Arranging Service – forecast shortfall **£0.140m**: This proposal predated the introduction of the Care Act which gives the council increased responsibilities for arranging care for people who fund their own care. There will in fact be additional workload responsibilities for this team and alternative means of achieving this saving are being sought within the department.

3.1.2. COM026 – Change the type of social care support that people receive to help them live at home – forecast shortfall **£0.200m**: A tender for the reprocurement of home care services in West Norfolk and in Yarmouth and Waveney has been awarded. The Great Yarmouth and Waveney tender was run jointly with Suffolk County Council to deliver a more integrated and efficient service. However this has resulted in a delay in the original procurement timetable. Savings will not be achieved in 2015-16 as some of the new contracts will not commence until 1st April 2016 and the West Norfolk contract implementation has been challenging to ensure that the service levels received by all home care service users were maintained when the contract commenced.

3.1.3. GET010 – Renegotiate contracts with residential providers, to include a day care service – forecast shortfall **£0.100m**: This has been further examined in detail and it has been concluded that these savings will not be achieved. Residential providers will increase their prices if they have to provide day service. Compensating savings are being sought, in particular through a new model of care to meet the needs of people with Learning Disability.

3.1.4. COM034 – Care for Learning Disabilities or Physical Disabilities – forecast shortfall **£1.395m**: Current forecasts show that £1.395m of the £2.395m saving to change how we provide care for people with learning disabilities or physical disabilities will be achieved in 2015-16. The saving involves re-assessing existing service users and where appropriate providing alternative and most cost effective accommodation, or means of supporting them in their current accommodation. While the total saving will be achieved over time, this project does have a longer lead in time. This project is under review to ensure that all possible savings can be achieved.

3.1.5. COM033 – Reduce funding for Wellbeing Activities – forecast shortfall **£3.638m**: Estimates show that £2.362m of the £6.000m saving from reducing funding for those who receive support from a personal budget will be delivered. The time lag in implementing the change for existing service users, which was agreed following the consultation exercise, along with pressure on the reviewing capacity in the teams means it is unlikely that the full £6.000m saving will be achieved in 2015-16. Additional reviewing capacity has been brought in to speed up this process, and the project is being reviewed to seek alternative means of reducing costs from the purchase of care budget.

3.1.6. ASC004 – Norse care savings – forecast shortfall **£0.500m**: Based on the current Norsecare strategic financial plan, there is a shortfall against the current Adult Social Services target, work is underway with Norsecare to reduce the gap and deliver the saving in full.

Communities

3.1.7. CMM007 – Income Generation – forecast shortfall **£0.250m**: The saving for income generation (external hire replacement, fire testing, highways clearance, grants from Europe) under the Communities Committee is highlighted as RED. It is now apparent a number of the original proposals have been overtaken by parallel schemes being pursued within the new Corporate Property Team. Current forecasts show £0.200m of the £0.450m target will be delivered. Options to deliver the balance of the saving are being explored as part of the CES Transformation Programme and through a review of external venue hire spend.

Children's

3.1.8. CHI001 – 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 – forecast shortfall **£5.624m**: The number of Looked After Children and the cost agency placements related to placement mix is not reducing as quickly as originally planned and we are forecasting only £2.516m of the £8.140m saving will be delivered.

Policy and Resources

3.1.9. RES071 – Restructure and reduce staff across HR **£0.296m**: The Council agreed savings of £0.296m, however resource from HR is being needed to support the organisational change the authority is going through. Only half of this saving will be achieved. Alternative options to deliver the balance of this saving are being explored.

3.1.10. P&R017 – Further reductions in printing spend **£0.090m**: We are awaiting the re-tender of the print contract. Saving will not be delivered this year, but in future year when contract is re-tendered.

3.1.11. GET015 – Reducing the costs on employment **£0.330m**: The Council agreed savings of £0.440m from reducing the cost of employment. A shortfall of £0.330m has been identified for the year to date. Following discussion of a proposal relating to staff car parking by this Committee on 1st September, a member working group is being established to determine how this saving can be achieved.

4. Commentary on savings rated AMBER

4.1. Following review, two savings rated as AMBER are forecasting a shortfall of £0.204m. Commentary on these AMBER rated savings is provided below.

Children's

4.1.1. CHI017 – Review senior management and commissioning structures – forecast shortfall **£0.075m**: Delayed implementation of the new structure in Children's Services means only part of this £0.180m saving can be delivered within the year. The in-year shortfall is being managed by holding vacancies, with the ongoing saving being delivered in 2016-17.

4.1.2. CHL008 – Savings in management costs in Children's Services – forecast shortfall **£0.129m**: Delayed implementation of the new structure in Children's Services means only part of this £0.310m saving can be delivered within the year. The in-year shortfall is being managed by holding vacancies, with the ongoing saving being delivered in 2016-17.

5. Summary

5.1. The impact of the latest forecast means that shortfalls totalling £5.199m, £5.954m, £0.155m and £1.055m have been identified within the Children's, Adults, Communities, and P&R budgets respectively and alternative savings will be required within the relevant Committee budgets.

Officer Contact

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

Simon George	01603 222400	simon.george@norfolk.gov.uk
Titus Adam	01603 222806	titus.adam@norfolk.gov.uk

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One-off amounts are included within the total savings set out in the Categorisation of Savings table below, as shown below.

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**

Categorisation of Savings 2015-18 (Budget)

	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, including eligibility	-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**

Annex 2

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	-0.286	-0.250	-0.005	-0.087	-3.848	**-4.476**
1b Lean	-1.540	-0.119	-0.261	-0.337	-2.288	**-4.546**
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	-0.127	**-0.375**
2a Procurement	0.000	-1.706	-1.904	-0.095	-1.362	**-5.067**
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	-0.774	-5.502	**-7.308**
4a Change standards	-0.462	-2.350	0.170	-0.502	0.000	**-3.144**
4b Stop doing things	0.000	-2.362	-0.147	-0.150	0.000	**-2.659**
4c Change assumptions	-0.756	-3.156	0.000	0.000	7.786	**3.874**
Shortfall	-5.199	-5.954	0.145	-0.155	-1.055	**-12.216**
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	-0.323	**-0.375**
1b Lean	-5.081	-1.500	-0.905	-1.440	-0.924	**-9.850**
1c Capital	-0.500	0.000	0.500	-0.227	0.000	**-0.227**
1d Terms & Conditions	-0.000	-0.090	-0.031	0.000	-0.876	**-0.997**
2a Procurement	0.000	-0.750	-0.350	0.000	0.830	**-0.270**
2b Shared Services	0.000	0.000	-0.005	-0.200	0.000	**-0.205**
3a Income and Rates of Return	0.000	0.000	-0.595	-0.105	-4.662	**-5.362**
4a Change standards	-0.400	-2.550	-0.000	0.000	-0.083	**-3.033**
4b Stop doing things	0.000	-1.500	-0.090	0.000	0.000	**-1.590**
4c Change assumptions	0.000	3.156	0.000	0.000	2.000	**5.156**
Shortfall	-5.920	-4.300	-0.280	0.000	-0.787	**-11.287**
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**
Shortfall	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**

Annex 3

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			0.000	Red
30	COM026	Change the type of social care support that people receive to help them live at home	-0.200			0.000	Red
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			0.000	Red
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

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
		4a Demand Management. Change Standards					
33	COM034	Changing how we provide care for people with learning disabilities or physical disabilities. Now being reported including ASC002	-2.000	-3.000		-1.000	Red
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		-2.362	Red
		Sub-total Savings from 2014-17 Budget Round	**-11.645**	**-8.290**	**0.000**	**-6.567**	
		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. Now being reported with COM034	-0.395	-1.500		0.000	Red
NA	P&R045	Inflation claw back across Committees	0.000			-0.019	Blue
		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			-0.500	Red
		4a Demand Management. Change Standards					
5a	ASC003	Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council		-0.900	-0.800	0.000	NA
		4c Demand Management. Change Assumptions					

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
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**	**-3.775**	
		Shortfall (alternative savings to be identified)	0.000	0.000	0.000	-5.954	
		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		-0.105	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		-2.516	Red
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		-0.756	Blue
		Sub-total Savings from 2014-17 Budget Round	**-7.200**	**-11.901**	**0.000**	**-1.857**	
		1a Digital Transformation, BWOW. Organisation					
3a	CHL008	Savings in management costs in Children's Services	-0.310			-0.181	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			-0.625	Green
3e	CHL007	End of ground maintenance contract for trees in schools	-0.130			-0.130	Green
NA	P&R045	Inflation claw back across Committees	0.000			-0.079	Blue
		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**	**-1.302**	
		Shortfall (alternative savings to be identified)	0.000	0.000	0.000	-5.199	
		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					

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
		Sub-total Savings from 2014-17 Budget Round	**-0.847**	**-1.924**	**0.000**	**-0.847**	
		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
NA	P&R045	Inflation claw back across Committees	0.000			-0.095	Blue
		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			-0.200	Red
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

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
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**	**-1.212**	
		Shortfall (alternative savings to be identified)	0.000	0.000	0.000	-0.155	
		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

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
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
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	Yellow
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

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
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
NA	EDT014	Additional savings Business support	-0.100			-0.100	Green
NA	EDT015	Additional savings LED Street lighting	-0.050			-0.050	Green
NA	P&R045	Inflation claw back across Committees	0.000			-0.145	Blue
		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**	**-3.685**	
		Shortfall (alternative savings to be identified)	0.000	0.000	0.000	0.000	
		Total Savings	**-3.458**	**-1.756**	**0.000**	**-3.603**	

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	Yellow
08	RES68	Reduce staff in the HR Reward team	-0.018	-0.018		-0.018	Yellow
08	RES71	Restructure and reduce staff across HR	-0.296	-0.308		-0.000	Red
10	RES80	Restructure the Corporate Resources department to reflect a smaller authority	-0.400			-0.400	Amber
		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	Green
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	Blue
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		-0.110	Red
04	GET16	Reducing the cost of business travel	-0.017	-0.016		-0.017	Blue
		2a Procurement, Commissioning. Procurement					
02	RES02	One-off ICT saving	0.010			0.010	Reversal

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
		3a Income generation, Trading. Sweat the assets					
20	RES64	Increase income from Nplaw	-0.058	-0.051		-0.058	Green
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**	**4.403**	
		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	Yellow

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
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	Yellow
		1b Digital Transformation, BWOW. Lean					
1c	EDT006	Centralise control of software licences	-0.250			-0.250	Yellow
1c	P&R012	Introduce a telephone expenses management system and rationalise phone lines and mobile phones	-0.050			-0.050	Yellow
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	Yellow
3b	P&R017	Further reductions in printing spend	-0.090			0.000	Red
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	Yellow
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	Blue
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			-0.161	Blue
		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

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	**£m**	**£m**	**£m**	
1c	P&R023	Optimise car leasing and reduced mileage	-0.300			-0.300	Amber
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
		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	Blue
		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**	**-9.744**	
		Shortfall (alternative savings to be identified)	0.000	0.000	0.000	-1.055	
		Total Savings	**-6.396**	**-4.825**	**-5.135**	**-6.396**	

Con Ref	Internal Ref	SAVINGS	2015-16	2016-17	2017-18	Forecast 2015-16	RAG Status 2015-16
			£m	£m	£m	£m	
		Grand Total Savings	-36.721	-28.040	-5.835	-36.721	

Annex 4

Definition of Savings Categories

1a	Org Change - Staffing	Savings achieved through the restructuring of staff. E.g. a management restructure.
1b	Org Change - Systems	Savings achieved through better processes resulting in the same service delivered at a lower cost. E.g. reduction in systems cost or reducing training budget.
1c	Capital	Savings achieved through better use of the assets we have at our disposal. E.g. use of more cost effective fire vehicles.
1d	Terms & Conditions	Savings achieved through review of staff terms & conditions.
2a	Procurement	Savings achieved through procuring more cost effective agreements with suppliers.
2b	Shared Services	Savings achieved through sharing services with other organisations
3a	Income and Rates of Return	Savings achieved through generating more from current processes. E.g. Income generation or reduced cost of borrowing.
4a	Reducing Standards, including eligibility	Savings which result in a reduced service for customers.
4b	Cease Service	Savings from the ceasing of a service.
4c	Assumptions under Risk Review	Savings from the identification of factors that may reduce costs. E.g. reduced retirement costs for teachers.

Glossary and terminology

The Council (and public sector bodies in general) use a range of financial terms that sometimes differ from their use in private sector businesses, and more general usage.
This is a quick guide to some of the more important terms that we use in Norfolk County Council.

CIPFA Charted Institute of Public Finance & Accountancy. The organisation sets out best practice for financial accounting in public bodies, including the categorisation of *income & expenditure*.

Cost centres & subjective analysis	All expenditure and income is allocated both a cost centre code and a subjective code. *Cost Centre*: A cost centre is an area of the budget to which income and expenditure can be attributed, and generally relates to a service area. *Subjective code*: Subjective codes describe types of spend, and are common across the authority. For example when Aylsham Library buys paper for its photocopier, it is recorded in the accounting system first by the library's unique *cost centr*e - LL4800, then by *subjective code* 46500 - 'Printing, stationery and photocopying'.
Council Tax	Council Tax is a key source of locally raised income for the County Council. It helps make up the difference between the amount a local authority needs to spend and the amount it receives from other sources, such as business rates, government grants and fees and charges. For 2015-16, local taxpayers will contribute £318.428m Council Tax to County Council services.
Earmarked reserves	Earmarked reserves are money held by the Council in reserve for specified reasons. Some reserves can only be used for specific purposes, usually following the receipt of conditional grants which have to be re-paid if not spent for the intended purpose. However, this does not apply to the majority of the council's earmarked reserves.
Finance General	The area of the budget that is not directly attributable to a specific department; covering such expenditure as pension fund losses, capital financing costs, and audit fees. It also includes income such as general government grants, business rates income, and interest from investments.
Financial Years	The Council's financial year runs from April to March. Prior to the start of each financial year, the Council produces a balanced budget as part of a three year medium term financial strategy. During the year, monthly monitoring reports showing forecast outcomes for each service are presented to the Council's Policy and Resources Committee. At the end of the financial year, closing accounting adjustments are made, and Statutory financial statements are produced, audited, and published in September.
General balances	The general balance is money held in reserve by the Council that is not allocated to any specific purpose, i.e. is not part of *earmarked reserves*. The minimum level of general reserves required by the authority to meet unforeseen contingencies is calculated each year, and the balance set aside accordingly.
Medium Term Financial Strategy (MTFS)	The Medium Term Financial Strategy covers three years 2015-18 and brings together all of the elements that are considered as part of the robust planning process. The latest MTFS was presented to County Council in February 2015, and included revenue and capital budgets and estimates covering three financial years.

Monitoring and forecasting	The Council's finance systems work on monthly cycles. At the end of each month, responsible budget officers throughout the authority are asked to monitor their budgets and provide a forecast showing whether they are likely to over or under-spend against their budget during the year as a whole. The sum of this information is then considered by senior management, and the resulting net position for each service is summarised in this report.
National non-domestic rates (NNDR)	The business rate in the pound is the same for all non domestic rate payers and is set annually by the Government. Since April 2013, Councils have no longer received Formula Grant, but instead received funding from a mix of locally retained business rates and government grants that are allocated from centrally retained business rates. The business rates retention scheme provides incentives for local authorities to increase economic growth, through retention of a share of the revenue generated from locally collected business rates.
Net & gross	The cumulative total of all planned *revenue* spending for a year is known as the *gross expenditure*. NCC's income comes from a variety of sources - central government grants, customer receipts, locally retained Business Rates (also referred to as National Non Domestic Rates or NNDR). The difference between the income from these sources and the *gross expenditure* is known as *net expenditure*, and is the amount NCC needs to collect in Council Tax each year.
Provisions	A provision is an amount which the authority is likely to have to pay out, but is of uncertain timing and/or amount. The Council's largest provisions relate to insurance and closed land-fill sites. In both cases historic and current data are used to calculate the appropriate provision carried forward each year.
Revenue & capital	Capital and revenue income and expenditure in local government are clearly defined and must be recorded separately. Day-to-day spending on supplies (for example paper for printers) and services (for example window cleaning) is classed as *revenue* expenditure. One-off spending which results in a new asset, or which improves an asset, is classed as *capital* expenditure. Capital grants may only be spent on capital expenditure. Also, income generated by the sale of any assets is classed as a capital receipt, and if not used to re-pay debt may only be spent for capital purposes. A more extensive definition is given in the separate capital monitoring report Income from, for example, the sale of services, revenue grants and business rates is classed as *revenue* income and may be spent for revenue or capital purposes.

Policy and Resources Committee Item No 7

Report title:	Mid Year Treasury Management Monitoring Report 2015-16
Date of meeting:	30th November 2015
Responsible Chief Officer:	Executive Director of Finance

Strategic impact

This Mid Year Treasury Management Monitoring Report forms an important part of the overall management of the Council's financial affairs. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activity. This report provides details on the Treasury Management activities of the County Council for the period 1st April 2015 to 30th September 2015.

Executive summary

The regulatory framework for treasury management requires full Council to receive a mid-year monitoring report on treasury activities.

This report provides information on the treasury management activities of the County Council for the period 1st April 2015 to 30th September 2015.

While the UK continues to benefit from strong economic growth, low inflation and falling unemployment, the financial environment in which the Council undertakes it treasury operations remains challenging. The Bank of England's Base Rate remains at 0.5%, reducing investment returns. To avoid the 'cost of carrying' debt the Council continues to defer borrowing for capital purposes.

At the 30th September 2015, the Council's external debt was £491M and its investments totaled £228M.

In response to regulatory, economic and operational requirements a number of revisions to the 2015-16 Strategy Investment have been proposed, including:

- A minimum sovereign credit rating of AA+ for Non-UK Banks
- A tiered credit rating structure to determine the maximum duration of longer-term deposits with UK Banks.
- The extension of the existing Norse Group short-term loan arrangements by a further £15M for specific longer-term loans, with the loans being approved for inclusion within the County Council's capital programme.

Members are asked to:

- **endorse and recommend to County Council, the Mid Year Treasury Management Monitoring Report 2015-16 including revisions to the 2015-16 Investment Strategy detailed in Section 5 of the attached annex.**

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector (the Code) defines treasury management as:

"the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 The County Council recognises the importance of monitoring treasury management activities, with regular reports being presented to the Treasury Management Panel and Policy and Resources Committee throughout the year.

1.3 In addition to regular monitoring, the County Council is required by regulation issued under the Local Government Act 2003 to produce a mid-year report on its treasury management activities.

2. Evidence

2.1 All treasury management operations detailed in the attached annex have been carried out in accordance with recognised best practice and in compliance with legislative and regulatory requirements.

2.2 The annex summarises:

- Cash Balances and Cash Flow Management
- Investment Performance
- Counterparty Maintenance and Revisions to Current Strategy
- Long Term Borrowing and Debt Management Activity
- Treasury Management Prudential Indicators.

3. Financial Implications

This report brings together information on the treasury management activities of the County Council for the six month period 1st April 2015 to 30th September 2015. Regular treasury management monitoring reports have been produced during this period and any financial implications have been incorporated within the financial monitoring reports to Policy and Resources Committee. Therefore there are no additional financial implications to consider in this report.

4. Issues, risks and innovation

Risk implications

4.1 The County Council's treasury management activities provide for 'the effective management of risk while pursuing optimum performance consistent with those risks.' The Mid Year Treasury Management Report provides information on the County Council's treasury management activities operating within the approved risk management framework. Operationally, a risk register is maintained to monitor risks and control measures.

5. Background

5.1 The annex to this report sets out the treasury management activities of the County Council for the six month period from 1st April 2015 to 30th September 2015 and details the revisions required to the 2015-16 Investment Strategy in response to regulatory, economic and operational changes.

Officer Contact

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

Name	Telephone Number	Email address
Simon George	01603 222400	simon.george@norfolk.gov.uk
Glenn Cossey	01603 228978	glenn.cossey@norfolk.gov.uk

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Annex

Mid Year Treasury Management Monitoring Report 2015-16

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Sector (the Code), requires that the County Council receives a mid year review of treasury activities in addition to the forward looking annual investment and treasury strategy and backward looking annual treasury report. The Annual Investment and Treasury Strategy for the current year (2015-16) was approved by County Council on the 16th February 2015.

1.2 The County Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 This mid year review provides commentary on economic conditions (produced by Capita, the Council's external treasury advisors) and details treasury activities for the period 1st April 2015 to 30th September 2015 including; cash balances and cash flow management, investment performance, counterparty management, long term borrowing/debt management and prudential indicators.

1.5 In response to changing regulatory, economic and operational requirements a number of revisions to the 2015-16 Investment Strategy have been proposed in Section 5 of this report.

2. Capita's Economic Overview - October 2015

2.1 Economic performance year to date

UK

2.1.1 While the Bank of England is forecasting overall growth to remain strong at around 2.4 – 2.8%, the most recent forward looking surveys in August for the services and manufacturing sectors showed a marked slow down in the rate of growth. This is not too surprising given the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets creating headwinds for UK exporters. For this recovery to become more balanced and sustainable in the longer term, the recovery still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure.

2.1.2 The August Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon re-join the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

2.1.3 There are therefore considerable risks around whether inflation will rise in the near future as strongly as previously expected. This will make it more difficult for the central banks of both the US and the UK to raise rates as soon as had previously been expected, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

U.S.

2.1.4 While there had been much expectation that the US Fed. could start increasing rates as early as September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. This has led to a re-appraisal of the likelihood of any increase occurring in 2015 with early 2016 now being widely regarded as being more likely. The longer the Fed. holds out against raising rates, the sharper is likely to be the subsequent pace of increases.

Eurozone

2.1.5 In the Eurozone, the ECB commenced a massive €1.1 trillion programme of quantitative easing in March 2015 to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases is intended to run initially to September 2016 and already appears to have had a positive effect in helping a recovery in consumer and business confidence and improve economic growth. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

2.2 Capita Interest Rate Forecast

2.2.1 Recent economic fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, compounded downward pressure on equity prices.

2.2.2 Despite this market turbulence the overall trend in the longer term will be for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK. Increasing investor confidence is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

2.2.3 The tables below provide a mid year update in respect of forecast movement in interest rates over the medium term (Capita – October 2015). The first table forecasts investment rates (London Interbank Bid Rate) for three, six and twelve month deposits and shows the first increase in Bank Rate as being in quarter 2 of 2016. The second table details Public Works Loan Board (PWLB) rates for loan periods between five and fifty years.

Bank Rate and Deposit Rate Forecasts (%)

	Bank Rate	3 month LIBID	6 month LIBID	12 month LIBID
Dec-15	0.50	0.60	0.80	1.10
Mar-16	0.50	0.70	0.90	1.20
Jun-16	0.75	0.80	1.00	1.30
Sep-16	0.75	0.90	1.10	1.40
Dec-16	1.00	1.10	1.30	1.60
Mar-17	1.00	1.30	1.50	1.80
Jun-17	1.25	1.40	1.60	1.90
Sep-17	1.50	1.50	1.70	2.00
Dec-17	1.50	1.80	2.00	2.30
Mar-18	1.75	1.90	2.10	2.40

Forecast Long Term Borrowing Rates (%)				
	5 year PWLB	10 year PWLB	25 year PWLB	50 year PWLB
Dec-15	2.40	3.00	3.60	3.60
Mar-16	2.50	3.20	3.80	3.80
Jun-16	2.60	3.30	3.90	3.90
Sep-16	2.80	3.40	4.00	4.00
Dec-16	2.90	3.50	4.10	4.10
Mar-17	3.00	3.70	4.20	4.20
Jun-17	3.10	3.80	4.30	4.30
Sep-17	3.20	3.90	4.40	4.40
Dec-17	3.30	4.00	4.50	4.50
Mar-18	3.40	4.10	4.60	4.60

3. Cash Balances and Cash Flow Management

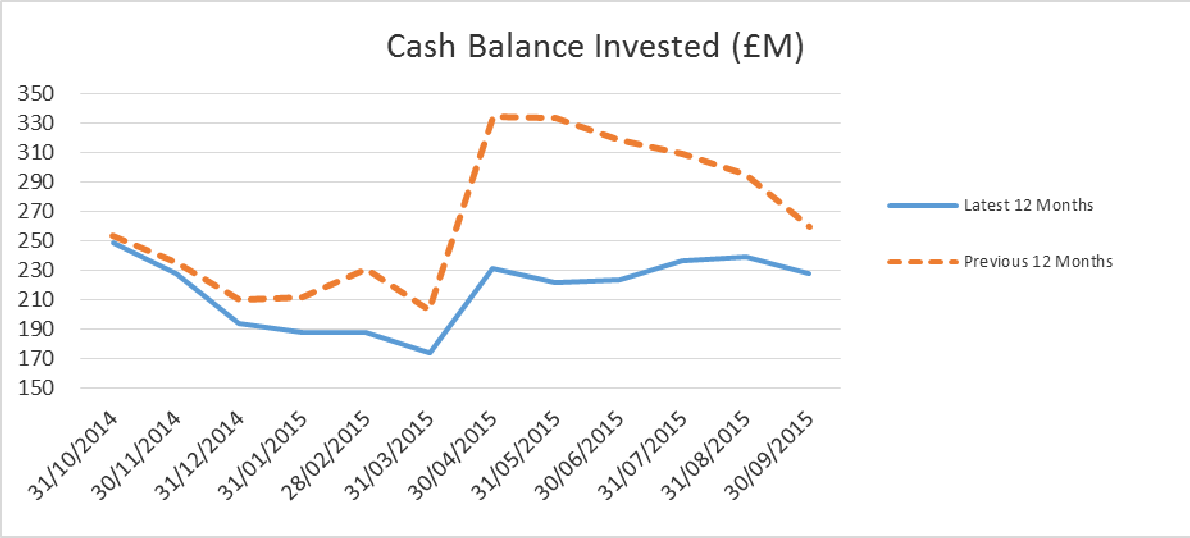
3.1 The Council's cash balances comprise of revenue and capital resources, such as general balances, provisions and earmarked reserves and the timing differences between the receipt and payment of monies required to meet the cost of County Council services and its capital programme. The average level of cash balances year to date totals £218M.

3.2 Cash balances are managed internally and have been invested in accordance with the Council's approved Authorised Lending List.

3.3 A key objective of cash flow management is to minimise balances held in the Council's bank accounts in order to ensure that the maximum interest is earned.

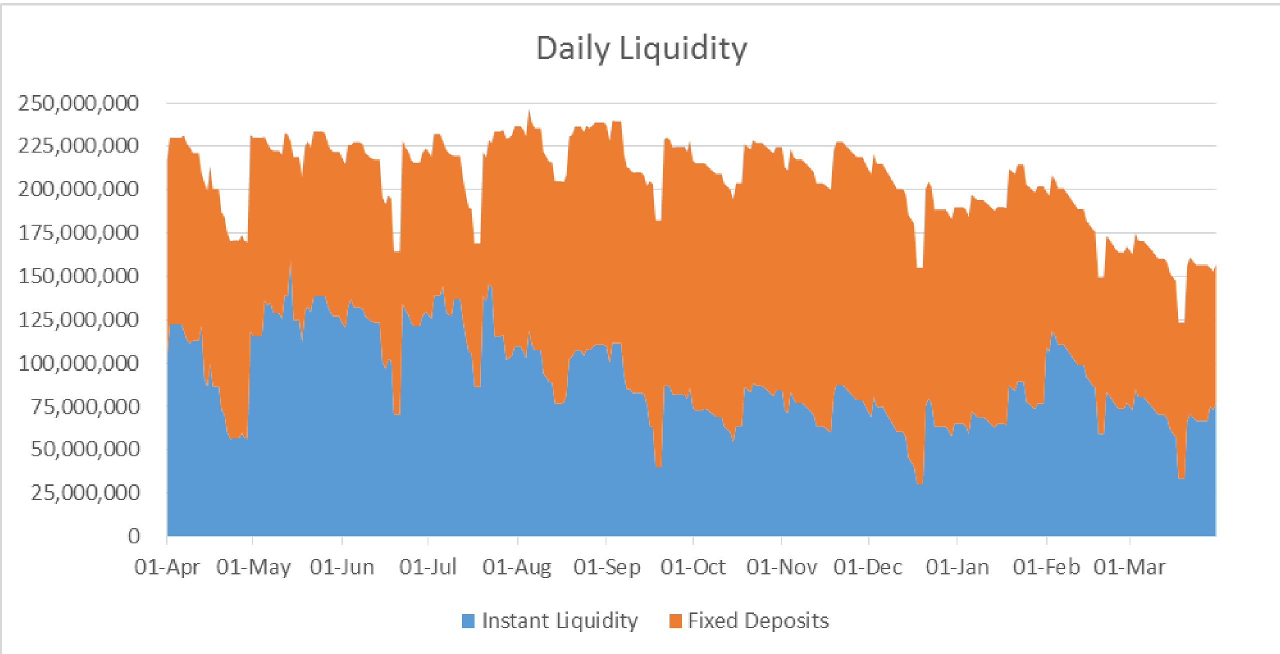
3.4 Of the 500 bank accounts administered by the County Council, only 3 are principal accounts (one for income collection, general expenditure and salary payments). The remaining bank accounts are service specific, for example schools locally managing their devolved budgets. The corporate treasury management function ensures the efficient management of cash balances across all 500 accounts by aggregating and investing surplus cash balances on a daily basis. For the period 1st April 2015 to 30th September 2015 the total average balance across all these accounts was £0.013M in-hand.

3.5 Year to date, income received amounts to £818M, while payments (including debt repayment) total £764M, resulting in an overall increase in cash balances of £54M. Cash balances available for investment have therefore increased from £174M at 1st April 2015 to £228M at the 30th September 2015. The table below shows the level of cash balances over the last 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). The distribution profile of government grants in 2015-16 has been smoothed.



3.6 To cover daily liquidity, the County Council may borrow short-term from the money market. No short-term borrowing has been required year to date and none is currently forecast for the remainder of 2015-16. Details of daily liquidity are provided in the graph below.

3.7 The bottom blue segment of the graph shows the actual daily liquidity (the amount of cash on instant access deposit) compared with cash invested for longer fixed periods (top orange segment of the graph), to the 30th September 2015. The forward forecast of daily liquidity for the remainder of this financial year to the 31st March 2016, shows the lowest levels of liquidity (around £30M) to be in December 2015 and March 2016 when staff salaries are paid mid-month. The current average daily liquidity level, assuming no new long term fixed deposits, is around £75M. Given the forecast deposit rates detailed in para. 2.2.3 above, the County Council should continue to pursue longer-term fixed deposit opportunities. To achieve this a diversified pool of high quality banks and financial institutions must be maintained and, therefore, amendments are required to the County Council's current investment strategy (Section 5).



4. Investment Performance

4.1 The key objective of the Council's investment strategy is to ensure security and liquidity and obtain an appropriate level of return consistent with the Council's approved Annual Investment and Treasury Strategy. With Bank Base rates at historic lows and markets benefiting from Government liquidity measures, it is a very difficult investment environment in terms of earning anything like the level of interest rates commonly seen prior to the global financial crisis.

4.2 At the 30th September 2015, the Council held £228M of investments. The profile of these investments is shown in the table below.

Institutional Sector	Liquid £M	Up to 3 Months £M	Up to 6 Months £M	Up to 9 Months £M	Up to 12 Months £M
Part Nationalised Banks	0	0	0	70.0	10.0
UK Banks	85.8	0	0	0	0
Non-UK Banks	0	15.0	10.0	0	0
Building Societies	0	0	35.0	0	0
Other*	0	2.5	0	0	0
Total	**85.8**	**17.5**	**45.0**	**70.0**	**10.0**

*Includes: Other Local Authorities and the Norse Group

4.3 A more detailed investment profile at 30th September 2015 is shown at Appendix 1.

4.4 While some instant liquidity business call accounts have continued to offer a sizable margin over LIBID period deposit rates paying the equivalent of a 3 month fixed term deposit, the County Council should continue to seek out longer-term fixed deposit opportunities when appropriate. The changes required to the current investment strategy in order to facilitate this are detailed in Section 5.

4.5 The average interest rate earned for the year to date is 0.73% compared with the average 7 day London Interbank Bid Rate (LIBID) of 0.36%. The table below gives a monthly cumulative year-to-date comparison against the LIBID benchmarks for 7 day, 3 month, 6 month and 12 month.

2015/16	**Interest Year to Date (%)**	7 day LIBID Year to Date (%)	3 Month LIBID Year to Date (%)	6 Month LIBID Year to Date (%)	12 Month LIBID Year to Date (%)
Apr 15	**0.74**	0.36	0.44	0.57	0.85
May 15	**0.73**	0.36	0.44	0.57	0.86
Jun 15	**0.73**	0.36	0.45	0.58	0.87
Jul 15	**0.73**	0.36	0.45	0.59	0.89
Aug 15	**0.73**	0.36	0.45	0.60	0.90
Sept 15	**0.73**	0.36	0.45	0.60	0.90

4.6 Gross interest earned for the period 1st April 2015 to 30th September 2015 is £0.802M.

4.7 In addition, the County Council has undertaken daily treasury management activities on behalf of the Office of the Police and Crime Commissioner for Norfolk, Norfolk Pension Fund, Norse Commercial Services Ltd, Norse Care Ltd, NPS Property Consultants Ltd, Norfolk & Suffolk CRC and Independence Matters. Average cash balances managed on behalf of these other bodies totalled £58M, earning interest of £0.185M between 1st April 2015 and 30th September 2015. Income of £0.050M per annum is received from providing external treasury management services to these organisations.

5. Counterparty Maintenance and Changes to the 2015-16 Investment Strategy

Counterparty Maintenance

5.1 The Executive Director of Finance is responsible for maintaining an Approved Counterparty List in accordance with the criteria as set out in the approved Annual Investment and Treasury Strategy 2015-16. Credit rating information is supplied by our treasury advisors on all active counterparties. Any rating changes, rating watches (notification of a likely change) and rating outlooks (notification of a possible longer term change) are provided by our treasury consultants immediately they occur. A wide range of market information such as Credit Default Swap prices and share price is also taken into account. The Approved Counterparty List is therefore actively managed on a day-to-day basis and when an institution no longer meets the Council approved counterparty criteria, it is immediately removed.

5.2 There has been no credit rating downgrades during the period 1st April 2015 to 30th September 2015 that have resulted in counterparties being removed from the approved counterparty list.

Changes to the 2015-16 Investment Strategy

5.3 The 2015-16 Investment Strategy, approved by County Council on the 16th February 2015 requires revision in light of changing regulatory, economic and operational requirements. The proposed changes and supporting detail for the changes are set out below. The changes are supported by our external treasury advisors and all other criteria remains as previously approved.

5.4 **Sovereign Rating** – The County Council's current criteria stipulates that the country in which a Non-UK Bank is domiciled must have a minimum sovereign rating of AAA. This was predicated on the basis that sovereign support would potentially be made available to a counterparty bank if it got into difficulties. In the aftermath of the global finance crises, ratings methodology has changed. Credit rating agencies have withdrawn the sovereign support ratings applied to individual counterparty banks. The emphasis having changed from sovereign "bail-out" to shareholder "bail-in" with greater importance now placed upon the strength of a counterparty's balance sheet.

Whilst these changes do not support the removal of a minimum sovereign rating criteria, they do require consideration as to how its application works in practice.

In order to access a diversified list of high-quality Non-UK banks, **it is recommended that the minimum sovereign rating is changed from AAA to AA+.** The sovereign rating of AA+ must be assigned by one of the three credit rating agencies (Fitch, S&P or Moodys). The limit of £35M per sovereign state will remain, as will the minimum criteria assigned to an individual Non-UK counterparty (F1+ or equivalent) being the highest quality short-term rating which can be applied.

5.5 **Long-Term Deposits** – Deposits up to 2 years may only be made with UK Banks which have a long-term credit rating of AA- (or equivalent) or are UK part nationalised banks. Currently only two UK banks met this criteria.

It is important that the County Council maintains a diversified pool of high quality counterparties for both short term and long term investments. It is therefore **recommended that a tiered credit rating structure is used to determine the maximum duration of longer-term deposits with UK Banks:**

Long Term Credit Rating (Fitch or equivalent)	**Maximum Duration**
AA-	Up to 3 years
A	Up to 2 years
A-	Up to 1 year

The maximum level of funds invested for periods greater than 1 year will remain unchanged at £100M.

5.6 **Norse Group Loans** - within NCC's existing Treasury Strategy, the Norse Group is an approved counterparty which is assigned a monetary lending limit (currently £15m) and duration limit (364 days). This provides the County Council with a low risk short-term investment earning a commercial rate of interest. This arrangement has operated successfully since 2007.

Discussions with Norse have identified the opportunity to extend this arrangement to include longer-term loans (up to 7 years). This would enable the County Council to use its cash balances to pursue long-term, low risk investments.

Each new long-term loan arrangement would be subject to due diligence, appropriate loan securitisation and commercial rates of interest. A loan agreement and repayment schedule will be drawn up between the Norse Group and the County Council for each new loan arranged.

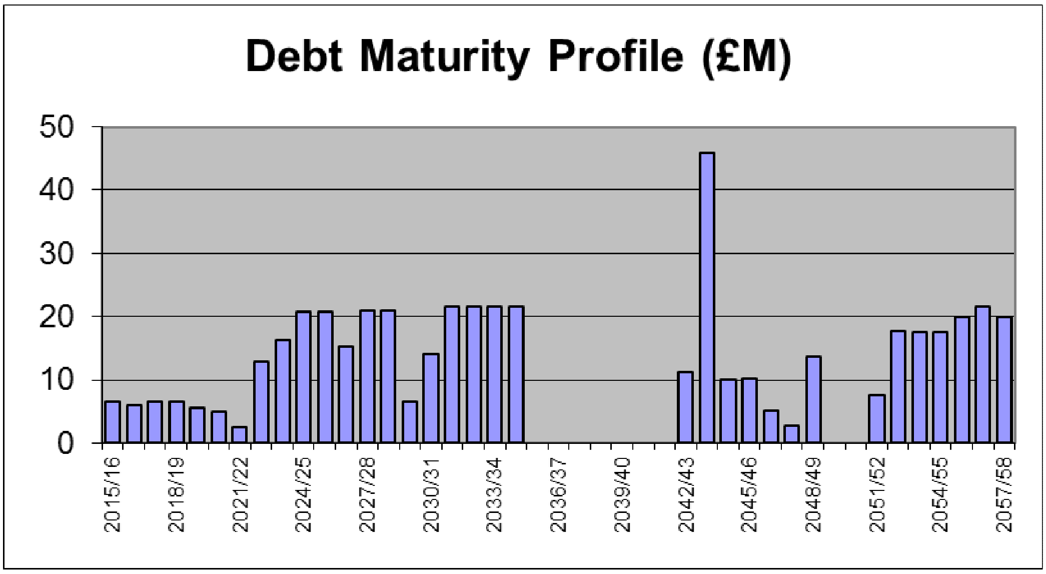
Loans of this nature are deemed be capital and must therefore be included in the County Council's capital programme. However, the interest earned will be revenue. Given the longer duration of these loans it is important that cash balances and cash flow are effectively managed. The loans will therefore be monitored and managed as part of the County Council treasury operations and form part of the regular performance monitoring to the Treasury Management Panel and Policy and Resources. **It is recommended that a monetary lending limit of £15M is assigned to Norse Group for longer-term capital loans up to 7 years and the loans be approved for inclusion in the County Council's capital programme.**

6. Long Term Borrowing/Debt Management

6.1 The County Council undertakes capital expenditure on long-term assets. This activity gives rise to the need to borrow. Part of the Council's treasury management activity is to address this borrowing need, either through long term borrowing from external bodies (PWLB or commercial banks) or utilising temporary cash resources within the County Council pending long term borrowing.

6.2 In accordance with the approved 2015-16 Investment and Treasury 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.

6.3 At the 30th September 2015, the Council's external borrowing (debt outstanding) totaled £491M. The re-payment profile for debt is shown below.



6.4 The Council's overall borrowing requirement in 2015-16 is approx. £122M. This represents past capital expenditure for which the approved borrowing has not yet been drawn down. The Executive Director of Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in the economic forecast (Section 2).

6.5 The Public Works Loans Board (PWLB) provides a facility to restructure debt, including early repayment of loans and encourages local authorities to do so when circumstances permit. This can result in net savings in overall interest charges. Prevailing PWLB interest rates continue to be monitored in order to identify repayment opportunities.

6.6 The Council continues to maintain its total gross borrowing level within its Authorised Limit of £669M for 2015-16. The Authorised Limit being the 'affordable borrowing limit' required by section 3 of the Local Government Act 2003.

7. Treasury Management Prudential Indicators

7.1 There are four treasury related indicators intended to restrict the activity of the treasury function to certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The indicators are; variable interest rate exposure, fixed interest rate exposure, maturity profile of debt and investments greater than 364 days. Council approved the indicators as part of the Annual Investment and Treasury Strategy Report in February 2015.

7.2 The Prudential Code requires regular monitoring to be undertaken in-year against all key indicators. Monitoring is reported to Policy and Resources Committee on an 'exception basis'. Monitoring of the 2015-16 treasury management approved indicators has highlighted no significant deviation from expectations as at 30th September 2015.

8. Corporate Banking Service

8.1 Following the Co-operative Bank's (Co-op) decision to withdraw its banking services to local authorities, the County Council, District Councils and PCC jointly re-tendered their banking contacts and awarded a 7 plus 3 year contract to Barclays Bank plc.

8.2 500 Barclays Bank accounts have been opened to support back office functions, front line services and schools. The new accounts became operational in August 2015.

8.3 The process of changing banks has enabled us to work with Barclays to undertake some quick win business changes. Going forward there is an opportunity to work in partnership with Barclays exploring innovative ways of working.

8.4 The Project Board formally closed the Corporate Banking Project on the 2nd October with a closure report being presented to the Treasury Management Panel on the 10th November 2015.

Outstanding Deposit Profile @ 30th September 2015				Appendix 1
Counterparty Name	**Deal Date**	**Maturity Date**	**Interest Rate %**	**Principal £M**
Australia & New Zealand Bkg Group	16-Sep-15	18-Dec-15	0.55	15
				15
Barclays Bank Group				
Barclays Call Account	Instant Liquidity		0.40*	15.821
				15.821
Commonwealth Bank of Australia	28-Jul-15	29-Mar-16	0.72	10
				10
HSBC Bank Group				
HSBC Call Account	Instant Liquidity		0.50*	70
				70
Lloyds Banking Group				
Lloyds TSB	07-Apr-15	05-Apr-16	1.00	5
Lloyds TSB	13-Apr-15	11-Apr-16	1.00	5
Lloyds TSB	14-Apr-15	12-Apr-16	1.00	25
Lloyds TSB	08-May-15	06-May-16	1.00	5
Lloyds TSB	15-May-15	13-May-16	1.00	25
Lloyds TSB	05-Jun-15	03-Jun-16	1.00	5
Lloyds TSB	07-Jul-15	05-Jul-16	1.00	10
				80
Nationwide Building Society	24-Jul-15	01-Feb-16	0.70	35
				35
The Norse Group				
NPS Property Consultants	18-Sep-15	05-Oct-15	2.50	1
NPS Property Consultants	18-Sep-15	08-Oct-15	2.50	1
NPS Property Consultants	22-Sep-15	06-Oct-15	2.50	0.5
				2.5
Total Deposits				**228.321**

* Latest rates as at 30th September 2015

In addition deposits of £59.810m were held on behalf of other bodies:

Office of the Police and Crime Commissioner for Norfolk, Norfolk Pension Fund, Norse Commercial Services Ltd, Norse Care Ltd, NPS Property Consultants Ltd, Norfolk & Suffolk CRC and Independence Matters.

Policy and Resources Committee

Item No 8

Report title:	**Staff Car Parking**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The package of measures recommended by the Members Working Group aim to manage demand for workplace car parking in the face of asset efficiency being achieved through consolidation of staff teams into fewer buildings resulting in greater intensification in use of the buildings to be retained.

Initially these proposals will only apply to County Hall which will remain the core office base with staff numbers located here planned to grow thereby creating increased pressure for workplace parking.

Executive summary

The Members Working Group considered a range of measures to set out a policy framework that would enable the effective use of car parking by managing demand through a combination of reviewing eligibility for permits, introducing further rationing and encouraging alternative means of travel to County Hall.

Recommendations:

Policy and Resources Committee is asked to:

1. **Approve revisions to eligibility for workplace parking permits at County Hall with effect from 1 April 2016 as follows;**
    a. **Employees living within 1 mile of County Hall will no longer be eligible for parking permits.**
    b. **New employees living within 3 miles of County Hall will not be eligible to receive workplace parking permit.**
    c. **Employees whose main work location is not County Hall will no longer be eligible for workplace parking permit.**
2. **Approve the introduction of a second Non Parking Day at County Hall for all employees eligible for workplace parking permits.**
3. **Approve the introduction of charging employees for the use of workplace parking on their Non Parking Day at County Hall on a "pay as you go" and agree that this is set at £5 per day.**
4. **Instruct Officers to seek planning consent for increasing car parking capacity within the County Hall campus.**
5. **To note that in addition work will done to promote and further facilitate alternative means of travel to County Hall such as walking, cycling, car sharing and use of public transport.**
6. **To agree that employee consultations are undertaken on the above proposals to identify and help mitigate operational and equalities impacts.**
7. **To agree that the Members Working Group be reconvened in October 2016 to review effectiveness of the above measures.**
8. **Refer P&R's decisions on the above recommendations to Full Council for the**

final decisions to be made.

9. **Delegate to the Executive Director of Finance the responsibility for implementing the changes agreed by Full Council to the Car Parking Policy.**

1. Proposal

1.1. The Members Working Group (MWG) set up by the Policy & Resources Committee on 1 September 2015 to consider policy options for staff car parking on Council premises met on three occasions to discuss principles and policy options for the effective management of workplace car parking assets.

1.2. The MWG comprised of seven elected Councillors together with an employee side representative, focussed initially on County Hall to deal with the urgency for addressing the shortfall of supply over demand which is set to grow over the next 6 to 12 months as a result of the property rationalisation programme.

1.3. The MWG considered data on supply/demand of workplace parking, current facilities to encourage alternative means of travelling to work and an estimate of employees living within close proximity of County Hall. The MWG also considered parking policies and approach by other employers including University of East Anglia and Norwich and Norfolk University Hospital NHS Trust.

1.4. The MWG noted that consideration is being given to expanding car parking capacity within the County Hall campus to mitigate the growing shortfall and also to facilitate the leasing of space to external tenants. In addition to the challenge of securing planning consent this will require capital funding to construct. The MWG agreed that as part of the package of measures to deal with car parking demand, options should be developed to increase capacity. A plan of the site indicating current layout of parking spaces is appended.

1.5. A key question for the MWG has been to understand and establish whether the Council's priority is for budget savings or managing demand. Officers explained that effective management of car parking assets is essential to help improve efficiencies in property through intensification in the use of buildings to be retained and thereby contribute to the £7.3 million property savings over three years agreed by Full Council in February 2015.

1.6. The MWG was also reminded that additionally £457k of revenue savings, to be achieved from "Better ways of working: Terms and Conditions", was agreed by P&R committee on the 26th January in the context of charging for staff for Car-Parking. The saving was then referred to Full Council where it was approved in February. Any change to this will have an impact on savings required from elsewhere.

1.7. Whilst noting the financial and budgetary aspects of the previous proposals the MWG came to a view that due to the detrimental financial impact on employees, charging for workplace parking is not the preferred option at this stage.

1.8. Having considered the range of options available the MWG agreed that priority be given to reviewing eligibility for parking permits and further rationing.

1.9. As regards eligibility for workplace parking permits it was considered fair and reasonable for all employees living within 1 mile of County Hall to be excluded from eligibility. This is on the basis that from these location alternatives to car travel are available with relative ease, including walking, cycling and bus services. The MWG also considered it fair and reasonable for new employees joining the Council living within 3 miles of County Hall to be excluded. Again this reflects the relative ease to adopt alternative means of travel and new employees will be aware of the exclusion at the prior to accepting the offer of employment.

1.10. The MWG also agreed that employees not based at County Hall should not be eligible for employee parking permits. When visiting CH on business they will be able access parking space, if available, as a visitor or within the designated “Short Stay” spaces. To support this officers will consider the scope for increasing the available number of spaces and extending the period of short stay.

1.11. As regards rationing the MWG noted that the current arrangement for one Non Parking Day appears to have been embedded with employees able to adopt home working or working from other Council locations However it was also noted that there are concerns over loss of operational efficiency and detrimental impact to team working if this was extended. The MWG also noted that most pressure for parking space tends to be during the middle of the working week. Taking all this into account and to avoid having to introduce universal charging the MWG agreed that the introduction of a second NPD is a preferred option as part of a package of measure to manage demand.

1.12. Taking account of the operational impact of the second NPD and any personal inconvenience for employees it was agreed that a charge, on a pay as you go basis, is introduced for those staff who choose to bring their car on their designated NPD. Having considered the rate for charging it was considered that £5 per day is fair in comparison with parking charges and is not too low as to discourage employees seeking other alternatives.

1.13. In addition to the above measures it is proposed to refresh and promote the Council’s Green Travel Plan with a view to reviewing the sufficiency of facilities at County Hall to support walking and cycling as well as proactively facilitate alternatives such as car sharing. The availability of alternative Council locations for remote working will also be further promoted.

1.14. The practicalities around site management, charging and collection mechanisms will be developed as part of the implementation plan which is proposed to be from 1 April 2016. This will also allow time for employee consultation.

1.15. Consideration will also be given to minimising potential impact on residents in the vicinity of County Hall as a result of some employees parking in residential areas, especially in Trowse. It is proposed to ask the Norfolk Car Parking Partnership to consider the potential for a Residents Permit Parking Zone to protect the quality of life of local residents in that area.

2. Financial Implications

2.1. Recommendations in this report will have a direct impact on the pre-agreed budget saving of £457k “better ways of working: Terms and Conditions”.

2.2. For 2015/16 the impact will be a shortfall of the full £457K. For future years it is estimated that the shortfall will be slightly lower if charging on NPDs is agreed. Assuming a take up of 40 paid spaces each day the income will be approximately £50K per annum therefore the shortfall will be around £400K.

2.3. There will be some one-off set up expenditure to implement the changes including effective technology to manage the policy. This will be contained within existing budgets.

3. Issues, risks and innovation

3.1. The policy will be subject to a full Equalities Impact Assessment.

3.2. The recognised unions have been consulted on the policy and full employee consultation will be undertaken.

4. Background

Policy and Resources Committee Report – Staff Car Parking - 1 September 2015

Officer Contact

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

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

Officer Name:	**Tel No:**	**Email address**:
Simon George	01603 222400	simon.george@norfolk.gov.uk

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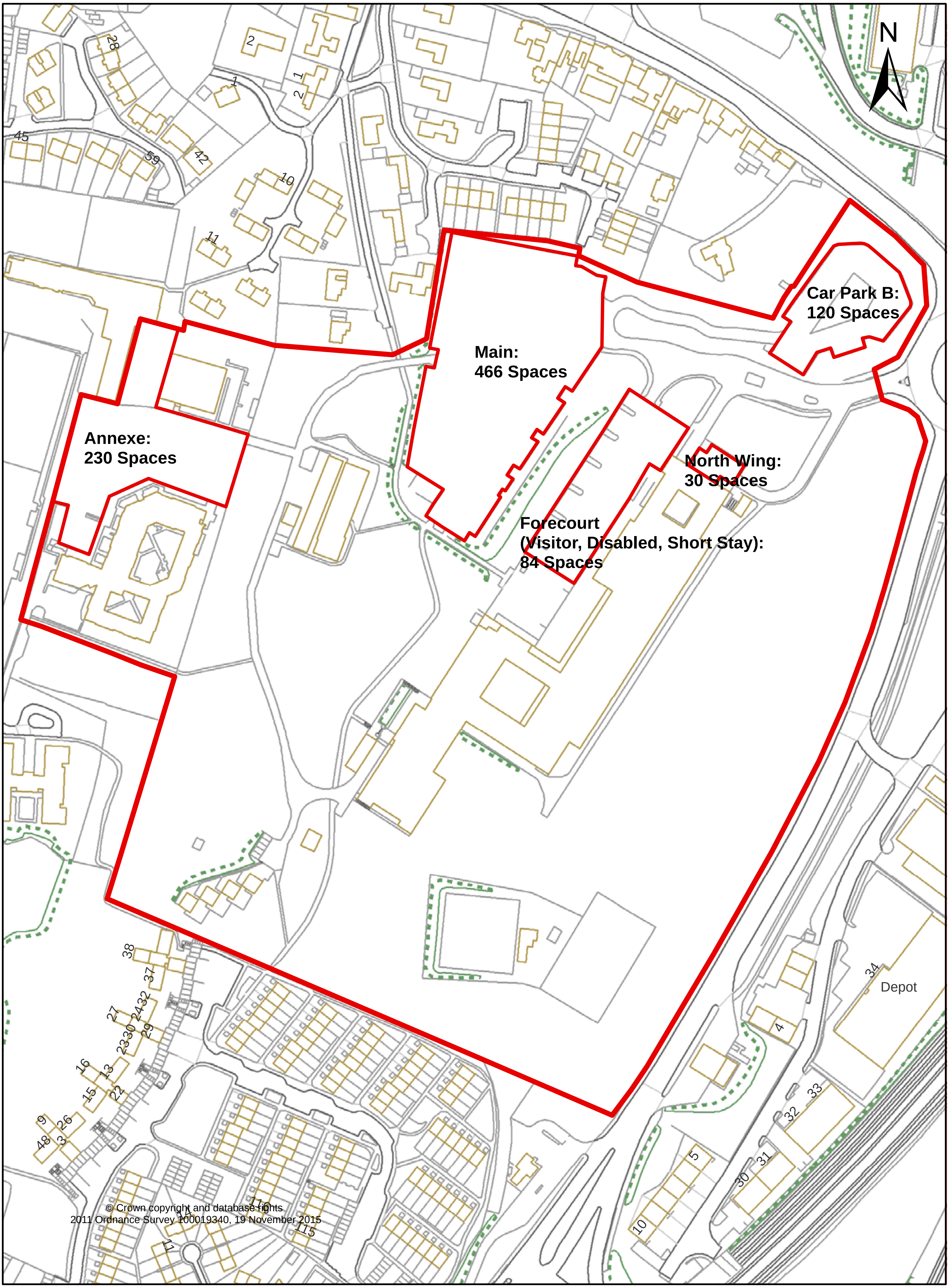

Employee Car Parking

Norfolk County Council

Scale 1: 2500 Centred on 623928, 307030

Policy and Resources Committee

Item No 9

Report title:	**Review of Financial Standing Orders (FSOs)**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Finance – Simon George**

Strategic impact

It is best practice to undertake an annual review of Financial Regulations. This review is required to ensure that Regulations continue to comply with legislation, meet the Council's needs, and accurately reflect the environment in which the Council operates. Without a regular review of Financial Regulations, there is a risk that the regulations will become out of date, leading to weaker financial control.

Executive summary

This report recommends updates to the Financial Regulations of the County Council. These recommendations include changes made to reflect the establishment of a new Corporate Property Team.

Recommendation:

The Committee is asked to agree to recommend the changes to the Financial Regulations to County Council for consideration, subject to any amendments they consider necessary.

1. Proposal – Changes to Financial Regulations

1.1 The draft Financial Regulations are set out in Appendix 2 to this report. Within the appendix, all changes (with the exception of minor formatting changes) are shown highlighted as "tracked" changes. Details of key changes in the Regulations are set out in paragraph 1.3 below, and a table of changes is set out at Appendix 1.

1.2 Previously Financial Regulations have been reviewed by the Audit Committee, then Cabinet, before being approved by County Council. Following the move to the Committee system, the new approval route is: Constitution Advisory Group (CAG), Policy and Resources Committee (on 30 November 2015), and then County Council (on 14 December 2015).

1.3 The Constitution Advisory Group considered the proposed changes to the Financial Regulations on 16 November. The following points were made in discussion:

- The Group supported the proposals for the treatment of the proceeds of disposals relating to County Farms. The creation of the proposed reserve of £3m had been discussed with and supported by the County Farms Board. This reserve would give members flexibility and capacity to grow the estate if that was felt appropriate.

- The Group supported the proposal that disposals of land and buildings at a value up to £25k would be agreed by the Corporate Property Officer under delegated powers. The previous process required sign off from the Managing Director which was considered to be disproportionate. It was stressed that any proposal to dispose of a property must involve consulting the local member and it was agreed to cross refer in Financial Regulations to the Local Member Protocol in the constitution.

With the above comments, the Constitution Advisory Group resolved to recommend the changes to Financial Regulations to the Policy and Resources Committee.

1.4 The following changes to the County Council's Financial Regulations are proposed:

- **Status of Financial Regulations** section 1 has been separated into two parts renamed from 'General' to: 'Purpose and Scope' and 'Key Roles and Responsibilities', and these have been altered to give a clearer outline of the aims of the document – tracked change.
- **The Council** paragraphs 2.2 and 2.3 detailing how the Constitution allows decisions to be made have been amended with a reference to the appropriate parts of the Constitution as a new paragraph 2.2.2 – tracked change.
- **The Money Laundering Reporting Officer** paragraph 2.5, the Head of Law remains the Money Laundering Reporting Officer, the Deputy Money Laundering Reporting Officer is now the Team Leader, Public Law and Standards – tracked change.
- **Executive Director of Finance** paragraph 2.6.2 has been extended to make clear that the CIPFA best practice statement on the role of Chief Finance Officer in Local Government confirms that "*the Executive Director of Finance is not only a servant of the Council, but also has a fiduciary responsibility to local taxpayers as a trustee of public monies*" – tracked change.
- **Revenue Budget** paragraph 3.2.1 has been altered to show that the Policy and Resources Committee proposes the revenue budget "*taking into account Service Committees' recommendations*" – tracked change.
- **Medium Term Planning and Preparation** paragraph 3.4.2 added to the list of what the Policy and Resources Committee and Executive Director of Finance will take into account when providing guidance to Service Committees on budget preparation are – 'Asset Management Plan', 'Reserves, general and earmarked' and 'Arms' length bodies' – tracked change.
  Added to minimum requirements for the preparation of budget proposals is that all proposals will be completed on a pro-forma template to bring consistency between committees – tracked change.
  Paragraph 3.4.6 regarding budget proposals now states they may be considered/amended/substituted "*prior to March 1st*" – tracked change.
- **Budget Monitoring and Control** paragraph added at 3.7.5 sets out the process by which proposals which would have the effect of increasing a Service Committee's budget are to be dealt with, including the need for the robustness of budget estimates to be considered and for proposals outside the scope of the policy framework to be considered by Full Council – tracked change.
- **External Audit** paragraph 4.4, references to the Audit Commission have been replaced with its successor body – Public Sector Audit Appointments Limited – tracked change.

Paragraph 4.4.3 has been amended to reflect the fact that it is now the role of the National Audit Office to set the criteria for value for money assessments by external auditors – tracked change.

- **Treasury Management** paragraph 4.7.4 has been amended to say that the Executive Director of Finance will regularly report to the Treasury Management Panel as well as the Policy and Resources Committee – tracked change.
- **Trading Accounts** paragraph 5.8.2 has been amended to reference trading accounts *"included in the Trading Framework document."*
- **Companies / Trusts** paragraphs 5.10.2 and 5.10.3 have been added to confirm the role of Chief Officers in ensuring that "*tight controls are in place for the financial management of loan and guarantor arrangements with Norfolk County Council owned companies.*" This includes ensuring the Executive Director of Finance is presented with robust business cases and signed loan agreements – tracked change.

There are a number of changes to the Assets section (5.12) due to the creation of the Corporate Property Team, these are detailed below.

- **Assets**
  Paragraph 5.12.1 has been amended to clarify that in practice property asset records are maintained by the Corporate Property Team on behalf of Chief Officers.

  Paragraph 5.12.2 has been added to note that all asset disposals should be conducted after giving due regard to the Local Government Act 1972 (section 123) concerning 'best consideration'. Where this is not followed, the case is to be referred to the Policy and Resources Committee for determination.

  Paragraph 5.12.3 confirms that disposals must be made by competitive tender or public auction except in cases where the Executive Director of Finance authorises otherwise.

  Paragraph 5.12.4 explains the powers delegated to the Corporate Property Officer (the new Head of Corporate Property), to make property disposals and acquisitions, as set out in the tables at 5.12.6 and 5.12.7. It also cross-references the Local Member Protocol in the Constitution, as requested by the Constitution Advisory Group.

  Paragraph 5.12.5 has been altered to reflect that property assets declared surplus are to be reviewed by the Corporate Property Strategy group (replacing Corporate Capital Asset Management Group) and where there is no alternative beneficial use such property will be reported to Policy and Resources Committee to confirm its status as a surplus asset to be disposed of.

  Tables have been added in at paragraphs 5.12.6 and 5.12.7 to clearly show the process for disposing and acquiring of all types of assets depending on value.

  The new Financial Regulations also include provision to deal with the impact of proposed amendments to Government regulations on the disposal of property assets with a value of over £500,000 in paragraph 5.12.8.

  Paragraph 5.12.9 has been added to set out the treatment of the proceeds of disposals relating to County Farm assets.

1.5 Throughout the Financial Regulations references to the Director of Community Services, Director of Children's Services, and the Head of Finance have been replaced with Executive Director of Adult Social Services, Executive Director of Children's Services and Executive Director of Finance respectively.

1.6 There are no alternative options that the Committee needs to consider with regard to the adoption of the Financial Regulations.

2. Rationale

2.1. The adoption of updated Financial Regulations is essential to ensure that the Council continues to operate in line with statutory requirements. In practice, the County Council has already been meeting the requirements of these new regulations; adoption of the draft regulations will consolidate existing best practice.

3. Financial Implications

3.1. There are no direct financial implications of the proposed amendments to Financial Regulations for the Annual Budget. There are however potential financial implications of not updating the Financial Regulations, in that a failure to reflect best practice and the current operating environment may lead to a weakening of financial control in some areas.

4. Issues, risks and innovation

4.1. Resource Implications

There are no direct resource implications from this report. However, updating the Financial Regulations helps ensure that standards for financial management reflect best practice and supports our service objective to safeguard and make the most economical use of resources and assets.

4.2. Legal Implications

Adoption of these updated Financial Regulations will help the Council to achieve good corporate governance. This, in turn, will help the Council to prevent crime under Section 17 of the Crime and Disorder Act.

4.3. Risks

4.3.1 Financial Regulations are part of the arrangements for ensuring good corporate governance and financial control.

4.3.2 Without a regular review of Financial Regulations, there is a risk that the regulations will become out of date, leading to weaker financial control in some areas.

4.3.3 The risk of a weakening of financial control due to the regulations becoming out of date is currently considered to be low as the Council is already meeting the requirements of the draft regulations. However, this risk would increase if Financial Regulations were not reviewed regularly.

4.4. Equality Implications

An assessment of the relevance of this report to equality has been made and the recommendations of this report are not considered to have an effect on equality.

4.5. Human Rights Implications

An assessment of the relevance of this report to human rights has been made and the recommendations of this report are not considered to have an effect on human rights.

4.6. Environmental Impact

An assessment of the relevance of this report on environmental impacts has been made and the recommendations of this report are not considered to have any environmental impact.

4.7. Health and Safety Issues

An assessment of the relevance of this report on health and safety issues has been made and the recommendations of this report are not considered to have any impact on health and safety issues.

5. Background

As part of the constitutional review in 2014, the Council's Financial Regulations were updated, and were adopted by Full Council on 28 April 2014.

The Financial Regulations were also updated in 2013. Changes were recommended to Cabinet by the Audit Committee on 25 April, Cabinet then considered the recommendations at their meeting of 10 June, and they were agreed by County Council on 29 July.

Background Papers – Norfolk County Council Financial Regulations (http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/223/Committee/2/SelectedTab/Documents/Default.aspx)

Officer Contact

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Officer Name:	**Tel No:**	**Email address**:
Titus Adam	01603 222806	titus.adam@norfolk.gov.uk

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APPENDIX 1

The key changes proposed to the Financial Regulations are set out in the table below. Please note the table does not reflect formatting changes, updates to job titles, and other similar minor amendments.

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
Status of Financial Regulations paragraph 1.1 has been renamed from 'General' to 'Purpose and Scope', and this has been altered to give a clearer outline of the aims of the document – tracked change.	1.1.1 These Financial Regulations provide the framework for managing the County Council's financial affairs. They apply to every elected member and officer of the County Council and, when stated, to third parties acting specifically on its behalf. The Regulations apply to all Norfolk County Council's financial arrangements, including joint committees, save where there is express agreement to the contrary.	1.1.1 These Financial Regulations provide the basis for managing the County Council's financial affairs. They provide a framework for decision-making, which sets how specific statutory powers and duties are complied with, as well as reflecting best professional practices. This document also acts as a reference point to other documents which include the detailed policies and procedures behind these Financial Regulations. 1.1.2 The Financial Regulations apply to every elected member and officer of the County Council and, when stated, to third parties acting specifically on its behalf. The Regulations apply to all Norfolk County Council's financial arrangements, including joint committees, save where there is express agreement to the contrary.
The Council paragraphs 2.2 and 2.3 detailing how the Constitution allows decisions to be made have been amended with a reference to the appropriate parts of the Constitution as a new paragraph 2.2.2 and the deletion of 2.3 – tracked change.	2.2.2 The Constitution allows decisions to be taken as follows: • Strategic Decisions – decisions regarding policy or resource allocation are reserved by law as matters which must be determined by the Council. • Reserved Decisions – decisions which are	2.2.2 The principles of decision making and the roles of the Leader and Committee Chairs are set out in Articles 5, 7 and 11 of the Norfolk County Council Constitution.

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
	delegated by the Council to a Committee of the Council, whether in the terms of reference of committees or otherwise. • Council Delegated Decisions - decisions which are delegated from the Council or a Committee to officers. 2.2.3 All decisions must outline the financial implications of decisions being made. 2.3 **The Leader and Committee Chairs** 2.3.1 The Leader is responsible for directing the Council's affairs within the policy framework and budget. 2.3.2 The Committee Chairs are responsible for directing the Council's affairs within the policy framework and budget. 2.3.3 Committee Chairs are responsible for the overall financial management and value for money within their political portfolio.	
The Money Laundering Reporting Officer paragraph 2.5, the Head of Law remains the Money Laundering Reporting Officer, the Deputy Money Laundering Reporting Officer is now the Team Leader, Public Law and Standards – tracked change.	2.6 **The Money Laundering Reporting Officer** The Head of Law is appointed as the Money Laundering Reporting Officer and the Service Director (Legal and Democratic Services) as the Deputy Money Laundering Reporting	2.5 **The Money Laundering Reporting Officer** The Head of Law is appointed as the Money Laundering Reporting Officer and the Team Leader, Public Law and Standards, nplaw as the Deputy Money Laundering Reporting

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
	Officer. The Council has an Anti-Money Laundering Policy and Procedures in place. The Money Laundering Reporting Officer is the officer responsible for reporting disclosures to the National Crime Agency.	Officer. The Council has an Anti-Money Laundering Policy and Procedures in place. The Money Laundering Reporting Officer is the officer responsible for reporting disclosures to the National Crime Agency.
Executive Director of Finance paragraph 2.6.2 has been extended to make clear that the CIPFA best practice statement on the role of Chief Finance Officer in Local Government confirms that "*the Executive Director of Finance is not only a servant of the Council, but also has a fiduciary responsibility to local taxpayers as a trustee of public monies*" – tracked change.	2.7.2 The role of Head of Finance complies with the principles in the CIPFA best practice statement on 'Role of the Chief Financial Officer in Local Government'	2.6.2 The role of Executive Director of Finance complies with the principles in the CIPFA best practice statement on the "Role of the Chief Financial Officer in Local Government." This statement confirms that the Executive Director of Finance is not only a servant of the Council, but also has a fiduciary responsibility to local taxpayers as a trustee of public monies.
Revenue Budget paragraph 3.2.1 has been altered to show that the Policy and Resources Committee propose the revenue budget "*taking into account Service Committees recommendations*" – tracked change.	3.2.1 The revenue budget is proposed by the Policy and Resources Committee and approved by the County Council. The budget should have regard to proper accounting standards and include a statement of the allocation of resources to different services and projects and to proposed council tax levels. Once the overall budget has been approved by County Council, it cannot be increased by a committee	3.2.1 The revenue budget is proposed by the Policy and Resources Committee, taking into account Service Committees' recommendations to Policy and Resources, and approved by the County Council. The budget should have regard to proper accounting standards and include a statement of the allocation of resources to different services and projects and to proposed council tax levels. Once the overall budget has been approved by County Council, it cannot be increased by a committee.
Medium Term Planning and Preparation paragraph 3.4.2 added to the list of what the Policy and Resources Committee and Executive Director of Finance will take into	3.4.2 Policy and Resources Committee is responsible for providing guidance to Service Committees on the preparation of the budget in consultation with the Head of Finance. The	3.4.2 Policy and Resources Committee is responsible for providing guidance to Service Committees on the preparation of the budget in consultation with the Executive Director of

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
account when providing guidance to Service Committees on budget preparation are – 'Asset Management Plan', 'Reserves, general and earmarked' and 'Arms' length bodies' – tracked change. Added to minimum requirements for the preparation of budget proposals is that all proposals will be completed on a pro-forma template to bring consistency between committees – tracked change.	guidelines will take account of: • legal requirements • medium-term planning prospects • the County Council's core roles • all available resources including external funding and income • increase in demand, inflation • reductions due to reductions in grant and cuts • best value • Government guidelines • accounting standards • the Prudential Code • The County Council Plan It will also set out the minimum requirements for preparation of budget proposals including: • option appraisal and use of whole life costing, comparing the relative costs of the options, over the life of the project. For example, whether to lease, purchase or new build • risk assessment • single impact assessment, a Norfolk County Council tool to ensure all of the necessary key cross cutting issues are considered, including equality and sustainability	Finance. The guidelines will take account of: • legal requirements • medium-term planning prospects • the County Council's core roles • all available resources including external funding and income • increases in demand, and inflation • reductions due to changes in grant funding and cuts • best value • Government guidelines • accounting standards • the Prudential Code • The County Council Plan • Asset Management Plan • Reserves, general and earmarked • Arms' length bodies It will also set out the minimum requirements for preparation of budget proposals including: • option appraisal and use of whole life costing, comparing the relative costs of the options, over the life of the project. For example, whether to lease, purchase or new build; • risk assessment and owner; • single impact assessment, a Norfolk County Council tool to ensure all of the

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
		necessary key cross cutting issues are considered, including equality and sustainability; and • Budget proposals pro-forma template to ensure that budget proposals are developed on a consistent basis by service committees.
Medium Term Planning and Preparation paragraph 3.4.6 has been amended to confirm that the County Council will consider, and adopt, amend, or make substitutions to, the budget proposals "*prior to March 1st*" – tracked change.	3.4.6 The County Council will consider the budget proposals and may adopt them, amend them or substitute its own proposals in their place. The County Council will agree at least a three year balanced budget and agree the precept for the following year.	3.4.6 The County Council will consider the budget proposals and may adopt them, amend them or substitute its own proposals in their place prior to March 1st. The County Council will agree at least a three year balanced budget and agree the precept for the following year.
Budget Monitoring and Control paragraph 3.7.5 has been added to clarify the process by which any policy proposals that will increase a service committee budget will be agreed and in particular the requirement for a funding proposal to be submitted to the Executive Director of Finance in advance – tracked change.	n/a.	3.7.5 Any policy proposal, which would have the effect of increasing a Service Committee's budget, must be supported by a funding proposal setting out how it can be accommodated within the Service Committee's existing budget. Such proposals must be made available to the Executive Director of Finance at least five working days before the meeting at which they are to be proposed and must be finalised two working days before the meeting in order that the Executive Director of Finance can report on the robustness of any proposed budget amendments. In the event that the proposal falls outside the scope of the Policy Framework as set out in part 3.1 of the

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
		Constitution, it must be referred to Full Council for consideration.
External Audit paragraph 4.4, references to the Audit Commission have been replaced with its successor body – Public Sector Audit Appointments Limited – tracked change. Paragraph 4.4.3 has been amended to reflect the fact that it is now the role of the National Audit Office to set the criteria for value for money assessments by external auditors – tracked change.	4.4 **External Audit** 4.4.1 The Audit Commission or its successor body is responsible for appointing external auditors to each local authority. The duties of the external auditor are governed by section 5 of the Audit Commission Act 1998. 4.4.2 The County Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access. 4.4.3 External auditors have a responsibility to satisfy themselves that the County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This judgement is based on criteria specified by the Audit Commission or its successor body. The Head of Finance, in conjunction with Chief Officers, must ensure that the organisation makes best use of resources and taxpayers and/or services users receive value for money.	4.4 **External Audit** 4.4.1 Public Sector Audit Appointments Limited (replacing the Audit Commission with effect from 1 April 2015) is responsible for appointing external auditors to each local authority. The duties of the external auditor are governed by section 5 of the Audit Commission Act 1998. 4.4.2 The County Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access. 4.4.3 External auditors have a responsibility to satisfy themselves that the County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This judgement is based on criteria specified by the National Audit Office. The Executive Director of Finance, in conjunction with Chief Officers, must ensure that the organisation makes best use of resources and that taxpayers and / or service users receive value for money.
Treasury Management paragraph 4.7.4 has	4.7.4 The Head of Finance will prepare for	4.7.4 The Executive Director of Finance will

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
been amended to say that the Executive Director of Finance will regularly report to the Treasury Management Panel as well as the Policy and Resources Committee – tracked change.	County Council an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. In addition, the Head of Finance will regularly report to the Policy and Resources Committee on treasury management policies, practices, activities and performance monitoring information.	prepare for County Council an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. In addition, the Executive Director of Finance will regularly report to the Treasury Management Panel and the Policy and Resources Committee on treasury management policies, practices, activities and performance monitoring information.
Trading Accounts paragraph 5.8.2 has been amended to reference trading accounts *"included in the Trading Framework document."*	5.8.2 The Executive Director of Finance is responsible for the form of the trading accounts. Chief Officers are responsible for reporting on the activities of any trading organisation within their respective areas of service, taking account of current accounting standards and best practice in reporting.	5.8.2 The Executive Director of Finance is responsible for the form of the trading accounts included in the Trading Framework document. Chief Officers are responsible for reporting on the activities of any trading organisation within their respective areas of service, taking account of current accounting standards and best practice in reporting.
Companies / **Trusts** paragraphs 5.10.2 and 5.10.3 have been added to confirm the role of Chief Officers in ensuring that "*tight controls are in place for the financial management of loan and guarantor arrangements with Norfolk County Council owned companies.*" This includes ensuring the Executive Director of Finance is presented with robust business cases and signed loan agreements – tracked change.	n/a.	5.10.2 Chief Officers are responsible for informing the Head of Law and Executive Director of Finance of any new proposals, to ensure that legal and financial considerations are properly considered before any arrangements with an outside body or creation of a new company are considered. 5.10.3 Chief Officers are also responsible for ensuring tight controls are in place for the financial management of loan and guarantor arrangements with Norfolk County Council owned companies. This includes ensuring the Executive Director of Finance is presented

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
		with robust business cases and signed loan agreements.
Assets paragraph 5.12.1 has been amended to clarify that in practice property asset records are maintained by the Corporate Property Team on behalf of Chief Officers	5.12.1 Chief Officers should ensure that records of assets are properly maintained and securely held. They should also ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.	5.12.1 Chief Officers should ensure that records of assets are properly maintained and securely held (in practice property asset records are kept by the Corporate Property Team on behalf of Chief Officers). Chief Officers should also ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.
Assets paragraph 5.12.2 has been added to note that all asset disposals should be conducted after giving due regard to the Local Government Act 1972 (section 123) concerning 'best consideration'. Where this is not followed, the case is to be referred to the Policy and Resources Committee for determination.	n/a.	5.12.2 In making disposals officers will have due regard to the provisions of the Local Government Act 1972 (section 123) concerning best consideration, subject to the discretion afforded to authorities by virtue of the General Disposal Consent (England) 2003 (see DCLG Circular 06/2003). All decisions to dispose at less than best consideration will be referred to Policy and Resources for determination.
Assets paragraph 5.12.3 confirms that disposals must be made by competitive tender or public auction except in cases where the Executive Director of Finance authorises otherwise.	5.12.2 Chief Officers may, in accordance with arrangements approved by the Head of Finance, dispose of assets (other than land and buildings) up to an estimated value of £10,000 in each case. Chief Officers must inform the Head of Finance of any disposals above £10,000 and after taking advice from the Head of Finance, where appropriate seek Policy and Resources /Committee approval. Disposal must be by competitive tender or	5.12.3 Disposal must be made by competitive tender or public auction unless the Executive Director of Finance authorises otherwise. The appointment of agents to handle disposals is subject to the normal provisions of Council Standing Orders.

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
	public auction unless the Head of Finance decides otherwise. Appointment of agents to handle disposals is subject to the normal provisions of Contract Standing Orders.	
Assets paragraph 5.12.4 explains the powers delegated to the Corporate Property Officer (the new Head of Corporate Property), to make property disposals and acquisitions, as set out in the tables at 5.12.6 and 5.12.7.	5.12.3 In reaching a decision on the disposal of land and buildings the County Council should give due considerations to the advice from the Corporate Property Officer.	5.12.4 All disposals, acquisitions and other property transactions are to be made only by the Council's Corporate Property Officer. In reaching decisions on the disposal of land and property, the County Council should give due consideration to the advice of the Corporate Property Officer. The Council's named and designated Corporate Property Officer (the Head of Corporate Property) may, in accordance with arrangements approved by the Executive Director of Finance, dispose of assets, acquire assets and approve of transactions as set out in the tables at 5.12.6 and 5.12.7 below. Proposals for disposals, acquisitions and other property transactions must involve the Local Member as set out within the Local Member Protocol in the Constitution (Annex to Part 6.2 of the Constitution).
Assets paragraph 5.12.5 has been altered to reflect that property assets declared surplus are to be reviewed by the Corporate Property Strategy group (replacing Corporate Capital Asset Management Group) and where there is no alternative beneficial use such property will be reported to Policy and Resources Committee to confirm its status as a surplus	5.12.4 Land and buildings declared surplus to its needs by a service will be reviewed by the Corporate Capital Asset Management Group (CCAMG) or its successor body and where there is no alternative use, the Head of Finance will recommend the disposal in accordance with the following schedule:	5.12.5 Land and buildings declared surplus by a service will be reviewed by the Corporate Property Strategy Group or its successor body and where there is no alternative beneficial use such property will be reported to Policy and Resources Committee to confirm its status as a surplus asset to be disposed of.

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
asset to be disposed of.		
Assets Tables have been added in at paragraphs 5.12.6 and 5.12.7 to clearly show the process for disposing and acquiring of all types of assets depending on value.	• Disposals above £500,000 – Policy and Resources Committee. • Disposals between £10,000 and £500,000 (directly negotiated with the purchaser, release of claw back, below market value, or where, after being offered on the open market the best offer is not accepted) – Managing Director following consultation with the Chair of Policy and Resources Committee. • Disposals between £10,000 and £500,000 (where, after being offered on the open market the best offer is accepted) – Managing Director following consultation with the Chair of Policy and Resources Committee. • Disposals below £10,000 (directly negotiated with the purchaser, release of claw back, below market value, or where, after being offered on the open market the best offer is not accepted) – Managing Director (corporate property) with delegations to the Corporate Property Officer. • County Farms – Managing Director following consultation with the Chair of Policy and Resources Committee. 5.12.5 The responsibilities and authorisations of those involved in the decision making	See tables below.

<table>
<tr><th colspan="3">Proposed Financial Regulations Changes</th></tr>
<tr><th>Change</th><th>Original (2014)</th><th>Proposed (as submitted to CAG) (2015)</th></tr>
<tr><td></td><td>processes are set out in the Hierarchy of Decision Making on Property Matters procedures.</td><td></td></tr>
<tr><td>Assets The new Financial Regulations also include provision to deal with the impact of proposed amendments to Government regulations on the disposal of property assets with a value of over £500,000 in paragraph 5.12.8.</td><td>n/a.</td><td>5.12.8 The government has consulted on regulations which would require any decision to dispose of land and buildings with a value above £500,000 to be agreed by the Full Council. The regulations above show the responsibility is with Policy and Resources Committee pending the outcome of the consultation. If enacted, the following thresholds would apply:
<table>
<tr><th>Disposal value</th><th>Responsibility and Authorisation for Land and Buildings</th></tr>
<tr><td>Up to £0.025m</td><td>Corporate Property Officer</td></tr>
<tr><td>£0.025m – 0.500m</td><td>Corporate Property Officer in consultation with the Executive Director of Finance, Managing Director and Chair of Policy and Resources Committee.</td></tr>
<tr><td>£0.500m + and
All disposals at less than best consideration (irrespective of</td><td>Full Council</td></tr>
</table></td></tr>
</table>

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
		value)
Assets paragraph 5.12.9 has been added to set out the treatment of the proceeds of disposals relating to County Farm assets	n/a.	5.12.9 The County Council has an aspiration to at least maintain the size of its current County Farms estate. To that end any capital receipts from the sale of County Farm land will be treated in the following way: For all County Farms land that is sold: • If it is sold as **agricultural land**, 100% of the capital receipt will be hypothecated towards further acquisitions of County Farm land / capital improvements to the County Farm estate that produce a revenue uplift. • If it is sold as **residential / development** land: o A valuation will be undertaken to establish the value of the land, should it have been sold without planning permission. That value will then be hypothecated towards further County Farm acquisitions / capital improvements to the County Farm estate that produce a revenue uplift. o The balance of the sale value will be split: ▪ 65% towards general capital receipts to be utilised by the Council for any purpose.

Proposed Financial Regulations Changes		
Change	**Original (2014)**	**Proposed (as submitted to CAG) (2015)**
		▪ 35% will be put into a reserve for the use of County Farms for further acquisitions / capital improvements to the County Farm estate that produce a revenue uplift. If this reserve reaches £3m in value then any additional receipts will be made available for general Council use for any purpose.

5.12.6 The disposal of surplus assets will be undertaken as follows:

Property		**Other Assets**	
Disposal value* £m	**Responsibility and authorisation**	**Disposal value* £m**	**Responsibility and authorisation**
£0.500m+ (unless disposal specifically agreed within the annual budget-setting process)	Policy and Resources Committee	£0.500m+	Policy and Resources Committee
Between £0.025m to £0.500m	Corporate Property Officer in consultation with the Executive Director of Finance, Managing Director and Chair of Policy and Resources Committee	£0.250m to £0.500m	Chief Officer in consultation with Executive Director of Finance
Up to £0.025m	Corporate Property Officer	Up to £0.250m	Chief Officer
All disposals at less than best consideration (irrespective of value)	Policy and Resources Committee	All disposals at less than best consideration (irrespective of value)	Policy and Resources Committee
Leases**			
Operational properties – lease out or lease out renewals at a rent of £25,000 or more per annum, or the term is for 10 years or more	Policy and Resources Committee		
Operational properties – lease out or lease out renewals at a rent below £25,000 per annum, and the term is for less than 10 years	Corporate Property Officer		
Commercial properties – lease out or lease out renewals at a rent of £50,000 or more per annum, or the	Policy and Resources Committee		

term is for 10 years or more			
Commercial properties – lease out or lease out renewals at a rent below £50,000 per annum, and the term is for less than10 years	Corporate Property Officer in consultation with the Executive Director of Finance		

* Disposal value in this table refers to the valuation of the asset, irrespective of the consideration to be received.

** For the purposes of leases, a distinction is made between the Operational Property Estate and the Commercial Property Estate as follows:

Operational Estate:

The operational estate relates to those property assets used principally for service delivery. At times parts of the operational estate may temporarily not be required for service delivery but are retained where there will be a future use. An example could be an office building. In addition, parts of the estate are let out to support service delivery by a third party on the council's behalf, for example a depot. In these instances the asset would be let to derive an income.

Commercial Estate:

The council holds some assets for economic development reasons (investment properties), which are let out to businesses to support the policies and aims of economic development as well as deriving a rental income. In this situation, the ebb and flow of leases requires commercial agility to be able to react to market demands. To support this requires the Corporate Property Officer to be able to agree terms of a lease quickly as circumstances dictate.

5.12.7 Acquisitions of assets will be undertaken as follows:

Property		**Other Assets**	
Acquisition value £m	**Responsibility and authorisation**	**Acquisition value £m**	**Responsibility and authorisation**
£0.250m+	Policy and Resources Committee	£0.250m+	Policy and Resources Committee
Between £0.025m to £0.250m	Corporate Property Officer in consultation with the Executive Director of Finance, Managing	Below £0.250m	Chief Officer

	Director and Chair of Policy and Resources Committee		
Below £0.025m	Corporate Property Officer		
Leases			
Lease acquisitions and renewals where the proposed rental is £25,000 or more per annum, or the term of the lease or renewal is for ten or more years	Policy and Resources Committee		
Lease acquisitions and renewals where the proposed rental is below £25,000 per annum, and the term of the lease or renewal is for less than ten years	Corporate Property Officer		

5.12.8 The government has consulted on regulations which would require any decision to dispose of land and buildings with a value above £500,000 to be agreed by the Full Council. The regulations above show the responsibility is with Policy and Resources Committee pending the outcome of the consultation. If enacted, the following thresholds would apply:

Disposal value	**Responsibility and Authorisation for Land and Buildings**
Up to £0.025m	Corporate Property Officer
£0.025m – 0.500m	Corporate Property Officer in consultation with the Executive Director of Finance, Managing Director and Chair of Policy and Resources Committee.
£0.500m + and All disposals at less than best consideration (irrespective of value)	Full Council

PART 7.7

FINANCIAL REGULATIONS

Background

A. The County Council's governance structure is laid down in its Constitution, which sets how the County Council operates; how decisions are made; and how procedures are followed.

B. The County Council has adopted a Committee form of governance.

C. Elected members are responsible for "ownership" of the County Council's financial management. Responsible Budget Officers (RBOs) act on behalf of the County Council in exercising that responsibility and in securing compliance with the County Council's Financial Regulations.

D. The County Council's Head of Paid Service, the Managing Director at Norfolk County Council, is responsible for the corporate and strategic management of the County Council. The Managing Director must report to, and provide information for, the County Council and its committees. Furthermore, the Managing Director is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Managing Director is also responsible, together with the monitoring officer, for the system of record keeping in relation to all the County Council's decisions.

E. The Statutory Finance Officer, the Executive Director of Finance at Norfolk County Council, has statutory duties in relation to the administration and stewardship of the County Council's financial affairs. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit (England) Regulations 2011
- The Local Government Act 2003

F. The Executive Director of Finance is responsible for the proper administration of the County Council's financial affairs and for setting and monitoring compliance with agreed standards of financial administration and management, including advice on the County Council's corporate financial position. The Executive Director of Finance is also the "head of profession" for all finance staff in the County Council and has a responsibility for their professional standards, competencies, training and development.

Contents

1. **Status of Financial Regulations**

1.1 **~~General~~Purpose and Scope**

1.1.1 These Financial Regulations provide the ~~framework~~basis for managing the County Council's financial affairs. They provide a framework for decision-making, which sets how specific statutory powers and duties are complied with, as well as reflecting best professional practices. This document also acts as a reference point to other documents which include the detailed policies and procedures behind these Financial Regulations.

~~1.1.1~~1.1.2 The Financial Regulations apply to every elected member and officer of the County Council and, when stated, to third parties acting specifically on its behalf. The Regulations apply to all Norfolk County Council's financial arrangements, including joint committees, save where there is express agreement to the contrary.

~~1.1.2 The Regulations identify the financial responsibilities of the County Council, its Committees, the Audit Committee, the Head of Finance and other Chief Officers.~~

1.2 **Key Roles and Responsibilities**

~~1.1.3~~1.2.1 The Regulations identify the financial responsibilities of the County Council, its Committees, the Audit Committee, the Executive Director of Finance and other Chief Officers.

~~1.1.4~~1.2.2 All elected members and staff have a general responsibility for taking reasonable action to provide for the security of the County Council's assets under their control, and for ensuring that the use of these resources is legal, properly authorised, and provides value for money.

~~1.1.5~~1.2.3 The Executive Director of Finance is responsible for maintaining a continuous review of the Financial Regulations and for submitting any additions or changes necessary to County Council for approval and at a minimum annually. Elected members are responsible for considering and approving the County Council's Financial Regulations and for satisfying themselves that they are sufficient to ensure sound financial management of the County Council's resources.

~~1.1.6~~1.2.4 The Executive Director of Finance is responsible for reporting, where appropriate, breaches of the Financial Regulations to the County Council, its Committees and the Audit Committee.

~~1.1.7~~1.2.5 The Executive Director of Finance is responsible for issuing advice and guidance on the operation of the Financial Regulations. The County Council's detailed 'Financial Procedures', which support these Regulations, are determined by the Executive Director of Finance and set out how the Regulations will be implemented. Financial Procedures are described in separate guidance and have the same status as the Financial Regulations.

~~1.1.8~~1.2.6 Chief Officers are responsible for ensuring that all staff in their departments are aware of the existence and content of the County Council's Financial Regulations, Financial Procedures and other internal regulatory documents and that they comply with them at all times. They must ensure that all staff have access to, or the opportunity to access, these Regulations, Procedures and other regulatory documents published on the County Council's internet and intranet (iNet) pages.

~~1.1.9~~1.2.7 The Executive Director of Finance is responsible for ensuring that both elected members and officers are sufficiently competent, trained and informed with regard to the financial affairs of the Council.

2. Financial Management

2.1 Introduction

2.1.1 Financial management covers all financial activities in relation to the running of the County Council, including the policy, framework and budget. In overall terms, elected members are responsible for agreeing the financial policy framework and officers are responsible for advising members, and for the operational delivery of financial processes in line with the agreed policy. The financial management responsibilities for particular members' groups and individual post-holders are detailed in this section.

2.2 The Council

2.2.1 The Council is responsible for adopting and changing the principles of governance and for approving or adopting the policy framework and budget within which the Committees operate.

2.2.2 The principles of decision making and the roles of the Leader and Committee Chairs are set out in Articles 5, 7 and 11 of the Norfolk County Council Constitution.

~~2.2.2 The Constitution allows decisions to be taken as follows:~~

- ~~Strategic Decisions – decisions regarding policy or resource allocation are reserved by law as matters which must be determined by the Council.~~
- ~~Reserved Decisions – decisions which are delegated by the Council to a Committee of the Council, whether in the terms of reference of committees or otherwise.~~
- ~~Council Delegated Decisions - decisions which are delegated from the Council or a Committee to officers.~~

~~2.2.3 All decisions must outline the financial implications of decisions being made.~~

~~2.3 The Leader and Committee Chairs~~

~~2.3.1 The Leader is responsible for directing the Council's affairs within the policy framework and budget.~~

~~2.3.2 The Committee Chairs are responsible for directing the Council's affairs within the policy framework and budget.~~

~~2.3.3 Committee Chairs are responsible for the overall financial management and value for money within their political portfolio.~~

~~2.4~~2.3 Service Committees

~~2.4.1~~2.3.1 Policy and Resources Committee

The Policy and Resources Committee has two main areas of responsibility: leading the process for developing the County Council Plan and the Medium Term Financial Plan, and coordinating all other service committees. It monitors performance, budget monitoring and risk. In addition the Committee has responsibility for developing and monitoring corporate services including: ICT, finance and risk management, property and asset management, human resources and organisational development, legal, governance, communications and public affairs, and business continuity.

~~2.4.2~~2.3.2 Adult Social Care Committee

The Adult Social Care Committee is responsible for the commissioning and quality standards of adult social care services for people in Norfolk. It incorporates all those services, from protection to residential care, that help people live fulfilling lives and stay as independent as possible. It oversees the protection of vulnerable adults. The specific functions are:

Adult Social Care
Support for Carers
Protection for Vulnerable Adults
Supporting People
Drug and Alcohol Commissioning

~~2.4.3~~2.3.3 Children's Services Committee

The Children's Services Committee is responsible for services which help keep children and young people safe and fulfill their potential. It incorporates schools and social care for children and families. It has a particular focus on those children who are in care, and for whom the Council has corporate parenting responsibility. The specific functions are:

Early Years and Child Care
School Improvement
Additional Educational Needs
Child Protection
Children and Young People in Care
Fostering and Adoption
Youth Offending

~~2.4.4~~2.3.4 Environment, Development and Transport Committee

The Environment, Development and Transport Committee is responsible for protecting and enhancing the environment. It also incorporates travel and transport services to help keep the county moving, and maintains and develops the highway network. The specific functions are:

Climate Change Mitigation and Adaptation
Flood and Water Management (including statutory scrutiny of flood risk management)

Ecology and Arboriculture
Countryside Access
Archaeology, Heritage and Landscape
Waste Management and Recycling
Transport Strategy / Highways Network / Passenger Transport
Planning and Development Strategy and Management

~~2.4.5~~2.3.5 Communities Committee

The Communities Committee is responsible for those services which help build resilience in our communities and keep people safe. It focuses on how we engage with the public and how we make our services as customer friendly as possible. The specific functions are:

Cultural Services (including Libraries, Museums, Adult Education, Norfolk Records Service, Arts and Events)
Archive Centre
Adult Education
Trading Standards
Public Health
Fire and Rescue
Emergency Planning and Community Resilience
Customer Services
Community Relations and Engagement

~~2.5~~2.4 **Statutory Officers**

~~2.5.1~~2.4.1 **The Head of Paid Service (Managing Director)**

The Head of Paid Service is the Managing Director. The Managing Director is accountable to the Council and Service Committees on the manner in which the discharge of the Council's functions is coordinated.

~~2.5.2~~2.4.2 **The Monitoring Officer (Head of Law)**

The Monitoring Officer is responsible for maintaining an up-to-date version of the Constitution and contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee. He/she is also responsible, in conjunction with the Managing Director and the Executive Director of Finance for reporting to the Council or Service Committee if he/she considers that any proposal, decision or omission would give, is likely to give, or has given, rise to a contravention of any enactment or rule of law or any maladministration of injustice. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered. The Monitoring Officer will also provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all members.

~~2.5.3~~2.4.3 **The Chief Finance Officer (Executive Director of Finance)**

The Council has designated the Executive Director of Finance as the Chief Finance Officer. The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Section 151, Local Government Act 1972
- The Local Authorities Goods and Services Act 1970 and 1988
- Section 114, Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Local Government Acts 2000 and 2003
- The Accounts and Audit (England) Regulations 2011
- The Local Government Pension Scheme Regulations 1974 and 1997
- The Local Government Pension Scheme Regulations (Management and Investment of Funds) 1998
- Localism Act 2011

There are other Statutory Officers roles as set out within the Constitution, these include: Executive Director of Children's Services, Executive Director of Adult Social Services, Chief Fire Officer and Director of Public Health.

~~2.6~~2.5 The Money Laundering Reporting Officer

The Head of Law is appointed as the Money Laundering Reporting Officer and the Team Leader, Public Law and Standards, nplaw as the Deputy Money Laundering Reporting Officer. The Council has an Anti-Money Laundering Policy and Procedures in place. The Money Laundering Reporting Officer is the officer responsible for reporting disclosures to the National Crime Agency.
~~The Head of Law is appointed as the Money Laundering Reporting Officer and the Service Director (Legal and Democratic Services) as the Deputy Money Laundering Reporting Officer. The Council has an Anti-Money Laundering Policy and Procedures in place. The Money Laundering Reporting Officer is the officer responsible for reporting disclosures to the National Crime Agency~~

~~2.7~~2.6 Executive Director of Finance

The Executive Director of Finance has statutory duties in relation to the financial administration and stewardship of the County Council. This statutory responsibility cannot be overridden.

~~2.7.1~~2.6.1 The Executive Director of Finance is also subject to compliance with Statements of Professional Practice issued from time to time.

The role of Executive Director of Finance complies with the principles in the CIPFA best practice statement on the "Role of the Chief Financial Officer in Local Government." This statement confirms that the Executive Director of Finance is not only a servant of the Council, but also has a fiduciary responsibility to local taxpayers as a trustee of public monies.
~~2.7.2~~2.6.2

~~2.7.3~~2.6.3 The Executive Director of Finance is responsible for:

- the proper administration of the County Council's financial affairs
- ensuring adherence to accounting standards

- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management, including the level of balances, closure of accounts and statement of accounts
- setting the framework for reporting financial implications to each Service Committee
- providing financial information on the corporate position of the County Council
- providing financial advice and information on all of the County Council's services
- preparing the overall revenue budget and capital programme, including the three year rolling medium term financial strategy
- preparing the asset management plan
- reporting on the robustness of the estimates made for the purposes of budget calculations, and the adequacy of proposed financial reserves
- effective administration of the treasury management function and aspects of pension fund administration and investment
- preparing the prudential indicators and ensuring adherence to the authorised limits set by Council
- defining standards of financial administration and management throughout the County Council
- defining the competencies of finance employees and for the delivery of effective and appropriate training and development opportunities to those employees
- advising on the adequacy and effectiveness of internal systems of control and internal audit
- delivering appropriate financial training to members and non-financial staff

~~2.7.4~~2.6.4 The Executive Director of Finance has the Head of Profession role for all finance staff in the County Council and has a responsibility for their professional standards, competencies, training and development. This includes ensuring that procedures are in place to enable lead finance managers for each service to report concurrently to the Executive Director of Finance and their Service Chief Officer on key financial matters.

~~2.7.5~~2.6.5 The Head of Profession role of the Executive Director of Finance carries the statutory responsibility laid down by **Section 151 of the Local Government Act 1972** to "make arrangements for the proper administration of the County Council's financial affairs."

~~2.7.6~~2.6.6 **Section 114 of the Local Government Finance Act 1988** requires the Executive Director of Finance to report to each member of the Council, and the External Auditor, if the County Council, a committee, or a joint committee on which the County Council is represented, or one of its officers:

- has made, or is about to make, a decision which involves the County Council incurring unlawful expenditure
- has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the County Council
- is about to make an unlawful entry in the County Council's accounts

~~2.7.7~~2.6.7 Section 114 of the 1988 Act also requires:

- the Executive Director of Finance to nominate a properly qualified member of staff to deputise if he or she is unable to perform personally, the duties under section 114
- the Authority to provide the Executive Director of Finance with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

~~2.7.8~~2.6.8 The Executive Director of Finance is responsible for ensuring that all services are appropriately supported by skilled finance professionals.

~~2.8~~2.7 ~~Chief Officer Group~~County Leadership Team

In addition to individual responsibilities the Managing Director and Chief Officers form the ~~Chief Officer Group~~County Leadership Team, which, acting together and corporately is responsible for:

- Advising on draft financial policies for consideration by relevant Committees.
- Working closely with the relevant Committees in developing financial policies.
- Being the primary mechanism for collectively ensuring the delivery of the Council's corporate financial policies.

~~2.9~~2.8 Chief Officers

~~2.9.1~~2.8.1 Chief Officers are responsible:

- for ensuring that the Council is advised of the financial implications of all proposals relating to their respective services and for ensuring that the financial implications have been agreed by the Executive Director of Finance
- for consulting with the Executive Director of Finance and seeking approval on any matter liable to materially affect the County Council's finances before any commitments are entered into or incurred. This includes notification to the Executive Director of Finance as soon as possible in the event of identification of overspending or of a shortfall in income against the budget approved by the Council; and
- for ensuring that budget monitoring is undertaken on a monthly basis, and that costs are contained within budget. In the event of identification of overspending or a shortfall in income against the budget, Chief Officers are responsible for ensuring that corrective action is managed in a rigorous manner.

~~2.9.2~~2.8.2 Chief Officers should maintain a written record where decision-making has been delegated to members of their staff, including seconded staff.

~~2.9.3~~2.8.3 Chief Officers' role includes working with outside bodies and accessing additional funds and resources in order to support the Council's programme of work.

~~2.10~~2.9 **Other Financial Accountabilities**

~~2.11~~2.10 **Accounting Policies**

2.10.1 The Executive Director of Finance is responsible for ensuring appropriate accounting policies are in place and that they are applied consistently across the County Council.

~~2.12~~2.11 **Accounting Records and Returns**

2.10.2 The Executive Director of Finance is responsible for the accounting procedures and records for the County Council and must ensure that the financial accounts and financial records of the County Council comply with all accounting policies and standards where applicable and that these standards are applied consistently across the County Council.

~~2.13~~2.12 **Annual Statement of Accounts**

2.10.3 The Executive Director of Finance is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with proper practices as required by the Accounts and Audit Regulations 2011. Proper practices include the Code of Practice on Local Authority Accounting in the United Kingdom (the code) and relevant statutory provisions. Council has delegated responsibility for approving the annual Statement of Accounts to the Audit Committee.

3. Financial Planning

3.1 Introduction

3.1.1 The Executive Director of Finance, in accordance with the strategies, policies and priorities of the County Council, is to be responsible for the proper administration of the financial affairs of the County Council, including multi-year financial planning and control.

3.2 Revenue Budget

3.2.1 The revenue budget is proposed by the Policy and Resources Committee, taking into account Service Committees' recommendations to Policy and Resources, and approved by the County Council. The budget should have regard to proper accounting standards and include a statement of the allocation of resources to different services and projects and to proposed council tax levels. Once the overall budget has been approved by County Council, it cannot be increased by a committee.

3.3 Capital Budget

3.3.1 The capital budget is proposed by the Policy and Resources Committee and approved by the County Council. The budget should have regard to proper accounting standards and include a statement of the allocation of resources to different services and projects and how the programme is to be funded and any impact on the revenue budget.

3.4 Medium Term Planning and Budget Preparation

3.4.1 The County Council is responsible for agreeing the Council's priorities. This sets the overall strategic framework for the County Council's services. The Medium Term Financial Strategy and Medium Term Financial Plan set out the approach and financial context for the County Council. The Financial Plan gives further detail as to how the County Council will deliver plans and resource services over three years. The County Council is responsible for agreeing a rolling three year balanced budget and agreeing the precept for the following financial year at the February County Council meeting. Chief Officers are collectively responsible for developing a framework and timetable to deliver medium term planning requirements. This framework will include: review of the planning context and the forward budget planning forecast; service priorities and costs; and provide a structure incorporating the development of medium term service options including efficiencies, financial implications, risk impact and likelihood assessment; member engagement, public and stakeholder consultation and the decision- making process.

3.4.2 Policy and Resources Committee is responsible for providing guidance to Service Committees on the preparation of the budget in consultation with the Executive Director of Finance. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- the County Council's core roles
- all available resources including external funding and income
- increases in demand, and inflation
- reductions due to changes~~reductions~~ in grant funding and cuts
- best value
- Government guidelines
- accounting standards
- the Prudential Code
- The County Council Plan
- Asset Management Plan
- Reserves, general and earmarked
- Arms' length bodies

It will also set out the minimum requirements for preparation of budget proposals including:

- option appraisal and use of whole life costing, comparing the relative costs of the options, over the life of the project. For example, whether to lease, purchase or new build;
- risk assessment and owner;
- single impact assessment, a Norfolk County Council tool to ensure all of the necessary key cross cutting issues are considered, including equality and sustainability; and
- Budget proposals pro-forma template to ensure that budget proposals are developed on a consistent basis by service committees

3.4.3 The Executive Director of Finance is responsible for ensuring that rolling three-year revenue and capital budget proposals are prepared on an annual basis for consideration by the Policy and Resources Committee. The Policy and Resources Committee is responsible for ensuring that the three year revenue and capital budget proposals are robust and underpinned by an adequate level of reserves before submission to the County Council. The Policy and Resources Committee will publish to all County Council members each autumn the financial context for forward financial service planning, a review of the issues relating to the budget for the following financial year and a timetable for the preparation and approval of the budget. This timetable will take account of the need for discussion and review of the proposals by Service Committees and of the need for statutory and other consultation on the budget proposals.

3.4.4 It is the responsibility of Chief Officers to ensure that proposals are prepared in accordance with the guidance, to ensure that budgets are set on a sound financial basis and in accordance with best practice including ensuring that they have been risk assessed.

3.4.5 The Executive Director of Finance is responsible for ensuring that proposals demonstrate adherence to the guidance and members should ensure that any proposed budget amendments are made available to the Executive Director of Finance at least five working days before the County Council budget meeting. Members' proposed budget amendments must be finalised two working days before the County Council budget meeting in order that the Executive Director of Finance can report on the robustness of any proposed budget amendments.

3.4.6 The County Council will consider the budget proposals and may adopt them, amend them or substitute its own proposals in their place prior to March 1st. The County Council will agree at least a three year balanced budget and agree the precept for the following year.

3.5 Asset Management Plan

3.5.1 The Executive Director of Finance is responsible for ensuring an Asset Management Plan is prepared on an annual basis for consideration by Policy and Resources Committee before submission to County Council.

3.6 Decisions

3.6.1 All decisions must be undertaken in accordance with the decision-making and reporting framework set out in the Constitution of the County Council and must comply with the County Council's Financial Regulations and Financial Procedures. Details of financial implications must be provided before any financial decision can be taken.

3.7 Budget Monitoring and Control

3.7.1 The Executive Director of Finance is responsible for monitoring income and expenditure against approved revenue and capital budget allocations and for reporting to the Policy and Resources Committee on the overall position on a monthly basis and the other Service Committees on their budgets on a monthly basis.

3.7.2 The Executive Director of Finance is responsible for monitoring the prudential indicators and reporting to the Policy and Resources Committee on the overall position on a monthly basis.

3.7.3 The Executive Director of Finance is responsible for monitoring the cash flow of the County Council and ensuring this is used to inform borrowing and investment decisions.

3.7.4 It is the responsibility of Chief Officers to control income and expenditure within their area in accordance with the approved budget and to monitor performance, taking account of financial information provided by the Executive Director of Finance. Chief Officers are responsible for alerting the Executive Director of Finance and the relevant Chair of the Service Committee or Chair of Policy and Resources Committee, to any overspendings or shortfalls in income and for identifying strategies and options for containing spend within the budget approved by the Council. If the overspending or shortfall in income cannot be accommodated within the service's budget this shall be reported to the Policy and Resources Committee.

~~3.7.4~~3.7.5 Any policy proposal, which would have the effect of increasing a Service Committee's budget, must be supported by a funding proposal setting out how it can be accommodated within the Service Committee's existing budget. Such proposals must be made available to the Executive Director of Finance at least five working days before the meeting at which they are to be proposed and must be finalised two working days before the meeting in order that the Executive Director of Finance can report on the robustness of any proposed budget amendments. In the event that the proposal falls outside the scope of the Policy Framework as set out in part 3.1 of the Constitution, it must be referred to Full Council for consideration.

~~3.7.5~~3.7.6 Any variation or variations to a contract which in aggregate result in additional costs exceeding 5% of the original contract value or £50,000 (whichever is the greater) shall be subject to the prior approval of the Head of Law and the Head of Procurement.

3.8 Virement

3.8.1 Virement is the process of transferring the budget expenditure or income, whether revenue or capital, from one approved budget head to another. The County Council is responsible for agreeing the overall procedures for the virement of budget and the approval of virements between committees. Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Executive Director of Finance where required. (The current approved procedures are shown in Annex A).

3.8.2 Schools are free to vire between budget heads in the expenditure of their budget shares but Governors are advised to establish criteria for virements and financial limits above which the approval of the Governors is required.

3.9 Treatment of Year-End Balances

3.9.1 Service Committees are required to report any under and overspendings to Policy and Resources Committee as part of year-end reporting. Policy and Resources Committee is responsible for reporting the overall under and overspendings to County Council and making recommendations as to how they are utilised or managed.

3.9.2 The Executive Director of Finance is responsible for putting in place controls to ensure that carry- forward of revenue budget, revenue reserves and revenue grants above agreed limits are documented and reported to all Chief Officers and totals agreed by Service Committees.

3.9.3 The Executive Director of Finance is responsible for putting in place controls to ensure that carry- forward of capital budget, capital reserves and capital grants above agreed limits are documented and reported to all Chief Officers and totals agreed by Service Committees. Any slippage on the capital programme will be carried forward to the next financial year and reported to Service Committees.

3.10 Maintenance of Reserves

3.10.1 It is the responsibility of the Executive Director of Finance to review the Council's financial risks and planning assumptions and advise the Policy and Resources Committee and the County Council on prudent levels of reserves and of general balances as part of setting the budget. This advice needs to take account of relevant accounting standards and professional best practice as part of the Council's budget planning process and regular budget monitoring.

4. Governance, Risk Management and Internal Control

4.1 Governance

4.1.1 The Audit Committee is primarily responsible for Governance, Risk Management and Internal Control throughout the County Council. Its Terms of Reference are reviewed annually, changes approved by the County Council and published as Appendix 2 to the Constitution. The composition is politically balanced and is reviewed at each appointment to the Committee.

4.1.2 Other member- led bodies that also have a role in governance and internal control include the County Council and, with respect to members, the Standards Committee.

4.2 Internal Control and Internal Audit

4.2.1 Internal control refers to the systems of management and other controls put in place to ensure that the County Council's objectives are achieved in a manner which promotes economic, efficient and effective use of resources and in a way which ensures that the County Council's assets and interests are safeguarded.

4.2.2 The Executive Director of Finance is responsible for advising on adequate and effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant best practice.

4.2.3 It is the responsibility of Chief Officers, having regard to advice from the Executive Director of Finance, to establish sound arrangements for internal control including planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and in order to achieve their targets.

4.2.4 The Accounts and Audit Regulations 2011 require the County Council to:

- undertake an adequate and effective internal audit;
- review the effectiveness of its internal audit, at least annually; and
- ensure the Audit Committee considers the findings of that review as part of its consideration of the system of internal control for the County Council.

4.2.5 The Leader of the Council and the Managing Director are responsible for signing the Annual Governance Statement that should be produced following an annual review of systems of internal control. The Annual Governance Statement is published with the annual Statement of Accounts.

4.3 **Risk Management**

4.3.1 The County Council is responsible for approving the County Council's Risk Management Policy and Framework, and ensuring that proper insurance exists where appropriate.

4.3.2 The Audit Committee is responsible for reviewing the effectiveness of the County Council's risk management arrangements. It will receive risk management reports at least four times a year and take appropriate action to ensure that corporate business risks are being actively and appropriately managed. Annually, it will report on risk management to the County Council.

4.3.3 The Executive Director of Finance is responsible for informing the preparation of the County Council's risk management Policy and Framework, for promoting it throughout the County Council and for advising the Policy and Resources Committee on proper insurance cover where appropriate. The Executive Director of Finance will also report on the Corporate Risk Register to each meeting of the Audit Committee, and ensure that Departments report their departmental risk register at least twice per annum to their respective Service Committee.

4.4 **External Audit**

4.4.1 ~~The Audit Commission~~ (Public Sector Audit Appointments Limited (replacing the Audit Commission with effect from 1 April 2015) ~~or its successor body~~ is responsible for appointing external auditors to each local authority. The duties of the external auditor are governed by section 5 of the Audit Commission Act 1998.

4.4.2 The County Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

4.4.3 External auditors have a responsibility to satisfy themselves that the County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This judgement is based on criteria specified by the National Audit Office. The Executive Director of Finance, in conjunction with Chief Officers, must ensure that the organisation makes best use of resources and that taxpayers and / or service users receive value for money.

4.5 **Anti Fraud and Corruption**

4.5.1 In managing its responsibilities the County Council is determined to protect itself against fraud and corruption both from within the County Council and from outside. The County Council is committed to maintaining a strong anti-fraud and corruption culture through its Anti-Fraud and Corruption Strategy. This is designed to:

- Encourage prevention;
- Promote detection;
- Identify a clear pathway for investigation; and
- Fulfil the requirements of Section 17 of the Crime and Disorder Act 1998

4.5.2 The County Council expects members and staff at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices and internal controls including internal checks.

4.5.3 Chief Officers are responsible for ensuring that internal controls are such that fraud or corruption will be prevented, where possible, and the measures in the Anti-Fraud and Corruption Strategy are promoted.

4.5.4 Under the Anti-Fraud and Corruption Strategy, a Chief Officer is required to immediately inform the Executive Director of Finance of any financial irregularity or suspected financial irregularity.

4.5.5 The County Council expects that all who have dealings with it have a similar anti-fraud and corruption ethos and that they have no intent or actions with respect to fraud and corruption. (The County Council has issued guidance in "How to do business with Norfolk County Council" including whistleblowing, to support this).

4.6 **Money Laundering and Proceeds of Crime**

4.6.1 The County Council has adopted an anti-money laundering policy and procedures intended to prevent the use of proceeds from crime. This policy has been developed with regard to the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007 and fuller details can be found in a procedures document on the Norfolk Public Law (nplaw) page of the County Council's Intranet site.

4.6.2 The County Council has nominated the Head of Law to perform the role of Money Laundering Reporting Officer (MLRO) whose principal role is to receive, consider and respond to any reports received of known or suspected money laundering.

4.6.3 Chief Officers are responsible for ensuring that:

- all staff most likely to be exposed to, or suspicious of, money laundering situations are made aware of the requirements and obligations placed on the County Council and themselves by legislation;
- those staff considered most likely to encounter money laundering are given appropriate training (nplaw can provide relevant in-house training);
- departmental procedures are established to help forestall and prevent money

laundering, including making arrangements for reporting concerns about money laundering to the MLRO; and

- periodic and regular assessments are undertaken of the risks of money laundering that may exist in their Departments.

4.7 Treasury Management

4.7.1 The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services and complies with the CIPFA Prudential Code when carrying out borrowing and investment activities under Part 1 of the Local Government Act 2003.

4.7.2 The County Council is responsible for the setting and revising of prudential indicators and for the approval of the Annual Investment and Treasury Strategy.

4.7.3 The County Council has delegated responsibility to the Executive Director of Finance for the execution and administration of treasury management decisions, including decisions on borrowing, investment, financing (including leasing) and maintenance of the counter party list. The counter party list contains details of those banks, building societies and other bodies that meet the County Council's criteria for investment. The Executive Director of Finance has delegated authority to effect movement between the separately agreed limits for borrowing and other long term liabilities reflected in the Prudential Code's operational and authorised limits. The Executive Director of Finance is required to act in accordance with the County Council's Treasury Management Policy Statement and Treasury Management Practices and CIPFA's Standards of Professional Practice on Treasury Management in accordance with external advice.

4.7.4 The Executive Director of Finance will prepare for County Council an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. In addition, the Executive Director of Finance will regularly report to the Treasury Management Panel and the Policy and Resources Committee on treasury management policies, practices, activities and performance monitoring information.

4.7.5 The Executive Director of Finance is responsible for monitoring performance against prudential indicators, including reporting significant deviations to the Policy and Resources Committee and County Council as appropriate.

4.7.6 The Executive Director of Finance is responsible for ensuring all borrowing and investment decisions, both long and short term, are based on cash flow monitoring and projections.

4.7.7 The Executive Director of Finance is responsible for ensuring that any leasing financing decisions are based on full options appraisal and represent best value for the County Council, in accordance with the County Council's leasing guidance.

4.7.8 The Executive Director of Finance is responsible for the provision and management of all banking services and facilities to the County Council.

4.8 **Norfolk Pension Fund**

4.8.1 The Local Government Pension Scheme (LGPS) is a national pension scheme, with its own regulator (the Department of Communities and Local Government), which is administered locally.

4.8.2 The County Council is the Administering Authority of the Norfolk Pension Fund, and administers the LGPS on behalf of all the participating employers and scheme members. Norfolk County Council is also an employer within the scheme.

4.8.3 Norfolk County Council delegates all its responsibilities as Administrator of the scheme to the Pensions Committee, including admitted bodies which acts as quasi-trustee of the Fund.

4.8.4 All Pension Fund assets are separate from the County Council, and all costs and income are accounted for separately. The Fund has a separate bank account.

4.8.5 The Pensions Committee is responsible for all aspects of the administration of the scheme. This includes responsibility for deciding upon the best way in which the Pension Fund is to be invested with appropriate regard to its fiduciary responsibilities.

4.8.6 Advice is received as required from professional advisers. The Pensions Committee formally reviews the performance of investments and the overall strategy on a regular basis. The Fund is invested in compliance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as Amended).

4.8.7 The Pensions Committee is also responsible for the appointment and monitoring of Investment Managers, Custodian and other related service providers to the Fund.

4.8.8 The Executive Director of Finance is responsible for the administration and financial accounting of the Norfolk Pension Fund. The Executive Director of Finance is responsible for the preparation of the Pension Fund annual report and the statement of accounts. The County Council delegates responsibility for the approval of the annual accounts to the Audit Committee.

4.8.9 The Norfolk Pension Fund has adopted a Statement of Investment Principles in relation to the investment of the assets. This Statement includes details of compliance with recognised good investment practices. It is the Pensions Committee's responsibility to monitor the Fund's position in relation to the Statement of Investment Principles.

4.8.10 The Executive Director of Finance is custodian of the Funding Strategy Statement, which sets out the Fund's approach to funding liabilities, based on principles agreed by the Pensions Committee. The Executive Director of Finance is also the custodian of the Fund's Communication Strategy, which details the communication needs of its stakeholders.

4.8.11 The Executive Director of Finance ensures compliance with relevant regulatory and legislative guidelines and for keeping records of all scheme members, calculation and payment of benefits, transfers between schemes and the collection of contributions from participating employers.

5. Assets, Systems, Processes and Records

5.1 Introduction

5.1.1 Robust systems and procedures are essential to an effective framework of accountability and control.

5.2 Data Management

5.2.1 The ~~Chief Officer Group~~County Leadership Team is responsible for ensuring that policies and procedures are in place to enable management of data to support effective decision-making.

5.2.2 It is the responsibility of Chief Officers to ensure data management policies are understood and used effectively within their services.

5.3 Financial Processes and Data Protection

5.3.1 The Executive Director of Finance is responsible for the determination and operation of the County Council's accounting processes, for the form of accounts and for the supporting financial records. The Executive Director of Finance must approve any changes made by Chief Officers to the financial processes or the establishment of new processes, including IT systems.

5.3.2 Chief Officers must ensure that any processing (computerised or manual) that involves personal information is registered in accordance with the Data Protection Act 1998 and that all staff are aware of their responsibilities under the Act and advice from the Information Commissioner.

5.3.3 Chief Officers must ensure that all staff are aware of their responsibilities under Freedom of Information legislation, and that procedures are in place to ensure compliance.

5.3.4 Chief Officers must ensure that all staff are aware of their responsibilities under the Code of recommended practice for local authorities on data transparency. These include:

- The requirement to maintain an inventory of data sets.
- The general requirement that, where data is published, it should be in a non-proprietary format and published in a timely fashion.
- The requirement to publish certain, specified data sets.

5.3.5 To ensure that open data which is published corporately is accurate and complete, Chief Officers must ensure that:

- All contracts over £50,000 are registered on the corporate contracts register maintained by the procurement team.
- All goods and services are ordered via one of the council's electronic ordering systems (for general purposes, Oracle iProcurement).
- All goods and services are ordered in advance and purchase order descriptions are accurate and complete.

- All changes of structure are notified to HR.

5.4 Schemes of Authorisation

5.4.1 It is the responsibility of Chief Officers to ensure that a proper scheme of authorisation has been established within their area and is operating effectively. The scheme of authorisation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Council, in respect of payments, income collection and procurement (including ordering), together with the limits of their authority. Procurement authorisations shall be made in accordance with the requirements of Contract Standing Orders. For clarity, staff identified to act in this way will be required to formally accept their responsibilities under the scheme of authorisation. Policy and Resources Committee is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

5.5 Income

5.5.1 The Executive Director of Finance is responsible for the provision and management of all income collection arrangements for the County Council.

5.6 Payments to Employees, Third Parties and Members

5.6.1 Except for schools, the Executive Director of Finance is responsible for all payments of salaries and wages to all staff, including payments for overtime, goods and services provided, and for the payment of allowances to elected members. Schools have delegated responsibility under the LMS scheme.

5.7 Taxation

5.7.1 The Executive Director of Finance is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues, including VAT, that affect the County Council.

5.7.2 The Executive Director of Finance is responsible for maintaining the County Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

5.8 Trading Accounts

5.8.1 Policy and Resources Committee must approve the establishment of all Trading Accounts. Trading Accounts are required for all services that provide goods or services to a third party on a traded basis or where the organisation has identified that a service should operate as a separate trading unit.

5.8.2 The Executive Director of Finance is responsible for the form of the trading accounts included in the Trading Framework document. Chief Officers are responsible for reporting on the activities of any trading organisation within their respective areas of service, taking account of current accounting standards and best practice in reporting.

5.9 **Monitoring Reporting**

5.9.1 Chief Officers are responsible for ensuring that monthly budget monitoring reports for both revenue and capital expenditure and income are produced for their respective areas of service. The Executive Director of Finance is responsible for regularly reporting the details (including compliance with the Prudential Code) to Policy and Resources Committee.

5.9.2 Any variation, or variations, to a contract which in aggregate result in additional costs exceeding 5% of the original contract value or £50,000 (whichever is the greater) shall be subject to the prior approval of the Head of Law and the Head of Procurement.

5.10 **Companies / Trusts**

5.10.1 Policy and Resources Committee is responsible for:

- Approving the establishment and viability (including the business case) of all new companies / trusts.
- Approving investments in other companies / trusts, in which the County Council has a financial interest except where the investment is within criteria Policy and Resources Committee has previously delegated to a Chief Officer.
- Taking decisions as shareholder and sole trustee where appropriate.
- Monitoring and receiving reports on the County Council's companies.

5.10.2 Chief Officers are responsible for informing the Head of Law and Executive Director of Finance of any new proposals, to ensure that legal and financial considerations are properly considered before any arrangements with an outside body or creation of a new company are considered.

5.10.3 Chief Officers are also responsible for ensuring tight controls are in place for the financial management of loan and guarantor arrangements with Norfolk County Council owned companies. This includes ensuring the Executive Director of Finance is presented with robust business cases and signed loan agreements.

~~5.10.2~~5.10.4 The Executive Director of Finance is responsible for reviewing the ongoing viability of such entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected.

~~5.10.3~~5.10.5 All relevant companies must have their accounts incorporated and consolidated within the County Council's financial accounts in accordance with proper accounting standards and best financial practice. The Executive Director of Finance is responsible for ensuring the proper financial accounting treatment and compliance with current legislation.

~~5.10.4~~5.10.6 The appointment of directors to companies / trusts in which the County Council has an interest must be made by County Council, having regard to the advice of the Executive Director of Finance. The directors will then have a statutory duty to the company/trust and must therefore act in accordance with the Companies and/or Charities Act where applicable.

~~5.10.5~~5.10.7 The Executive Director of Finance and Head of Law should be contacted for assistance at an early stage to discuss the proposals.

5.11 **Contract Standing Orders**

5.11.1 Chief Officers are responsible for ensuring that the procurement of all goods, works and services is undertaken in accordance with the Council's Contract Standing Orders.

5.11.2 Contract Standing Orders form part of the County Council's Constitution and are the rules that govern how procurement will be undertaken by the Council, and what processes must be followed.

5.12 **Assets**

5.12.1 Chief Officers should ensure that records of assets are properly maintained and securely held (in practice property asset records are kept by the Corporate Property Team on behalf of Chief Officers). Chief Officers should also ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.

5.12.2 In making disposals officers will have due regard to the provisions of the Local Government Act 1972 (section 123) concerning best consideration, subject to the discretion afforded to authorities by virtue of the General Disposal Consent (England) 2003 (see DCLG Circular 06/2003). All decisions to dispose at less than best consideration will be referred to Policy and Resources for determination.

5.12.3 Disposal must be made by competitive tender or public auction unless the Executive Director of Finance authorises otherwise. The appointment of agents to handle disposals is subject to the normal provisions of Council Standing Orders.

5.12.4 All disposals, acquisitions and other property transactions are to be made only by the Council's Corporate Property Officer. In reaching decisions on the disposal of land and property, the County Council should give due consideration to the advice of the Corporate Property Officer. The Council's named and designated Corporate Property Officer (the Head of Corporate Property) may, in accordance with arrangements approved by the Executive Director of Finance, dispose of assets, acquire assets and approve of transactions ~~up to an estimated value of £25,000 in each case~~as set out in the tables at 5.12.6 and 5.12.7 below. Proposals for disposals, acquisitions and other property transactions must involve the Local Member as set out within the Local Member Protocol in the Constitution (Annex to Part 6.2 of the Constitution).

5.12.5 Land and buildings declared surplus by a service will be reviewed by the Corporate Property Strategy Group~~Capital Asset Management Group (CCAMG) or its successor body~~ and where there is no alternative beneficial use such property will be reported to Policy and Resources Committee to confirm its status as a surplus asset to be disposed of.~~, the Head of Finance will recommend the disposal in accordance with the following schedule:~~

~~5.12.2~~5.12.6 The disposal of surplus assets will be undertaken as follows:

Property		**Other Assets**	
Disposal value* £m	**Responsibility and authorisation**	**Disposal value* £m**	**Responsibility and authorisation**
£0.500m+ (unless disposal specifically agreed within the annual budget-setting process)	Policy and Resources Committee	£0.500m+	Policy and Resources Committee
Between £0.025~~0~~m to £0.500m	Corporate Property Officer in consultation with the Executive Director of Finance, Managing Director and Chair of Policy and Resources Committee	£0.250m to £0.500m	Chief Officer in consultation with Executive Director of Finance
Up to £0.025~~0~~m	Corporate Property Officer	Up to £0.250m	Chief Officer
All disposals at less than best consideration (irrespective of value)	Policy and Resources Committee	All disposals at less than best consideration (irrespective of value)	Policy and Resources Committee
Leases**			
Operational properties – lease out or lease out renewals at a rent of £25,000 or more per annum, or the term is for 10 years or more	Policy and Resources Committee		
Operational properties – lease out or lease out renewals at a rent below £25,000 per annum, and the term is for less than 10 years	Corporate Property Officer		
Commercial properties – lease out or lease out renewals at a rent of £50,000 or more per annum, or the term is for 10 years or	Policy and Resources Committee		

more			
Commercial properties – lease out or lease out renewals at a rent below £50,000 per annum, and the term is for less than10 years	Corporate Property Officer in consultation with the Executive Director of Finance		

* Disposal value in this table refers to the valuation of the asset, irrespective of the consideration to be received.

** For the purposes of leases, a distinction is made between the Operational Property Estate and the Commercial Property Estate as follows:

Operational Estate:
The operational estate relates to those property assets used principally for service delivery. At times parts of the operational estate may temporarily not be required for service delivery but are retained where there will be a future use. An example could be an office building. In addition, parts of the estate are let out to support service delivery by a third party on the council's behalf, for example a depot. In these instances the asset would be let to derive an income.

Commercial Estate:
The council holds some assets for economic development reasons (investment properties), which are let out to businesses to support the policies and aims of economic development as well as deriving a rental income. In this situation, the ebb and flow of leases requires commercial agility to be able to react to market demands. To support this requires the Corporate Property Officer to be able to agree terms of a lease quickly as circumstances dictate.

~~Disposals above £1million500,000 – Policy and Resources Committee.~~

~~Disposal between £250,000 and £1milion – Corporate Property Officer in consultation with Executive Director of Finance~~

~~Disposal below £250,000 – Corporate Property Officer~~

~~All disposals at less than best consideration (irrespective of value) – Policy and Resources Committee~~

~~Disposals between £10,000 and £500,000 (directly negotiated with the purchaser, release of claw back, below market value, or where, after being offered on the open market the best offer is not accepted) – Managing Director following consultation with the Chair of Policy and Resources Committee.~~

~~Disposals between £10,000 and £500,000 (where, after being offered on the open market the best offer is accepted) – Managing Director following consultation with the Chair of Policy and Resources Committee.~~

~~Disposals below £10,000 (directly negotiated with the purchaser, release of claw back, below market value, or where, after being offered on the open market the best offer is not accepted) – Managing Director (corporate property) with delegations to the Corporate Property Officer.~~

~~County Farms – Managing Director following consultation with the Chair of Policy and Resources Committee.~~

5.12.7 Acquisitions of assets will be undertaken as follows:

Property		**Other Assets**	
Acquisition value £m	**Responsibility and authorisation**	**Acquisition value £m**	**Responsibility and authorisation**
£0.250m+	Policy and Resources Committee	£0.250m+	Policy and Resources Committee
Between £0.025m to £0.250m	Corporate Property Officer in consultation with the Executive Director of Finance, Managing Director and Chair of Policy and Resources Committee	Below £0.250m	Chief Officer
Below £0.025m	Corporate Property Officer		
Leases			
Lease acquisitions and renewals where the proposed rental is £25,000 or more per annum, or the term of the lease or renewal is for ten or more years	Policy and Resources Committee		
Lease acquisitions and renewals where the proposed rental is below £25,000 per annum, and the term of the lease or renewal is for less than ten years	Corporate Property Officer		

5.12.8 The government has consulted on regulations which would require any decision to dispose of land and buildings with a value above £500,000 to be agreed by the Full Council. The regulations above show the responsibility is with Policy and Resources Committee pending the outcome of the consultation. If enacted, the following thresholds would apply:

Disposal value	**Responsibility and Authorisation for Land and Buildings**
Up to £0.025m	Corporate Property Officer
£0.025m – 0.500m	Corporate Property Officer in consultation with the Executive Director of Finance,

	Managing Director and Chair of Policy and Resources Committee.
£0.500m + and All disposals at less than best consideration (irrespective of value)	Full Council

5.12.9 The County Council has an aspiration to at least maintain the size of its current County Farms estate. To that end any capital receipts from the sale of County Farm land will be treated in the following way:

For all County Farms land that is sold:

- If it is sold as **agricultural land**, 100% of the capital receipt will be hypothecated towards further acquisitions of County Farm land / capital improvements to the County Farm estate that produce a revenue uplift.

- If it is sold as **residential/development** land:

  - A valuation will be undertaken to establish the value of the land, should it have been sold without planning permission. That value will then be hypothecated towards further County Farm acquisitions / capital improvements to the County Farm estate that produce a revenue uplift.
  - The balance of the sale value will be split:
    - 65% towards general capital receipts to be utilised by the Council for any purpose.
    - 35% will be put into a reserve for the use of County Farms for further acquisitions / capital improvements to the County Farm estate that produce a revenue uplift.
      - If this reserve reaches £3m in value then any additional receipts will be made available for general Council use for any purpose.

~~01Managing Director (with advice from the Corporate Property Officer), subject to consultation with the Chair of the Policy and Resources Committee~~

~~Acquisition above £1million – Policy and Resources Committee~~

~~Acquisition between £250,000 and £1million – Corporate Property Officer in consultation with Executive Director of Finance~~

~~Acquisition below £250,000 – Corporate Property Officer~~

5.13 **Retention of Financial Records**

5.13.1 The County Council has a specific policy in place on the minimum retention periods for financial records and these periods are set out in the corporate records retention and disposal scheme. Chief Officers should ensure records are maintained and held securely for the correct period, after which they should be disposed of in accordance with the procedures.

6. External Arrangements

6.1 Introduction

6.1.1 Where the County Council operates in a devolved environment or through a partnership or other arrangements, the Executive Director of Finance must ensure that the roles and responsibilities for each of the activities and tasks in maintaining financial administration and stewardship are clearly defined, allocated and operated effectively.

6.2 **Partnerships**

6.2.1 The County Council has formal representation on many external boards such as: the Police and Crime Panel, the Local Enterprise Partnership Board, and the Greater Norwich Growth Board.

6.2.2 Separate governance arrangements will exist for external boards / partnerships / joint ventures and decisions taken by Council members at these boards that affect Norfolk County Council will still be subject to the Norfolk County Council Constitution.

6.2.3 The Executive Director of Finance must ensure that the accounting and reporting arrangements to be adopted relating to partnerships and joint ventures, as defined within Financial Procedures, are satisfactory. The Executive Director of Finance and Head of Law must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must also ensure that the risks have been fully appraised before agreements are entered into with external bodies.

6.2.4 Chief Officers are responsible, in consultation with the Executive Director of Finance and Head of Law, for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. They should also ensure that the risks identified above are mitigated where possible.

6.3 **External Funding**

6.3.1 The Executive Director of Finance is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the County Council's accounts. Chief Officers are responsible for ensuring that the Executive Director of Finance is notified of external funding bids at an early stage.

6.4 **Financial Guarantees**

6.4.1 Chief Officers must inform the Executive Director of Finance of all proposals that may require a financial guarantee prior to implementation.

6.4.2 The Executive Director of Finance is responsible for ensuring that any proposed financial guarantee requirement is within the powers of the County Council and shall consult with the Head of Law as appropriate.

6.4.3 Requirements for suppliers to provide the County Council with either bonds or guarantees shall be agreed with the Corporate Property Officer (for property contracts) or the Head of Procurement (for other contracts)

6.5 **Work for Third Parties**

6.5.1 The Policy and Resources Committee is responsible for approving the contractual arrangements for any work for third parties or external bodies, not already covered by the Scheme of Authorisation to Chief Officers.

6.6 **State Aid and Competition**

6.6.1 Chief Officers are responsible for ensuring that any payments made by their department do not constitute State Aid or breach rules on competition. State Aid (which is governed by EU regulations) is the illegal subsidy of commercial activity from public funds, and could arise, for example, from the following:

- Cheap loans
- Grant funding
- Sharing staff, equipment or accommodation (particularly with wholly owned companies)
- Waiver of deductions due on contracts.

6.6.2 If a Chief Officer is unsure as to whether a payment would constitute State Aid or anticompetitive practice, the advice of the Executive Director of Finance should be sought in consultation with the Head of Law where appropriate.

6.7 **Private Finance 2 (PF2)**

6.7.1 Chief Officers considering PF2 projects should consult with the Executive Director of Finance during the preparation of the business case for submission to the Council or Service Committee (Service Committee if less than £100m).

6.7.2 Council / Committee is responsible for approving PF2 projects at all key stages. The Chief Officer is responsible for ensuring that such approvals are sought and obtained from Council / Committee in a timely manner following recommendation by the Project Board, in accordance with the approved PF2 process.

6.7.3 The Executive Director of Finance is responsible for:

- ensuring that the project has the necessary support from appropriately skilled financial and procurement specialists at all stages of its procurement, as well as during the operational stage
- ensuring that the necessary banking arrangements are available in time for the project to commence
- endorsing the outline business case, including underlying financial assumptions, value for money, and ability to deliver
- ensuring that the financial implications of all PF2 projects are incorporated in financial planning.

6.7.4 Chief Officers are responsible for:

- preparing a business case for submission to Council / Committee prior to commencing the procurement process
- ensuring that the project has the necessary support from appropriately skilled legal and procurement specialists at all stages of its procurement, as well as during the operational stage
- compliance with Contract Standing Orders
- ensuring that, at all stages, cost estimates for both the capital and revenue expenditure are carefully made and reviewed to ensure that they are robust

before seeking formal approval from Council / Committee

- ensuring that procedures are in place to limit, as far as reasonably possible, the likelihood of the County Council failing to pay the contractor on time, or otherwise defaulting or making an overpayment
- informing the Executive Director of Finance of any matter that may lead to termination under the contract. Policy and Resources Committee is required to approve termination of a contract by use of the Authority Default provisions
- fully considering the risks associated with undertaking a PF2 project and reporting them to Policy and Resources Committee when they are considering the approval of a PF2 project
- ensuring that any dedicated bank accounts necessary to enable their projects to function efficiently are set up and properly operated

6.7.5 Chief Officers are responsible for ensuring that deductions required to the unitary payment for the unavailability of the contracted service or a performance shortfall are made in full in a timely manner. If another service or asset is proposed in exchange for foregoing such deductions, the Executive Director of Finance is responsible for ensuring that the alternative proposal has a value equal to the foregone deductions.

6.7.6 Where the County Council has the right to make a deduction under the contract, any waiver of the deduction shall be treated as a write-off of debt, and shall be covered by the Council's Debt Recovery procedure. When considering the thresholds for approval of the write off, all deductions due in a financial year should be aggregated together.

6.7.7 Private Finance transactions contain complex financial arrangements including (usually) a Funder's Direct Agreement that can obligate the County Council to take over the responsibility for the Contractor's debt in the event of Authority or Contractor default. It is the responsibility of the Chief Officer to ensure that the Executive Director of Finance has all the relevant information regarding these arrangements and of any material financial matters. It is the responsibility of the Executive Director of Finance to account for the arrangements in accordance with the relevant regulations and proper accounting practice.

Annex A

Norfolk County Council's Scheme of Virement

Background

1. The scheme of virement is intended to enable Committees, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the County Council, and therefore to optimise the use of resources.

2. The scheme is administered by the Executive Director of Finance within guidelines set by the County Council. Any variation from this scheme requires the approval of the County Council.

3. The overall budget is approved by the County Council. Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure – both revenue and capital. For the purposes of this scheme, a budget head is considered to be the subdivision of service budgets as reported in the service commentaries within the medium term financial plan. Virement does not include the switching of resources between revenue and capital.

4. Virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full- year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.

5. The capital and revenue budgets may contain block allocations of funding for specific purposes. The movement of resources from a block allocation to a specific identified scheme does not constitute a virement provided that the expenditure being incurred is in accordance with the original policy decision agreed by the County Council. If a Chief Officer wishes to transfer funding from a block allocation and use it for a different purpose, for example, the transfer of purchase of care from one client group to a different client group, the rules below will apply.

Revenue

6. County Council is responsible for agreeing virement between services (as shown in the budget report to County Council in February each year).
7. County Council is also responsible for agreeing virements between budget heads defined in 3 above – within services, where the virement has a value in excess of 1% of the net budget of the service (as shown in the budget report to County Council in February) or £100,000 – whichever is the higher. For Children's Services, net budget is calculated exclusive of amounts delegated to schools.

8. All other virements are the responsibility of Chief Officers, subject to consultation with the Chair of the appropriate Committee and the agreement of the Executive Director of Finance.

9. Chief Officers may delegate authority to make virements to other officers, consistent with the above and in accordance with formally agreed departmental arrangements.

Capital

10. County Council is responsible for agreeing virements between services and schemes (as shown in the Capital Budget document produced by the Executive Director of Finance.

11. County Council is also responsible for agreeing virements greater than £250,000 within services or schemes (as defined above).

12. All other virements are the responsibility of Chief Officers, subject to consultation with the appropriate Committee Chair and the agreement of the Executive Director of Finance and subject to the service's overall financial provision for capital spending not being exceeded in the current and future years.

Policy & Resources Committee

Item No 10

Report title:	**County Hall Programme**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The County Hall Programme is a major investment by the Council which will help to deliver longer term service delivery, organisational and financial benefits. It underlines the importance of County Hall as an iconic building and centre for county wide local democracy in Norfolk. The programme of works support improved ways of working including the co-location of staff and enables the Council to achieve significant office accommodation revenue savings. Office space within the building will also be more adaptable thereby minimising the cost of any future staff moves within and into the building. The facilities provided are also more attractive to other organisations who may wish to share space at County Hall. This aspect is currently being actively developed and explored through the One Public Estate initiative.

Executive summary

The purpose of this paper is to provide an update and overview of the major programme of works that have been undertaken at County Hall. The paper provides background details about the County Hall Programme and more detailed information on the issues faced and the progress that has been made. It indicates that the programme is on schedule to complete all the works within scope in April 2016 and within budget.

Recommendations:

a. **To consider and comment upon the progress made on the programme.**
b. **To commission a further report in Spring 2016 outlining a strategic plan for the development or disposal of Carrow House.**

Introduction

1.1 The County Hall Programme is a major three year programme that has entailed extensive repair and refurbishment works to the building. The programme is being delivered with the added complexity of undertaking significant works in an operational and occupied building. The completion of the work in April 2016 will deliver the programme of repairs and refurbishment previously agreed by Members.

1.2 The programme of work has delivered a significant improvement to the standard of office accommodation at County Hall. Overall the response by staff has been positive as has been their patience and resilience during times when the works were disruptive. The programme has also received recognition in winning the regional Constructing Excellence award for value.

1.3 It has been possible to increase the occupancy of County Hall by introducing more flexible working including the provision of open plan offices with a ratio of 7:10 (desks to fte). By making more effective and economic us of office space at

County Hall it has been possible to consolidate office accommodation in Norwich. Thus, it enables the Council to close a number of freehold and leasehold offices delivering annual revenue savings of £1.03m from 2016/17 rising to £1.57m from 2019/20 onwards.

1.4 During the summer of 2015 leased offices at Charles House, Lakeside 500 and Bank Plain (Open) were closed as planned. In total this resulted in approximately 250 staff (200 fte) moving into refurbished accommodation at County Hall. As with other moves to refurbished floors the overall feedback from staff has been positive and appreciative of the new working environment.

1.5 Carrow House

1.5.1 During 2016/17 the freehold office at Carrow House will be vacated by staff and the office will be closed.

1.5.2 There is a project underway to re-let the contract for voice and data services and this will include the relocation of the majority of the Computer Network and Telephone services from Carrow House to the contractors' buildings. However, it is unlikely that this will be completed by 1 April 2016 which means that there will either be a residual cost in retaining Carrow House, or a cost in relocating the hub on a temporary basis. The cost of relocating the hub in April 2016 is estimated at least £300k, over 2016/17 the estimated costs gradually reduces as the new voice and data contract is rolled out.

1.5.3 Carrow House currently accommodates approximately 460 staff (430 fte) working in teams from Community & Environmental Services (CES), Adult Social Services and Children's Services. CES and Adult Social Services staff are scheduled to move to refurbished floors at County Hall in January 2016.

1.5.4 Children's Services teams at Carrow House (238 staff: 224 fte) are scheduled to move to the refurbished floor 1 at County Hall in February 2016. However, following an accommodation review by Children's Services, the service wishes to locate their social worker teams closer to families in localities which will also support more integrated working with key partners in these localities. This means that the operational needs of the social worker teams will not be met by delivering these services centrally from County Hall. Consequently, the service wishes to delay the move of social work teams from Carrow House until the locality options are available later in 2016. In the meantime the Children's Services teams that can move to County Hall will do so in February 2016 as originally planned.

1.5.5 In view of the unbudgeted cost implications to the voice/data project of £300K if the servers are relocated temporarily, and pending identification of suitable alternative accommodation for the Children's Services teams, it is proposed that the complete vacation of Carrow House by staff is deferred until December 2016.

1.5.6 In the meantime work on the available options for the disposal or development of Carrow House will continue. It is proposed that a further report be brought to the Committee in the Spring of 2016 outlining a strategy for the development or disposal of Carrow House that will maximise the capital return for the Council.

1.5.7 Whilst a partial closure of the building will generate some savings, it will not deliver the level of savings (£430k) expected by the planned closure from 1 April 2016.These revenue savings have been built into the medium term financial plan and consequently any reduction will need to be offset by identifying new savings.

1.6 The consolidation of office accommodation will provide significant operational and organisational benefits together with a modern fit for purpose open plan office which will be more accessible, especially for people with disabilities. Overall the changes to the building will mean that there will be greater flexibility in the use of the office space. This will make it far easier to respond and adapt to future organisational changes including increases or decreases in the demand for space.

1.7 As the final stage of the work is reached, this paper highlights the progress that has been made on the County Hall Programme and identifies the main risks and challenges that have been faced. It also identifies the work that remains together with a timeline for its completion.

2 Scope of the programme

2.1 The prime objective of the programme has been to undertake the essential repairs necessary to maintain the structural integrity of the building. This has meant that the focus of the work has been on the tower where major external and internal repairs were required. The level of repairs needed meant that it was necessary to undertake internal remodelling and refurbishment of these floors. This in turn provided the opportunity to create more flexible modern open plan office accommodation. These works, together with significant fire safety improvements, constitute the main part of the programme.

2.2 The other areas where works have or will be undertaken as part of the programme are:

- Refurbishment of the south wing ground floor to provide Member and staff accommodation together with a suite of public interview rooms
- Repair and redesign of the main reception
- Repair and redesign of the concourse and rear terrace
- Improvements and the redesign of the forecourt car park
- Car park repairs and improved external access
- Repairs to the north and south wing roofs
- Provision of a new shower suite on the lower ground floor
- Refurbishment and reconfiguration of the south wing mezzanine floor
- Refurbishment of the kitchens and toilets on the lower ground and basement floors
- Repairs to windows on the lower ground and basement floors
- Minor works to improve accessibility to the democratic suite

2.3 Unless specifically mentioned above, the following areas are not within the scope of the current programme of works.

- Lower ground and basement floors
- North wing
- Annexe
- Democratic suite

The catering facilities and shop are also not within the scope of the current programme of works. However, options to improve these areas are being developed by the Corporate Property Team.

2.4 In approving the programme of repairs in July 2012, the Cabinet also agreed that on completion of the project £750k per annum should be allocated for future long term maintenance .However, this future budget requirement has decreased in the light of the increased level of capital expenditure needed between 2013 and 2016 to repair and refurbish the building. Work is underway to establish a revised reduced level of budget provision needed to address some of the areas not in scope of the County Hall Programme. A revised budget will also incorporate long term planned maintenance to help to ensure that the Council is not faced again with a need for major capital works caused by a lack of investment in ongoing maintenance.

3 Budget

3.1 The approved budget for undertaking the repair and refurbishment was £31.91m. This has been supplemented through the further use of existing Building Maintenance Fund (BMF) and Carbon Energy Reduction Fund (CERF) funding. BMF funding of £122k has been identified comprising of £90k of recouped fees and £32k for stair pressurisation work required to comply with fire regulations. Further details of the additional CERF funding are provided below.

3.2 The original repair programme and budget estimate assumed that existing building insulation, heating and lighting would be replaced with similar systems. The strategic maintenance programme provides a unique opportunity to make significant improvements in these areas to deliver long term energy and carbon savings. Use of existing capital funding from the Carbon Energy Reduction Fund (CERF) provided the opportunity to make these improvements. This will provide further revenue savings in the future and feed in tariff income from 200 solar panels installed on the south wing roof.

3.3 Recently a further opportunity has been identified to use CERF funding of £856k for further energy saving improvements, mostly within the remaining non-tower areas .This funding will support replacing the old original boilers with new efficient gas boilers, serving the north wing, Council Chambers and lower ground and basement, along with other improvements to the heating system. Other energy efficiency improvements include: thermal performance of existing windows and roof areas, solar panels and additional LED lighting. Following a detailed assessment of the payback model, it is not cost effective to proceed with a local biomass boiler on the County Hall site. The efficiency savings offered by the new gas boilers alone is considered to offer the best value for money in the short to medium term. The Council has also been approached for an expression of interest towards a proposed district heating main powered from biomass (Generation Park), which may offer further CO_2 savings in the longer term, subject to the proposal going ahead and proving viable.

3.4 The revised total funding available is therefore £32.88m and is comprised of the approved budget of £31.91m plus BMF funding of £122k (3.1 above) and additional CERF funding of £856k (3.3 above). A breakdown of the revised budget is shown below in Table 1.

3.5 Table 1 Revised Budget

Element	Budget £m
Site set up	2.39
External tower	6.95
Internal tower	11.35
South wing	2.19
Other areas	6.34
Fees & surveys	2.69
Furniture & equipment	0.97
Total	**32.88**

Further details of the constituent parts of each element together with expenditure to date and estimated outturn are shown in Appendix 1.

4 **Cost Control**

4.1 The maintenance and repair works have been divided up into individual work packages for specific areas of work. The packages have then been subject to a tender process through the main contractor. Returned tenders are closely scrutinised by NPS to ensure that they meet the requirements specified and are value for money. In cases where tendered packages exceed the budget estimate, further work is then undertaken to bring the package back within budget. In some cases this will involve amendments to the specification and a retender of the package.

4.2 The principal design work for the tower and South Wing refurbishment is now complete. Initial tender returns for mechanical and electrical systems, sprinklers and fit out packages indicated expenditure above the available budget, prompting the need to achieve savings from value engineering. The Contractor was invited to submit alternative proposals along with suggestions from the design team, which has resulted in significant cost reductions to the original tender returns. Following this review each work package is now in line with budget expectations and has been instructed as noted above.

4.3 The areas where value engineering has achieved savings, include:

- Perimeter internal walling within the tower (alternate design)
- Internal partition walls and doors (alternate design and product)
- Lighting (alternative LED product and control system)
- Ventilation ductwork (alternative design)
- Sprinklers (contractors proposal, alternate product)
- Stairwell details (alternate products)
- Blinds (alternate product)
- Carpets (alternate product)

4.4 In each case an equivalent product option has been selected or an alternative design solution, ensuring quality fit for purpose offices are delivered. The cost difference between the original tendered sums and the alternative options (as instructed) is in excess of £1m. In many cases the difference in cost for each item is relatively small, however when multiplied across 8 floors and the South

Wing ground floor the overall cost difference is considerable.

4.5 In addition to the internal refurbishment works other significant work packages, including: external curtain walling; South Wing reroofing works and new electrical supply infrastructure have been instructed following review and acceptance of rates within budget allowances.

4.6 In delivering a programme of this size and complexity it is inevitable that changes will be required after the specification of individual work packages. A change control process has been implemented which has meant that changes totally £0.5m have been managed and agreed by the Programme Board within the overall budget.

5 **Works Completed**

5.1 The repair and refurbishment works in the main tower have progressed well as previously planned.

5.2 Works that have been completed include the following:

- Complete refurbishment works within the tower, floors 3 to 8 and South Wing Ground Floor including new mechanical and electrical services throughout.
- Completed reroofing of the tower, south wing and above the Chambers meeting rooms.
- Completion of curtain walling to the tower.
- Asbestos removals from refurbished areas.
- Installation of new transformers and electrical distribution panels.
- Refurbishment of 9th floor plant room and installation of new mechanical plant and services, including ventilation and heat recovery.
- Installation of new fire escapes.
- Installation of new vertical waste pipes and mains water supply.
- Establishment of vertical service routes for the installation of new mains electrical and data cables.
- Completion of refurbishment of staircases.
- Completion of new shower facility within the low ground floor.
- Structural repairs to concrete frame and soffits, as required.

5.3 **Works planned up until 31st March 2016**

5.3.1

- Completion of refurbishment works to the main reception, including new toilets, mezzanine floor and Norfolk Room
- Commencement of works to refurbish the upper concourse and piazza.
- Works to complete the full refurbishment of floors 1 and 2 within the tower.
- Works to complete refurbishment of the main reception lobby, front concourse and piazza.
- Work within the Basement and Lower Ground floors is planned to include the full refurbishment of all toilet and kitchen areas, including the replacement of heating, drainage and mains water pipework. Other works to these areas will be restricted to essential repairs to the windows and replacement of the fire alarm system. The works will not include refurbishment of offices within the lower floors or any refurbishment within the North Wing or Council Chambers as only essential maintenance within these areas was included within the original project scope.

- Resurfacing of the main visitor's car park and essential repairs to other car park areas. As part of this work lighting will be improved, including to footpaths from the upper Annex car park to the main building.
- The external Terrace and adjacent roof area to the rear of the main reception will be fully waterproofed and refurbished.
- External repairs to the lower parts of the building will be carried out where a risk of falling masonry remains.

5.4 **Energy Saving Improvements**

5.4.1 As part of the refurbishment works the building fabric has been improved, significantly increasing thermal efficiency. For the main tower, new insulated curtain walling complete with double glazed windows and draught sealing has been installed, along with roof insulation. Previously there was no insulation present, which together with poor draught sealing resulted in heat loss during the winter and heat gain over the summer.

5.4.2 For other areas of the building where new curtain walling and windows have not been installed, thermal efficiency has been improved where possible. Works to these areas have included repairs to existing windows, followed by draught sealing and in some areas application of a thermal/solar window film. Other improvements include roof insulation and internal wall insulation within the south wing.

5.4.3 Mechanical and electrical services have been renewed throughout the building, improving heating efficiency and introducing comfort cooling where possible. Within the tower the work has included heat recovery, using 4 large heat wheels as part of a new ventilation system. The heat wheels transfer up to 70% of the heat from the extracted air to the incoming fresh air, improving efficiency of both the heating and cooling functions. Additionally new fans within the ventilation system are considerably more energy efficient than the old units. For the non-tower areas heating will be provided by hot water generated by gas boilers. The old boilers had a capacity of 5MW however due to the efficiency measures implemented new boilers are only required to have a 1MW capacity. Furthermore the old boilers have been assessed as being only 60-65% efficient, where new boilers will be approx. 95% efficient. The overall impact of the improvements made to both thermal performance and plant efficiency will therefore reduce gas usage within the building by up to 80% from historic levels.

5.4.4 The new lighting installed within the refurbished areas is an LED system, linked to both movement and daylight sensors. The daylight sensor is located on the roof of County Hall and tracks light levels by direction, therefore if the sun is to the east, light levels will be adjusted to dim lights more on the east side of the building. The system is designed to maintain a constant light level at the desk by dimming lights as required, therefore the dimming is not really noticeable as light levels remain constant. The dimmed lights can use as little as 10% of the energy needed to fully power the light fitting and will turn off eventually when daylight levels are particularly strong. For the movement sensors a 20 minute delay is in place before lights will switch off. Typically each LED light fitting will use approx. 30-50% of the energy used to power the old fluorescent lights, therefore taking all of the improvements into consideration the new lighting system is estimated to save over £50k per year. Additionally LED lights will not degrade over time in the same way as fluorescent lights, maintaining the desired light levels and have a longer operational life, therefore reducing future maintenance costs

5.4.5 Other improvements include a new building management system (BMS) which allows constant monitoring of building systems, enabling efficiencies to be maintained and a quick response to maintenance needs. Solar panels have been installed on the south wing roof, which will provide approx. 40,000kW of electricity per year as well as provide the County Council with a return on the investment. Energy efficient hand dryers have been used within all refurbished toilets along with improvements to the hot water supply to kitchen and toilet areas.

5.4.6 The combined impact of all the energy saving measures will be an estimated financial saving in excess of £250k per year and a reduction in the Councils carbon footprint of over 1,200 tonnes CO_2.

6 **Issues Encountered**

6.1 The repair and refurbishment of County Hall is a complex building project and since starting work on site, a number of previously unknown issues have been identified and details of the most significant are shown below.

6.2 <u>Concrete carbonisation</u>

This has been evident at the perimeter of each slab within the tower where weather has penetrated around the tiled facade into the concrete. Localised repairs along with an applied treatment have been carried out to prevent further decay. The new cladding system will offer further protection to the concrete frame. Generally the concrete frame is in better condition than first anticipated, with only minor localised repairs required.

6.3 <u>Asbestos</u>

Additional asbestos material used to pack out windows and trim details has been identified in areas where new works are planned. The removal process involves a 14 day notification period to HSE in each case and a return to site by the specialist removal contractor. Costs for this item have been contained within the project allowance for asbestos removals.

6.4 <u>Poor condition of drainage system and cold water supply</u>

Following a detailed survey of the drainage system within the tower it has been necessary to replace large sections of vertical pipe work, similarly the internal cold water has been renewed as the existing pipe work was severely pitted and worn. Costs for these items have been contained within the project contingency allowance.

6.5 <u>Back propping for scaffold</u>

The extent of propping required, necessary to provide structural support to the scaffold system around the tower was considerable. Locating suitable positions for the props was particularly challenging due to the lower areas being in use and occupied. Costs have been kept within the budget allowance for this item.

6.6 <u>Noise generated from removal of tiles and drilling</u>

Due to the building being occupied for the duration of the refurbishment project the risk of disruption to building occupants is high. A number of noisy activities have had to be restricted to take place before 8.30am and at weekends, which has resulted in additional labour costs for out of hours working. This cost has been contained within the project contingency allowance. Other works involving planned noisy activities are scheduled to take place outside of normal office hours within tender information. Higher labour rates are therefore accommodated within tender returns and the available project budget.

6.7 Leaks

A number of minor leaks within the building have occurred as a result of roofing works, however no significant damage has occurred and in each case once the new waterproofing has been fully applied the leaks have stopped. A major leak has occurred from the new sprinkler system, impacting several floors within the tower. The cause of this incident remains under investigation by an independent assessor, however any significant failure of the sprinkler system or design has been ruled out. No significant damage occurred and due to the quick response of Norse and Carters to clean the areas impacted no NCC operations were disrupted. Lessons learnt from this occurrence have been assessed resulting in a number of improvements being made.

6.8 Fire Alarms

Currently there are 3 separate fire alarm systems in the building that need to be managed and co-ordinated. There have been some problems that resulted in false alarms being triggered. Work has been undertaken with the Contractor to identify the cause of the problems and to introduce additional procedures to reduce the risk of false alarms. Planned works to improve fire safety across the whole building will result in a single modern fire alarm system in the future.

6.9 Power Shutdowns

In improving and replacing old electrical systems it has been necessary to have a number of shutdowns on the site. All planned shutdowns have been out of hours and at weekends and most have been partial. The small number of full shutdowns required have also been used as an opportunity to address some weaknesses in the supply to ICT systems and to improve ICT resilience.

6.10 Reception, Concourse and Piazza Works

Works to refurbish the main reception and repair the main concourse were planned to commence over the summer months to minimise disruption. Two issues were faced which have led to a delay in completing all of the works. Firstly, on receipt of the tenders there was a delay in agreeing an acceptable cost for the ground work package. Secondly, an extended period of wet weather delayed the application of the waterproof coating to the concourse. These issues had to be resolved before the lobby construction could commence. Although the reception work remains incomplete, sufficient work has been completed to enable a functional reception area to be made available from 2nd November. Other issues faced, included; identifying an acceptable method to core drill through the floor slab, which contains asbestos around the old underfloor heating; unblocking 12 of the rainwater downpipes contained within the structural columns; carrying out modifications and penetrations through the marble facings within the reception area and maintaining a permanent unblocked access to NCC staff using the lifts and chambers areas throughout the works. The remaining reception works are programmed to be complete by 4th December with the Concourse and Piazza works following on until 8th January.

7 Timeline for Works

7.1 A summary of the current planned timeline and re-occupation of floors is shown in Tables 2 and 3 below:

7.2 Table 2: Planned timeline

Key Milestone	From	To	Progress
Erect full scaffold around the tower	October 2013	December 2013	Completed
Repairs to tower roof	September 2013	October 2014	Completed
Repairs to exterior faience and cladding	January 2014	December 2014	Completed
Internal repairs and fit out to tower and main reception	May 2013	January 2016	Underway – on target
Internal fit out to ground floor, South Wing	August 2014	January 2015	Completed
Repairs, refurbishment and redesign of the main reception and mezzanine floor.	July 2015	December 2015	Underway – on target
External access improvements, Concourse and Piazza refurbishment	July 2015	January 2016	Underway – on target
Roof repairs to the north/south wings (including solar PV), Chambers meeting rooms and rear terrace	January 2015	March 2016	North/South wings, Chambers rooms completed. Rear terrace roofs work commenced – on target.
Redesign of the layout and resurfacing of the main visitor's car park. Essential repairs to other car park areas.	March 2016	March 2016	Design completed Work to commence February 2016
Internal maintenance / refurbishment works to areas within the lower ground and basement.	December 2015	April 2016	Work to commence December 2015

7.3 Table 3: Re-occupation schedule

Floor	Date of re-occupation*
8	August 2014
7	November 2014
6	January 2015
South Wing (Ground)	January 2015
5	July 2015
4	June 2015
3	August 2015
2	January 2016
1	February 2016

*The re-occupation schedule takes into account the period required to install furniture and ICT equipment following the handover of each floor by Carters.

7.4 Overall the feedback from staff moving to the refurbished floors has been very positive and appreciative of the new working environment.

8 Financial Implications

8.1 The overall maintenance programme will entail capital expenditure of £32.88m over 25 years. This includes £2.5m of funding relating to the fire safety and security works which following a recommendation by Cabinet, was approved by the County Council on 17th February 2014. It also includes £0.856m of available CERF funding for energy efficiency improvements.

8.2 A successful application has been made for a SALIX loan in support of energy saving measures. This loan of £409k is interest free over 5 years and will provide a benefit of approximately £80k in reduced interest payments.

8.3 The expenditure detailed in table 1 (para 3.5) and Appendix 1, falls within the parameters of the Annual Budget agreed by the Council and the Executive Director of Finance has confirmed the financial implications.

9 Management of risks

9.1 The following key risks have been identified in respect of the overall programme of works:-

- Disruption
- Asbestos
- Flooding
- Budget

The programme has a comprehensive risk register which is monitored, updated and reviewed by the project team and is also presented on a monthly basis to the County Hall Programme Board. The Board reviews the actions taken, escalates issues as appropriate, authorising and instructing the project team as required. Currently the risk register for the programme does not contain any items where the status has been assessed as red.

9.2 **Disruption**

9.2.1 Undertaking major maintenance works in an occupied building is a challenge in protecting the business operations of the council. The underlying risk is that significant disruption from noise and dust will prevent staff from working in the building or will have a significant impact on productivity. Conversely, there is also a risk from stopping the construction work in response to specific incidents of disruption, or undertaking most of the work out of core office hours. If work is stopped or delayed the impact will be an increase in the duration of the project with a consequential increase in costs.

9.2.2. The risk from disruption is actively managed by close working between the Contractor, NPS and NCC client representatives. In cases where work has proven to be very disruptive alternative approaches, including undertaking some elements outside of office working hours, have been agreed. This included a review with the Contractor following the completion of works on the 7th & 8th floors. As a result a number of changes to the Contactor's working practices were agreed to reduce the impact on users of the building.

9.2.3 Good communication with employees is crucial in ensuring they are aware and prepared for any likely disruption. A number of communication channels have been established, managed through the authority's customer services and communications team, to help ensure employees remain fully informed of the likely impact of any forthcoming works. These include a weekly briefing note for all staff outlining what works are being undertaken, when and where.

9.3 **Asbestos**

9.3.1 The potential risk arising from the release of asbestos is being very closely and carefully managed. Comprehensive asbestos surveys are undertaken before works commence on each floor, and the method of removal has been agreed with NPS's asbestos expert and NCC's Health, Safety and Well-being Manager. Any material containing asbestos is taken out of the building via the external hoist. These agreed measures significantly reduce the risk of an uncontrolled release.

9.4 **Flooding**

9.4.1 This risk is being managed by the contractor by identifying the location of all pipe work in the building. When maintenance works are being undertaken the contractor will actively monitor the situation to identify any leaks immediately. In addition the contractor ensures that it has the appropriate staff on site to rectify and deal with any problems as soon as they arise.

9.5 **Budget**

9.5.1 The principal source of risk to the budget is the discovery of any major unforeseen problems with the building. However, the level of risk reduces as work progresses and more detailed knowledge is developed about the problems with the building and how to address them.

9.5.2 The other significant area of risk is that the cost of the work will exceed the budget provision. In this case there is active management and intervention where tenders for specific elements are not affordable. Examples of the steps being taken to manage the programme within the budget are contained in section 4 above. As the programme progresses and more work packages are let the risk to the budget will diminish accordingly.

10 **Other Resource Implications**

10.1 The other key resource implications of the County Hall Maintenance Programme are summarised below.

10.2 **Staff**

10.2.1 There will be an impact on staff as the maintenance works will be mainly undertaken during office hours. There will be some disruption as teams are moved within the building and from offices elsewhere in Norwich. There will also be implications for staff as they move to new and more flexible ways of working. To support this there is an organisational development stream within the work programme that will help make the changes needed to fully release the benefits from new ways of working.

10.3 **Property**

10.3.1 Completion of the maintenance programme and other works will provide a modern fit for purpose office suite for the next 25 years. This will enable the council to rationalise the use of office accommodation in the Norwich area thereby delivering an important element of the overall office accommodation strategy

10.4 **Environmental implications**

10.4.1 A key objective of the maintenance programme is to improve the energy and water efficiency of County Hall. This will reduce cost and carbon emissions to help the council achieve its carbon reduction commitment.

10.4.2 Where possible construction materials will be reused and the Site Waste Management Plan will address the safe disposal or recycling of wastes resulting from the construction works. For new materials specifications will consider future recycling opportunities.

10.4.3 Old office equipment and furniture that can not be re-used will be disposed of in a number of ways. Items that have monetary value will be traded in against the cost of new units. Remaining items will be offered in the first instance to voluntary organisations. Any remaining items will be recycled in an environmentally sensitive manner at no cost to the Council by the furniture supplier.

10.5 **ICT**

10.5.1 The ICT implications will be addressed through the Digital Norfolk Ambition (DNA) programme. There is a key dependency on DNA to provide the ICT infrastructure that will support more flexible ways of working.

11 **Other Implications**

11.1 **Equality Impact Assessment (EqIA)**

11.1.1 An EqIA has been undertaken which identifies a range of equality issues that will need to be considered as part of the proposal to ensure the building is accessible through the life of the project (25 years). The council's Equality and Cohesion Officer is being consulted as a significant stakeholder in the project to ensure relevant issues are taken into account.

11.2 Health and Safety Implications:

11.2.1 A significant part of the maintenance project provides improvements to health and safety risks that relate to the building; in particular relating to fire, electrical, and environmental comfort. The Health Safety and Well-being Team form part of the consultation process as major stakeholders in the design of all aspects of the building as well as the construction related risks more generally. They are also involved in the design and selection of the internal fit out for the building to ensure preventative measures relating to health risks such as musculoskeletal disorders are taken into account.

11.3 **Any Other implications**

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

12 **Section 17 – Crime and Disorder Act**

12.1 Security implications of the changes to the building and in particular the potential changed use of the building, and therefore the potential broader spectrum of visitors and clients are being considered in the design of public areas and the security to employee areas

13 **Conclusion**

13.1 As the final stage of the programme is reached, work on the building has progressed well and problems encountered have been resolved without any impact on the overall budget or programme timeline. However, this is not a cause for complacency as challenges may still arise as work progresses to completion. Consequently the steps implemented to closely manage the final stage of the programme will be maintained and developed as necessary.

14 Action required

14.1

a. To consider and comment upon the progress made on the programme.

b. To commission a further report in Spring 2016 outlining a strategic plan for the development or disposal of Carrow House.

Background Papers

Appendix 1: County Hall Programme Budget Update

- Report to Cabinet 9th July 2012: Norwich Office Accommodation – County Hall

http://www.norfolk.gov.uk/download/cabinet090712item16pdf

- Report to CROSP 3 September 2013: County Hall Maintenance Programme (Page. 89 – Item no. 12)

http://www.norfolk.gov.uk/download/carp030913agendapdf

- Report to CROSP 12 November 2013: County Hall Maintenance Programme (Page 31 – Item no. 11)

http://www.norfolk.gov.uk/download/carp121113agendapdf

- Report to CROSP 10 March 2014: County Hall Maintenance Programme (Page 16 – Item no. 8)

http://www.norfolk.gov.uk/download/carp100314agendapdf

- Report to Policy & Resources Committee 1 December 2014: County Hall Maintenance Programme (Page 238 – Item no.11)

Policy & Resources Committee 1 December 2014

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

Officer Name:	Tel No:	Email address:
Mick Sabec	223499	mick.sabec@norfolk.gov.uk

IN TRAN communication for all

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Appendix 1 **County Hall Programme Budget Update**

Element	Items		Updated budget	Expenditure to Date	Estimated Outturn
Site Set up	Initial site set up				
	Prelims 2013/14 - 2015/16				
	Lift/hoist access				
	Make good compound area				
		sub total	2,390,000	2,011,600	2,390,000
External tower	Tower cladding				
	Tower shell strip 1-8				
	Tower roof				
		sub total	6,951,000	6,703,500	6,951,000
Internal tower	Tower security				
	Asbestos removal 1-9				
	Demolition 1-8				
	Tower plant strip & M&E				
	Sanitary risers and cores				
	Tower fit out				
	Tower stairs				
	Document lift				
	Fire misting & fire management				
		sub total	11,354,200	9,418,600	11,354,200
South wing	South wing roof				
	South wing PV				
	South wing asbestos removal				
	South wing demolition				
	South wing fit out (incl MEP)				
	South wing window repairs				
		sub total	2,185,000	2,097,300	2,185,000
Other areas	Fire exits				
	Window repairs				
	Faience repairs				
	LV/HV electrical upgrades				
	Reception & Mez rooms				
	Shower suite				
	Concourse waterproofing				
	car park works				
	Council chamber DDA				
	ICT cabling				
	Fire safety works				
	L.Ground & basement:- kitchens, toilets, asbestos removal & repair/maintenance				
	Rear terrace				
	North wing roof				
	East elevation roof over L.G. Floor				
	Stair Pressurisation Works				
	Boiler replacement				
		sub total	6,344,400	2,383,600	6,344,400
Furniture & Equipment	Furniture, equipment & Wifi infrastructure		971,000	694,000	971,000
Fees, surveys & insurance			2,693,000	2,480,000	2,693,000
		Total	**32,888,600**	**25,788,600**	**32,888,600**

Policy and Resources Committee

Item No 11

Report title:	**Health, Safety and Well-being Mid Year Report**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Resources**

Strategic impact

As an employer Norfolk County Council (NCC) is required to have in place a management system to ensure the health and safety of our employees and others affected by our business undertaking, including anyone we provide services to (either directly or through a 3rd party), school pupils, contractors and members.

Health and safety legislation is criminal law which means there are criminal sanctions in place when the law is not adhered to. In addition civil law requirements mean we also owe a 'duty of care' to those affected by our business. However the law is not a never ending responsibility and it does allow for us to make judgements on what measures are 'reasonably practicable' to be provided. This judgement is very much founded in the law and allows proportionality regarding risk versus cost.

The Health, Safety and Well-Being Team (HSW) provides the authority with expert support and advice on the law and its limits, managing and maintaining a framework for a sensible approach to health and safety. This enables everyone in the authority to carry out their legal responsibilities, making sensible and proportionate decisions that support us to meet our key service priorities without exposing the authority, our employees or others to unnecessary risks.

As part of the NCC health and safety management system the Health, Safety and Well-Being Manager (HSWM) is required to report to the County Leadership Team (CLT) and the Policy and Resources Committee annually on progress on meeting the stated health, safety and well-being objectives and to provide an overall summary of health and safety management within the organisation. In addition a half yearly report is required to provide an update to the annual report.

This report does not cover or include the work of the Health and Well-Being Board or the Public Health responsibilities of NCC.

Executive summary

This report provides key updates on information provided in the annual report presented in July, also comparing against national performance indicators.

Additionally, updates are provided on work carried out by the HSW Team which contribute to the 2015/16 work strands identified in the July annual report.

NCC reported accidents have continued to reduce and remain below the national average for the 4th successive year (calculated per 1000 full time equivalent). The updated statistics are very similar to those provided in the July report, with just 1 extra 'over 3 day' injury but, owing to a previous reporting error, 3 fewer instances of reportable ill health (reducing from 4 to 1).

At present more 'over 7 day' incidents have been reported than in the first half of last year, however this is more in keeping with previous years and is also in line with the total 14/15 end of year figure.

A review of all health and safety policy documents is underway in order to simplify the approach where possible and ensure consistency and clarity of requirements. It is anticipated that this initiative will lead to improved confidence in management of health and safety reducing requests for direct support.

The monitoring program carried out by the HSW Team is being reviewed to ensure it continues to prioritise our highest risk activities and premises for visits. This review will also look to identify alternate approaches such as targeted intervention programs for lower risk premises, ensuring that we are monitoring the organisations activities in the most efficient way.

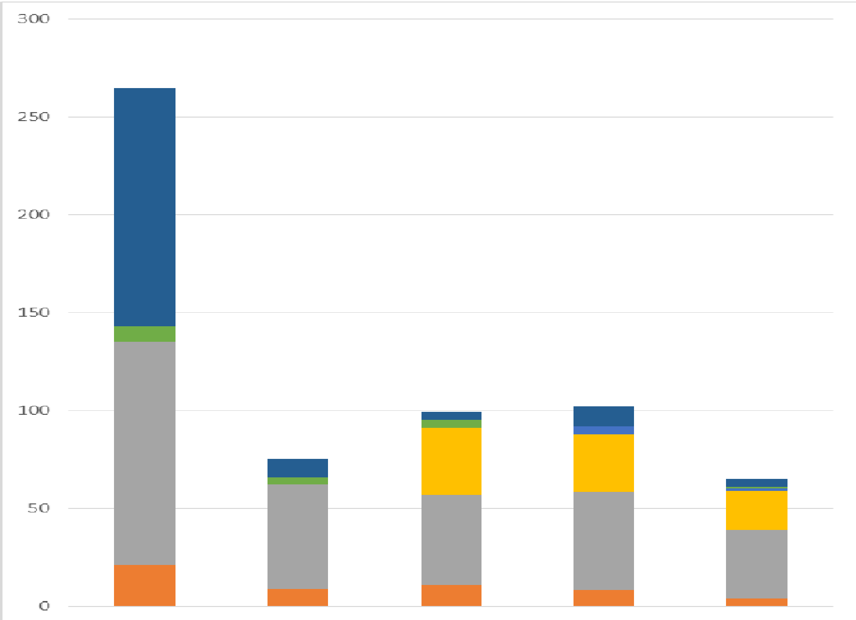
In addition a pilot study is being carried out to coach new headteachers in their health and safety responsibilities and ensure NCC's health and safety management system is implemented effectively within the school. The aim is to ensure new headteachers start off on the right footing and HSW resource can therefore be prioritised to higher risk areas of work. Feedback from participating headteachers has so far been extremely positive.

The improvement plan developed each year aims to strengthen the system and keep the risks to NCC at an acceptable level. Good progress has been made on the improvement plan for 2015/16, with work initiated for many of the strands or planned with completion expected by the end of the year.

Recommendations: Members are asked to consider and comment on the Health, Safety and Well-being Mid-Year report.

2. Updated Performance Data for 2014/15

2.1 A summary of NCC's health and safety performance based on provisional accident and incident statistics was provided in the annual report. The following graph and table provides updated and final statistics for the period 2014/15 and how these compare to previous years. Table 1 also shows incident rates per 1000 employees and the national (all industries) incident rates.



		10/11	11/12	12/13	13/14	14/15
	Fatality	0	0	0	0	0
	Major	21	9	11	8	4
	over 3 day injury	114	53	46	50	35
	Of which are over 7 days (reportable from 2012)	0	0	34	30	20
	Reportable ill health	0	0	0	4	1
	Reportable dangerous occurrence	8	4	4	0	1
	Non-employee taken to hospital	122	9	4	10	4
	Reportable incidents per 1000 f.t.e. employees	6.89	3.6	3.05	2.81	2.25
	National Incidents (all sectors)	4.68	4.46	3.2	3.05	2.93

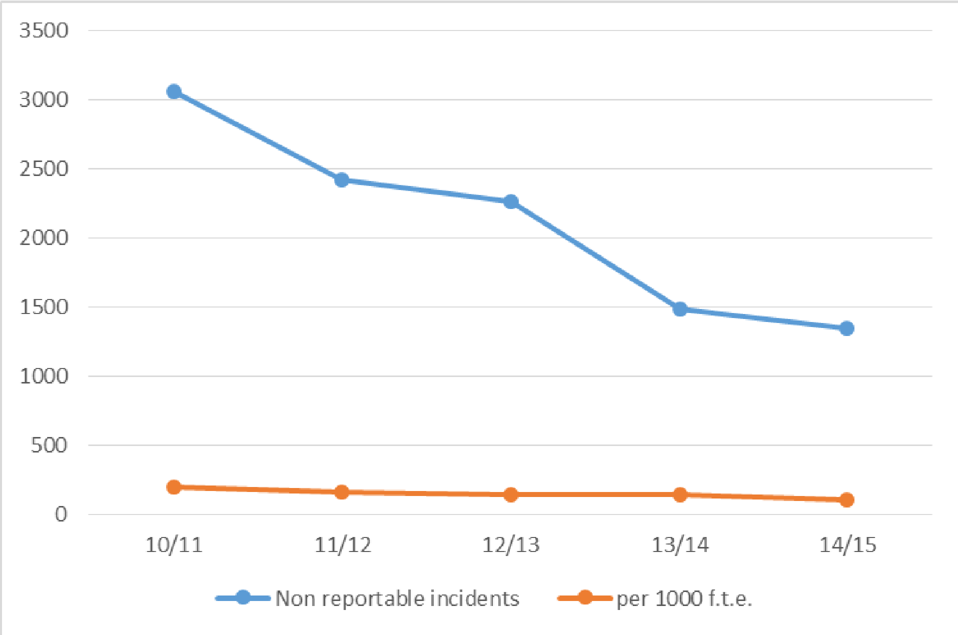
Table 1: Number of reportable incidents (RIDDOR) per year for NCC and national equivalent rates

2.2 The only difference to the statistics provided in the annual report is an increase in the number of over 3 day injuries by just one incident and (owing to a reporting error) a reduction in the reportable ill health figures from 4 to 1. The number of reported incidents has continued to fall and remains below the national average. This consistency in figures provides confidence in the reporting systems employed by the HSW team and the associated support provided to services within the organisation.

2.3 Overall there is a significant downward trend in the number of incidents being reported, continuing the positive trend of recent years. The exception being an isolated report of a dangerous occurrence.

2.4 Additionally there is also a downward trend in the number of non-reportable incidents occurring within NCC, even more notably in the number of incidents per

1000 full time equivalent members of staff (see table 2).



	10/11	11/12	12/13	13/14	14/15
Non reportable incidents	3063	2419	2265	1483	1349
per 1000 f.t.e.	198.06	156.26	140.65	140.75	101.11

Table 2: Non reportable incidents (actual numbers and per 1000 f.t.e)

3. Mid-Year Data for 2015/16

3.1 The table below shows reportable and non-reportable incident data currently held for quarters one and two this year, compared to the same period last year. There has been a slight increase in the number of reportable incidents when comparing the two periods.

3.2 The significant portion of this increase is in the over 7 day absence category, however this number is more in keeping with those observed in 2013/14 and comparable with the total numbers recorded in 14/15.This increase has been reviewed but no trends in the increase identified.

	2014/15 Q's 1&2	2015/16 Q's 1&2
Over 7 days	1	7
Major	0	1
Fatality	0	0
Non employee taken to hospital	2	3
Reportable Ill health	0	0
Reportable Dangerous Occurrence	0	2
Reportable Incidents to employees per 1000 f.t.e. employees	0.08	1.07
Non Reportable	447	559
Non Reportable Incidents to employees per 1000 f.t.e employees	34.49	46.21

Table 3: Number of reportable and non-reportable incidents at mid-year 15/16 compared to 14/15.

4. Improvement Strand Progress

4.1 **Improvement Strand 1: Ensure Health, Safety and Well-being Policies and associated documents remain fit for purpose and support the overarching priorities, ambitions and direction of NCC**

4.1.1 Policies and procedures are identified for review on a rolling program, these reviews take account of changes in statutory requirements, national and industry guidance, case law and as a result of new knowledge gained through our day to day activities. The current review program aims to simplify the approach where possible and ensure consistency and clarity of requirements for managers. It is anticipated that this approach will lead to improved confidence in management of health and safety reducing requests for direct support and enabling the HSW resource to be targeted at the more complex and high risk activities. Additional temporary resource has been secured to ensure all HSW policies and associated documents are reviewed by 31st March 2016

4.1.2 So far this year the following policies and procedures have been reviewed and updated on PeopleNet.

- Accident and incident reporting policy
- Events management guidance
- Lone working guidance
- Construction design and management guidance

4.1.3 The following new policy / guidance documents have been produced to provide support where knowledge has been gained of local and national issues

- Personal safety – controlling your information online
- Personal safety involving high risk cases and serious threats
- MySoS lone working device – user guidance
- Manager and employee user guides for the Occupational Safety, Health and Environmental Software (OSHENS) accident reporting website
- Procedure / risk assessment for prisoner care needs visits

4.1.4 Further work started but not yet completed includes:

- Evac chair e-learning
- Infection control policy and associated guidance
- Asbestos policy

4.2 **Improvement Strand 2: Ensure Health, Safety and Well-being Services are applied effectively across the County Council to successfully equip managers and employees to become self sufficient**

4.2.1 The well-being policy review is complete and is currently undergoing consultation with departmental senior management teams for endorsement. Promotion of well-being services and benefits has taken place through NCC and departmental publications.

4.2.2 The Well-being Team have continued to provide NHS health checks to staff and assist Public Health in improving the delivery of health checks via equipment trials and analysis of data collected. The Team have also had strategic involvement in the staff flu vaccination programme and raising dementia awareness in Norfolk.

4.2.3 The mental health training offered by the Well-being Team has been reviewed to ensure it is fit for purpose - the offer is now being extended to schools.

4.2.4 A pilot study is being carried out to coach new headteachers in their health and safety responsibilities and ensure NCC's health and safety management system is implemented effectively within the school. The aim is to ensure new headteachers start off on the right footing and HSW resource can therefore be prioritised to higher risk areas of work. Feedback from participating headteachers has so far been extremely positive.

4.3 **Improvement Strand 3: To provide dedicated timely professional expertise and support in areas of NCC priority or significant impact (high or complex risk)**

4.3.1 The Well-being Team have worked with management teams and HR partners to identify the teams that would most benefit from well-being support. As a result well-being support has been offered to specific Adult Social Services (ASS) teams and a method of providing ongoing psychological support for Children's Services (CS) social work teams is being investigated.

4.3.2 An asbestos e-learning package has been produced and made available on learning hub to give employees and managers a basic understanding of asbestos and how it is managed within NCC premises. This is an important step to raising awareness of the risks and controls associated with asbestos in buildings.

4.3.3 Support has been provided to ASS to ensure the health and safety implications of the Care Act have been considered and addressed appropriately. An example of this is the new requirements placed on the authority to assess care needs and provision of care in prisons. This has required the formulation of procedures and risk assessments to enable staff to carry out prison based visits.

4.3.4 The safety of NCC staff whilst lone working continues to be a key issue for the organisation. As such specific training sessions have been provided to higher risk teams, and will be included on the New Manager Induction for CS staff. Promotion of the Skyguard lone worker device (MySoS) has continued throughout the year although uptake has been much lower than anticipated, further work in this area is planned.

4.3.5 Support has been provided to the new Corporate Property Team to establish areas of responsibility and working relationships. This includes ensuring satisfactory arrangements for the new provisions of the Construction (Design and Management) Regulations 2015

4.3.6 The team continue to work with CS to ensure high risk contracts are appropriately monitored for health and safety compliance, in particular for commissioned services. This work aims to ensure that suitable baseline health and safety questions are included in quality assurance processes and identify how HSW should support specific higher risk contracts over and above this baseline approach. Similar work is also taking place with Adult Integrated Commissioning to develop health and safety processes that will appropriately support and challenge commissioned service providers.

4.3.7 Initial work has been undertaken with integrated teams and services in ASS to develop a single approach to health and safety. Arrangements have been drawn up for co-located NCC / partner organisations which will be used as the standard for future co-location / integration projects.

4.4 **Improvement Strand 4: To continue to improve and develop the Health Safety and Well-being Service to ensure it is efficient and cost effective**

4.4.1 The well-being service has been purchased by 84 schools to date comprising 79 maintained Schools and 5 Academies. Completion of well-being questionnaires has been gradual in nature, with 27 schools receiving reports so far.

4.4.2 The Norfolk Support Line tender process has started with the objective of awarding the contract by December 2015, ready for an April 2016 implementation. Historically the service has experienced increased usage during periods of significant organisational change, with annual usage varying between 5 and 11% of eligible staff. The lower limit of 5% reflects the usage levels of similar services in other organisations. In view of the significant changes that will be taking place over the next 3 years and possibly beyond, it has been and is considered an important source of support for staff. The pricing structure for the service has been reviewed to ensure any reduction in employee numbers is reflected in the price.

4.4.3 Investigations have been made and positive responses received into the possibility of using an electronic forms builder package combined with the incoming Customer Relationship Management System being developed by Customer Services to deliver a more efficient and user friendly accident reporting system. It is hoped this will provide a more consistent platform for users which is less complicated to use and reduces manual intervention currently required from the HSW Team.

4.4.4 The monitoring program carried out by the HSW Team is being reviewed to ensure it continues to prioritise our highest risk activities and premises for visits. This review will also look to identify alternate approaches such as targeted intervention programs for lower risk premises, ensuring that we are monitoring the organisations activities in the most efficient way.

5. Financial Implications

There are no direct financial implications in respect of this report although there are financial implications if health and safety is not appropriately managed as outlined in 6 below.

6. Issues, risks and innovation

If the Authority does not have a robust and proactive health and safety management system there are legal, reputational and financial risk implications e.g. there is a risk that the Authority will be exposed to enforcement action and ultimately prosecution. There is also a risk of an increase in successful civil claims made against the authority.

The improvement plan developed each year aims to strengthen the system and keep the risks to NCC at an acceptable level. Good progress has been made on the improvement plan for 2015/16, with work initiated for many of the strands or planned with completion expected by the end of the year.

7. Background

This report is an update on information provided in the Health, Safety and Well-being annual report presented in July 2015.

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:

Officer Name: Derryth Wright Tel No: 01603 222912
Email address: **Derryth.wright@norfolk.gov.uk**

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Policy and Resources Committee

Item No 12

Report title:	**Direct Property Development and Disposal of Land & Properties**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

Proposals in this report support Council priorities by focussing on key objectives of the Council's Asset Management Plan to pro-actively exploit the latent value of the property portfolio and release capital resources for other purposes.

In addition the proposal for creating capability for direct property development will support the Council's Financial Strategy through commercialisation of assets to generate future income streams to support revenue funding for service delivery. This approach will also help ensure the timely delivery of new dwellings (market and affordable) as well as other assets to support new models of service delivery.

Executive summary

The usual approach once a property has been declared surplus for County Council use is to dispose of it by way of freehold sale, or on occasion long term lease. To maximise disposal value an assessment of alternative uses, market demand and planning policies is normally undertaken and the method of sale is selected to generate wide interest.

With the adoption of a new Asset Management Plan and a stronger commercialisation approach as part of the Council's Financial Strategy, there is a need to refocus the objective of maximising financial return, either in terms of capital receipts or revenue income. It is therefore proposed that there is a presumption to investigate if direct property development is a viable option when dealing with property that is surplus to County Council requirements or where there is opportunity to release potential latent value by relocating the current use. If, during the investigation, it is determined that this is not viable for a particular site and/or the risks or timescales are disproportionate to the additional income assessed then the disposal will proceed in the usual way with consideration being given to priority for capital and revenue income streams.

Recommendations:

1. **P&R is asked to authorise further work is undertaken to assess options for delivering direct property developments and report back to the Committee with recommendation in March 2016.**
2. **P&R is asked to authorise the disposal of the land at Lingwood and the land at Blofield, east of Plantation Road and authorise the Corporate Property Officer to directly negotiate with Broadland Growth Ltd on terms and conditions to be agreed in consultation with the Executive Director of Finance and the Chair of P&R Committee.**
3. **P&R is asked to confirm and formally declare each of the following sites surplus to County Council use and agree, following a viability assessment, to be developed or disposed of on terms to be agreed by the Corporate Property Officer in consultation with the Executive Director of Finance and the Chair of P&R Committee:**
    a. **The Oaks, Harvey Lane, Norwich.**
    b. **Marham Road, Fincham.**
    c. **Row Hill Farm Barns, Hindringham.**
    d. **Vicarage Barns, Elmham.**
    e. **Former Ticket Office site, Surrey Street, Norwich.**

1. Proposals

1.1 Policy & Resources Committee resolved on 1 June 2015 in relation to three council owned sites, namely land at Acle; land at Lingwood; land at Blofield, east of Plantation Road “That the Assistant Director, Property be authorised to develop proposals for the direct development of the surplus land (working with appropriate partners) to maximise the financial return to the Council, bringing back recommendations to the Committee for approval.

1.2 In addition, as part of on-going work on assessing and preparing other surplus land and buildings to maximise disposal values, NPS Property Consultants Ltd have brought forward a further five of properties for disposal that require decision by Policy & Resources Committee. These sites are:

- Oaks, Harvey Lane, Norwich;
- Marham Road, Fincham;
- Row Hill Farm Barns, Hindringham;
- Vicarage Barns, Elmham and
- Former Ticket Office site, Surrey Street, Norwich.

1.3 As well as seeking decisions for disposing specific properties surplus to Council requirements this report proposes that the Council undertakes direct property development where the buildings/sites have a potential for extracting developer profit, taking account of delay in receipt of income and based on the Council’s willingness and ability to assume such risks through suitable risk management competence.

1.4 With a stronger commercialisation approach there is now a greater emphasis and presumption to investigate the viability of direct property development when dealing with property that is surplus to County Council requirements. If, during the investigation, it is determined that this is not viable for a particular site and/or the risks or timescales are disproportionate to the additional income assessed then the disposal will proceed in the usual way with consideration being given to priority for capital and revenue income streams.

1.5 When assessing an approach to exploit the latent value of a County Council property asset there are several options.

- At one end of the spectrum is the straightforward <u>immediate disposal</u> of land/site with existing planning status and condition. This approach has the most certainty in terms of the extent of capital receipt that can be achieved and it releases cash flow in the shortest period, therefore minimising risk of fluctuations in the market or planning opportunities. This approach also minimises property holding costs.
- At the other end of the spectrum is the retention of the property to undertake the <u>full extent of property development responsibilities</u>, with the aim of maximising income by seeking to take profits that would otherwise be taken by the developer and others involved in the process, including financiers. In return for the potential enhanced income the Council would be assuming a range of risks including market demand, securing required planning consent, onerous planning conditions, abnormal site costs arising and cost of construction.

- In between the two ends of the spectrum there are a number of options which will in effect be a trade-off between risk and enhanced income. Examples of some of the options available are:

  - Sale of land/site with the benefit of outline planning consent to de-risk planning consent to some extent and allowing bidders to assess any further potential scope for intensifying use.
  - Sale of land/site with conditions as to future use and possibly with the benefit of initial views from the Planning Authority or outline planning consent. This could apply to a sale that is designed to meet a specific outcome for the community and Council services e.g. housing with care, lifetime houses for market sale, affordable housing in excess of minimum planning requirements etc.
  - Council undertakes development in partnership with others to share development risk, resources, expertise and/or to achieve economies of scale. Potential partners could include designers, constructors, landowners, social landlords and debt/equity financiers. As well as sharing risks and expertise this approach provides the opportunity to create a longer term pipeline of developments through a range of joint ventures.
  - Council undertakes the role of a master developer bringing together, through procurement and collaboration, a range of partners on a development by development basis.

1.6 Based on these alternatives and having considered the evidence (outlined in the next section) it is proposed to retain the Acle site for direct development with the remainder of the assets disposed for best consideration. Specifically rationale for each proposal is as follows:

- Lingwood and Blofield – disposal to facilitate direct development by a public sector partner.
- The Oaks being marketed with benefit of planning consent to maximise interest by specific interested purchasers to drive up competition.
- Site at Marham Road, Fincham to be marketed following promotion of the land for residential use as part of the LDF/Local Plan.
- Row Hill Farm Barns to be marketed with the benefit of some local planning history and the expectation that a purchaser can achieve consent for residential use as it no longer serves the operational Farm.
- Vicarage Barns, Elmham to be marketed with the benefit of planning consent for conversion to residential which is pending.
- Former Ticket Office, Surrey Street, Norwich to be marketed with the benefit of planning consent (at appeal stage) for a mixed use scheme. If approved the disposal will be subject to reviewing the viability for direct development.

2 Evidence

The sites at Acle, Lingwood and Blofield.

2.1 A commercially based viability assessment of the three sites was undertaken by NPS on the basis of the existing outline planning permissions and the assumption the market dwellings would be sold. The report concluded that there is the possibility of an enhanced financial return for the site at Acle but not for the sites at Lingwood and Blofield.

2.2 Accordingly the NPS report concludes that a direct development of Acle is viable and should proceed to the next stages which would include feasibility study, full detailed design and preparation of application for full planning consent. However for the two smaller sites it concludes there is no enhanced financial return from direct development and recommends these are sold with the benefit of outline planning consent to provide early capital receipts.

2.3 Interest has been expressed by Broadland District Council (BDC) to acquire the two sites Lingwood and Blofield for development through Broadland Growth Limited (BGL). BGL is a joint venture property development company owned by BDC in partnership with the Norse Group. Having discussed the potential sale with BDC it has been confirmed that these two sites are suitable to the business model adopted by BGL and that the company will have the capacity to carry out these developments. This approach will ensure that these sites are actually developed out and not land banked by a private sector developer. Together the two sites have planning consent for 44 new dwellings of which 31 will be market homes and 13 affordable homes for sale. Also a further option will be examined to attach a condition that all the housing developed on these two sites is to "life time homes" standard.

2.4 For the Council the sale direct to BDC/BGL represents a good opportunity for indirect property development through NCC's own company, Norse Group. It is therefore recommended to treat exclusively with BDC/BGL and negotiate terms for the sale based on an independent valuation to be commissioned jointly.

2.5 As regards the viability for direct development of the Acle site the following summary of potential outcomes and key issues have been identified:

- Outline planning consent is for 140 homes, including 94 market homes, 37 affordable homes for rent and 9 affordable homes to buy (at 80% of market value).
- It is estimated that marketing the land with the current planning consent is likely to result in a net capital receipt for the Council of around £3.6 million which could be realised in the next six months.
- The viability report has assessed that by undertaking the development directly the Council will potentially achieve £6.77 million total receipt over 51 months, representing an uplift of £3.17 million in absolute terms.
- Whilst the uplift of over £3 million is attractive it should be noted it equates to a developers profit of around 12.5%. This compares to a benchmark of between 20% and 25% that an established developer would expect for taking on the development risks.
- Taking account of the cash flow over a longer period the Net Present Value (NPV – based on 3.5% Treasury Green Book discount rate) shows an uplift of around £2.6 million NPV.
- The viability study has factored in a debt interest rate of 6% and shows a maximum cash exposure of around £2 million.
- The scheme is based on a number of assumptions around the phasing of the development, build timescales and sale of units. At this stage no inflationary increase is included in either costs or sales values over the duration of the scheme and it is assumed units take three months to construct and sell. It is likely that there could be variation in costs, completion timescales, sales price and sales turnover which all will impact on the level of profit.
- The NPS viability study includes a risk register highlighting potential risks for the development. Risks around obtaining full planning permission, Community Infrastructure Levy negotiations, objections from stakeholders and residents, and changes in market value have been raised, however none of these risks have been quantified financially at this stage.

- In reviewing the viability report these risks have been explored and further work and investigations will be required as part of the next stages.
- Learning from experience of two previous/current schemes, Britannia Crescent, Great Yarmouth and NORA in Kings Lyn, it is considered prudent to highlight the sensitivity of this scheme to variations in costs, sales values and timescales. The following table attempts to quantify the effect cost changes, sales changes and delays will have on the development uplift/profit.

	Feasibility Study	10% Reduced Sale Price	10% Increased Build Cost	12 month delay in Sales	50% Sales Turnover
	£m	£m	£m	£m	£m
Total Sales	28.937	26.043	28.937	28.937	28.937
Total Cost	-21.933	-21.951	-24.022	-23.142	-22.458
Profit (less £3.6m land)	3.404	0.492	1.315	2.195	2.879
NPV	2.584	-0.092	0.642	0.581	1.533
Cash Exposure	2.052	2.187	2.357	7.962	4.147
Duration	51 months	51 months	51 months	63 months	67 months

- Reduced sale prices or increased costs have a marked effect on profit and NPV. For example a 10% reduction in sale price results in the development uplift reducing to £0.5 million with a negative NPV and a 10% increase in the costs would reduce the development uplift to £1.3 million. Any delay on sales timing reduces NPV as well as having a large impact on the maximum cash exposure needing financing during the development.

2.6 In summary the financial appraisal in the viability report does lead to an uplift from development of the Acle site. However this is based on a range of assumptions around ground conditions, build costs, market demand and sales values which are all liable to vary considerably. Given the significant impact on ultimate developer profit it is not prudent to make a firm commitment to proceed with development of this single site at this stage.

2.7 One option is to continue with the traditional approach by moving to the next stages of development though to full feasibility, detailed design and securing full planning consent. As well as de-risking these elements of the development cycle, it will be possible to examine any site specific issues and review other key risks around infrastructure and overall financial appraisal. However this approach requires considerable time and commitment has to be made to significant expenditure on further fees and surveys.

2.8 However, given the Council's need and appetite to take a more commercial approach to maximising capital income, as well creating long term revenue streams to diversify future funding of services, an alternative approach with the Acle site is to utilise it as a platform to create a vehicle(s) for commercial property development in the longer term. Other viable sites are planned to be released through the Council's Rationalisation Plan and through the One Public Estate programme aimed at joining up Norfolk public services and increased sharing of space for other office functions.

2.9 It is therefore proposed to undertake an investigation to ascertain what delivery mechanism are available to mitigate the risks involved in this project as well as creating a pipeline of future developments to generate a critical mass for economy and enable capacity building to be able to exploit full developer profits. This could range from direct delivery using the Councils construction frameworks, through using existing delivery companies to establishing a new delivery vehicle, with or without partners. This investigation will be extended to include the option to rent out the market dwellings.

2.10 The establishment of a delivery vehicle, usually by way of a wholly owned company, to deliver housing is being increasingly used and there are examples in Norfolk and Cambridgeshire. Norfolk's One Public Estate partner Suffolk County Council is currently going through the process of establishing a Housing Development Company which will be incorporated as a company limited by shares to be owned by Suffolk CC and two other Councils. As part of the Councils investigation we will be consulting Suffolk County Council and others.

2.11 The concept of life time homes could also be applied to the larger site however would have consequences in reducing the enhanced profit from the development. However from a county council perspective will have a substantial positive impact on reducing demand for care home places, or substantially reducing the length of time care home accommodation is required in the future.

The Oaks, Harvey Lane, Norwich

2.12 It is proposed to market for sale 4 building plots and a separate area of woodland known as **The Oaks, Harvey Lane, Norwich** as noted on plan 01-01-11-2-1057. The site consists of the former Oaks Children's Home more latterly used as an office building. The property is set in generous grounds in a conservation area off Harvey Lane, is heavily wooded and adjacent to the NCC Children's Services Care Home known as The Lodge.

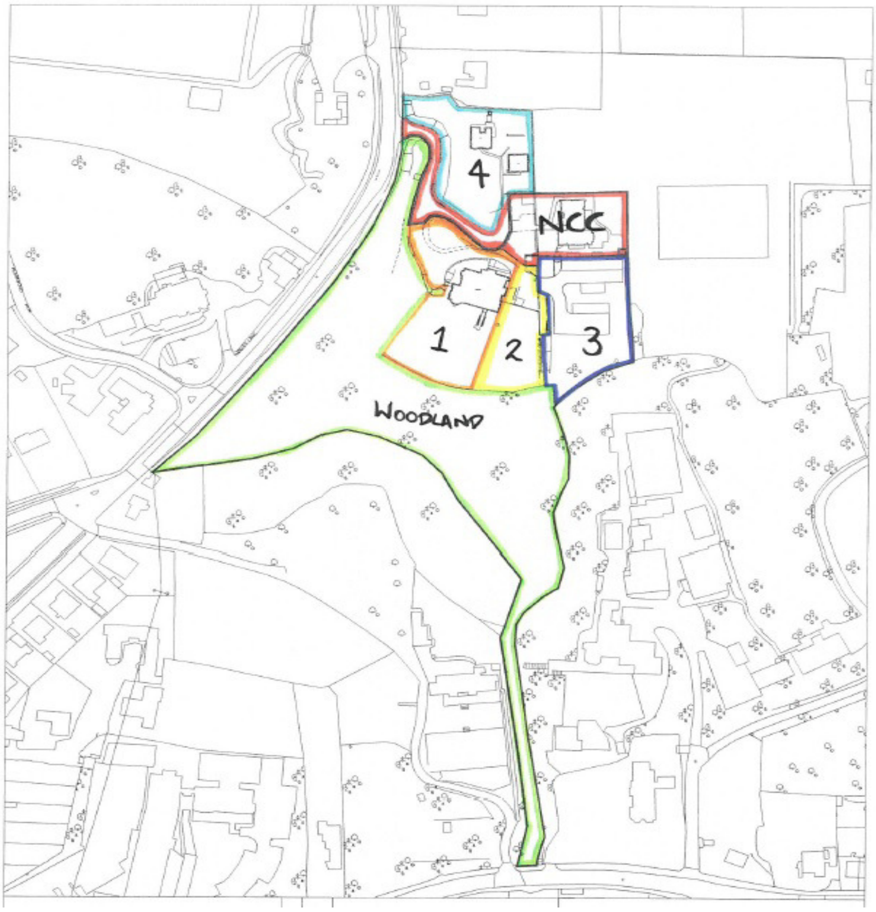
2.13 The site was declared surplus to requirements 4th May 2010, although was continued to be used as offices until 2012. The existing children's home is to be retained as an operational unit.

2.14 The ownership of the access drive will be conveyed with the plot through which it passes together with rights of way conveyed where required. Ownership of the lower reaches and to the retained children's home will be retained by NCC again with rights granted to others to pass over. Contributions towards the maintenance of the access way by individual house owners will be assessed on a pro rata basis.

2.15 Due, in part, to a lengthy and sensitive planning process the site and associated buildings have been vacant for a number of years with minimum maintenance. The area is overgrown with the building condition poor and suffering from damp ingress. Continued exposure will inevitably result in a rapid decline of the fabric.

2.16 The installation of statutory services to the individual plots at a total cost of £60,000 is expected to maximise the individual plot bids. It is anticipated the overall capital receipt will exceed £950,000.

2.17 Strategically the sale of these buildings / land represents a significant element of the identified disposals for 2015/16, currently forecast at £3.2 million. The marketing plan for disposal of this site allows for total flexibility in the bidding process appealing to a wide range of potential buyers including 'self-builders' wanting single plots, through to builders / developers interested in purchasing the whole site. By appealing to the widest possible market of potential purchasers the competition will serve to maximise the overall capital receipt.



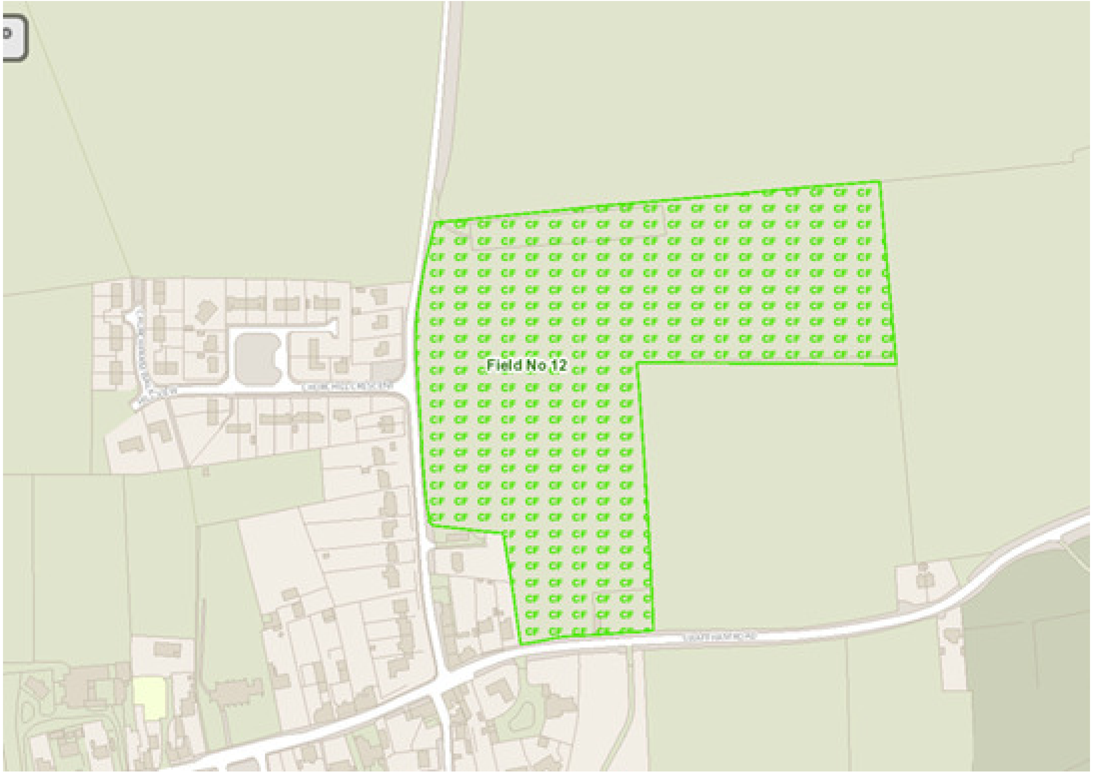
Plan 01-01-11-2-1057

Site at Marham Road, Fincham

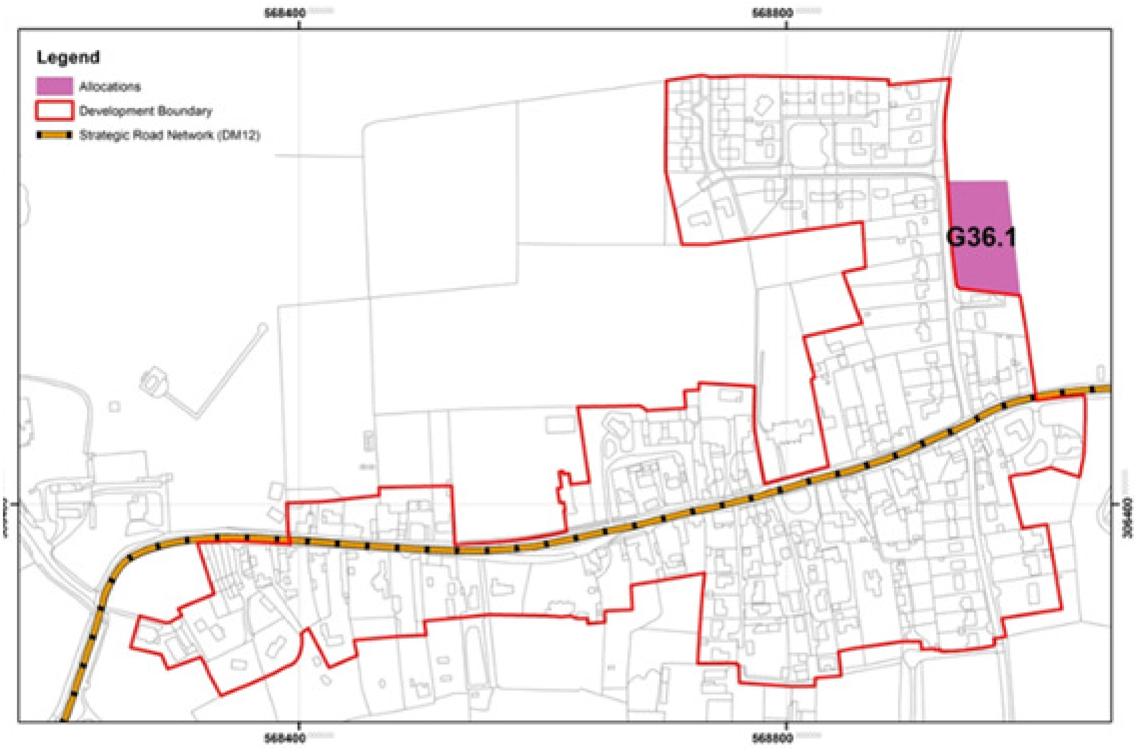
2.18 It is proposed to market for sale a site at **Marham Road, Fincham** for residential development, marked in purple on plan - Extract from Site Allocations and Development Management Policies DPD. The site is part of NCC County Farms estate.

2.19 NPS has been promoting the site through the Local Development Framework/Local Plan for King's Lynn & West Norfolk Borough Council for residential purposes. The Site Allocations Plan is now at an advanced stage and the submission version seeks to allocate the land for residential development ahead of a number of other alternative sites within the village which have been suggested. The remainder of the field will still be retained in agricultural use, including a parcel of land to the north which is used as Parish Allotments.

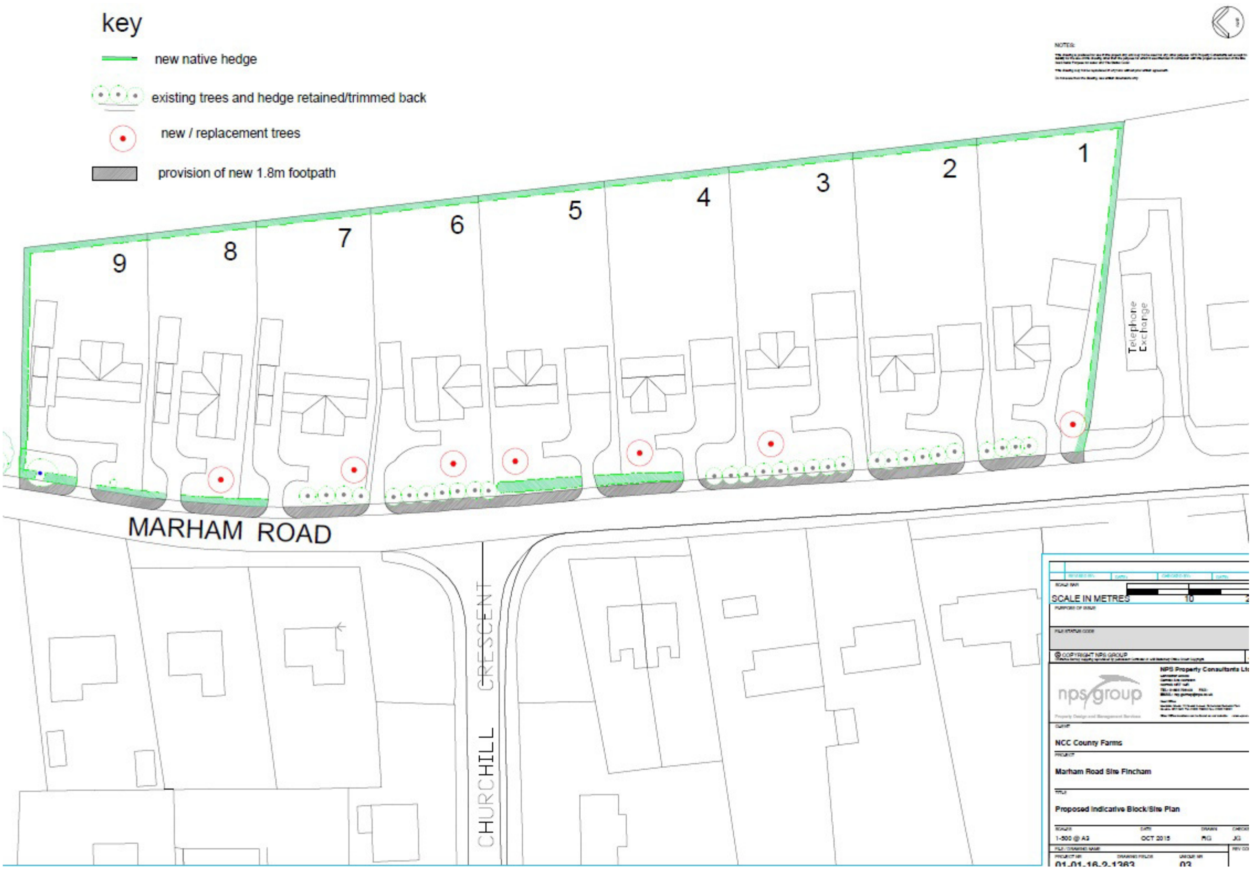
2.20 The site may be sold as one lot or as individual parcels at a value to reflect that the land whilst not yet allocated for residential use has every chance of being so. In this situation the capital receipt is expected to exceed £275,000.The new owner(s) would then need to apply for planning permission in the usual way. However, if the council waits until the land is allocated for housing and applies for planning permission the expected capital receipt will be far in excess of the above estimate.



Fincham- Extent of NCC County Farms land ownership.



Fincham - Extract from Site Allocations and Development Management Policies DPD (Submission Version)



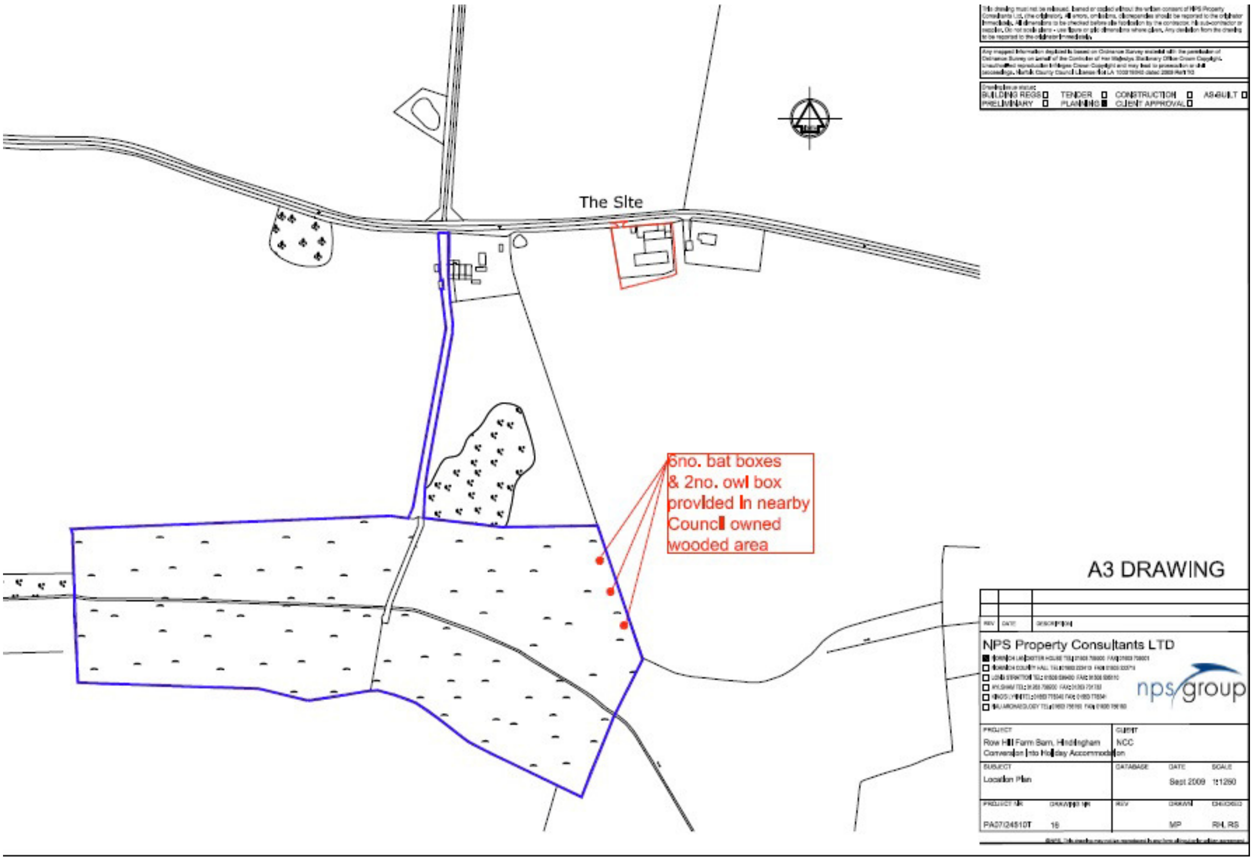
Possible layout of dwellings

Row Hill Farm Barns

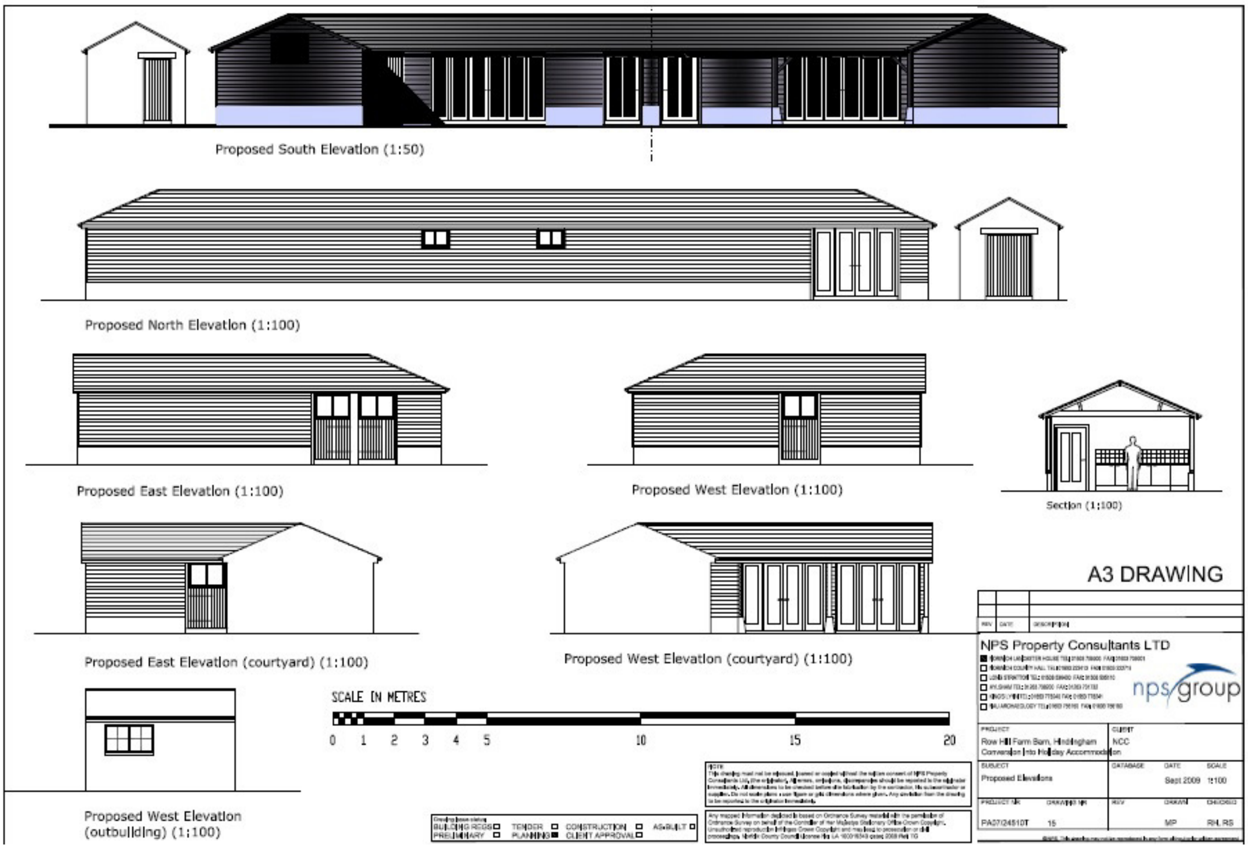
2.21 It is proposed to market for sale **Row Hill Farm Barns** for residential development, see location plan and elevation drawing below. The site was formerly part of a 196-acre arable farm holding. The main farms premises are located off Blakeney Road, whilst Row Hill Farm Barns are approximately one mile away on Walsingham Road.

2.22 The land adjoining this site has been sold off and the barn is now remote and divorced from the main farm. The site comprises a traditional timber framed and clad livestock building arranged in a U-shape with an open cattle yard. Also on the site is a dilapidated implement shed of concrete portal frame construction. The buildings were last used to provide livestock accommodation as well as for general storage of farm equipment, harvested crops and agrochemicals.

2.23 The barns at the front of the site have a planning permission to convert to two dwellings, the barn at the rear is subject to a planning appeal. The capital receipt is expected to exceed £225,000 and will be further enhanced if the planning appeal is successful.



Site plan



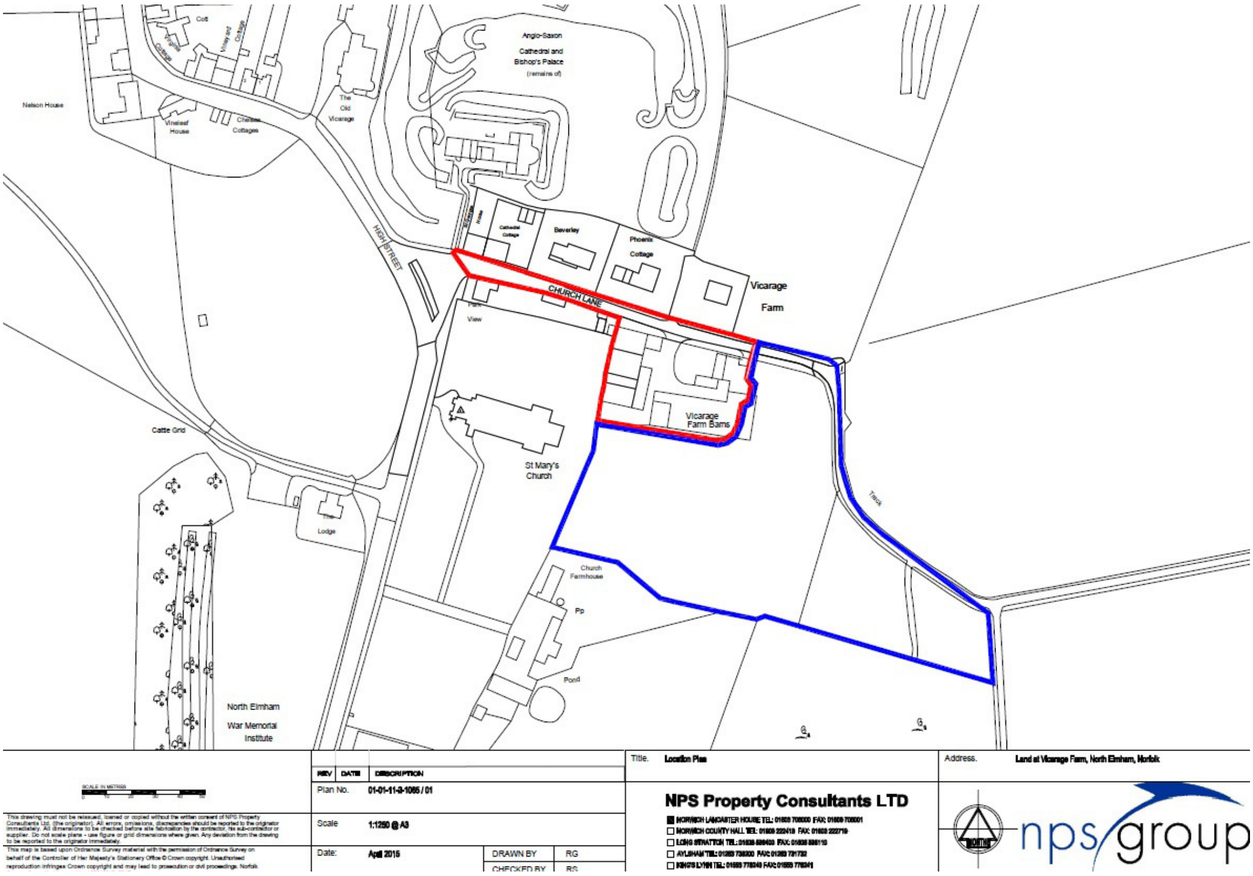
Elevation drawings

Vicarage Barns, Elmham

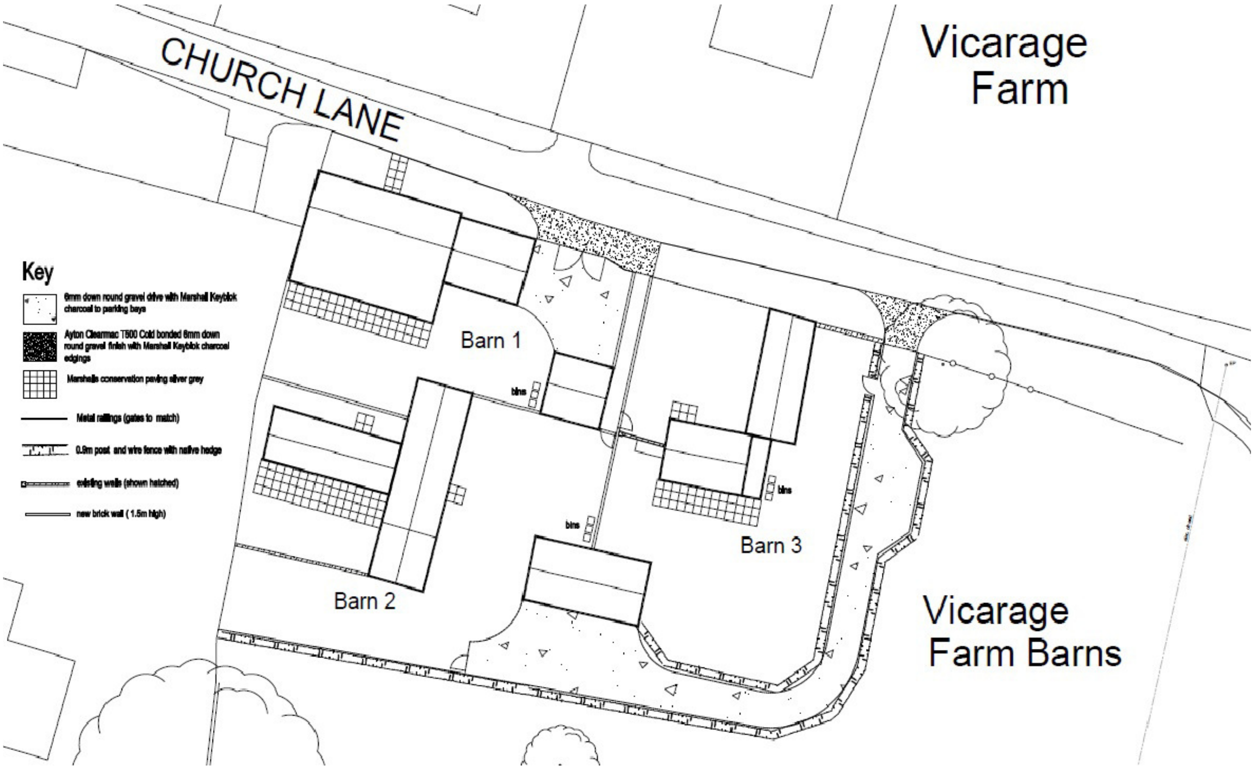
2.24 It is proposed to market for sale Vicarage Barns, Elmham to generate a capital receipt which is expected will exceed £300,000. The barns are located at the end of Church Lane, a private drive off Holt Road. The road is relatively narrow in width in part and serves a small number of residential properties and the farm.

2.25 The site measures 0.16 hectares and In June 2015 NPS submitted a planning application to convert the three historical barns to residential use, this being the most viable use to ensure their conservation in accordance with Paragraph 131 of the National Planning Policy Framework.

2.26 Due to the dilapidated condition of the barns they are no longer suitable for agricultural use. The site is not considered to be suitable for an alternative employment use, given its access and relationship to neighbouring residential uses. It is therefore intended to remove the modern agricultural buildings and convert the historic barns to residential dwellings. A viability assessment has been prepared to consider the potential to use the buildings for commercial purposes. The report found that the rents which could be achieved from using the buildings for commercial purposes would not be sufficient to cover the costs to demolish the unsafe structures and repair the remaining buildings.



Site Plan



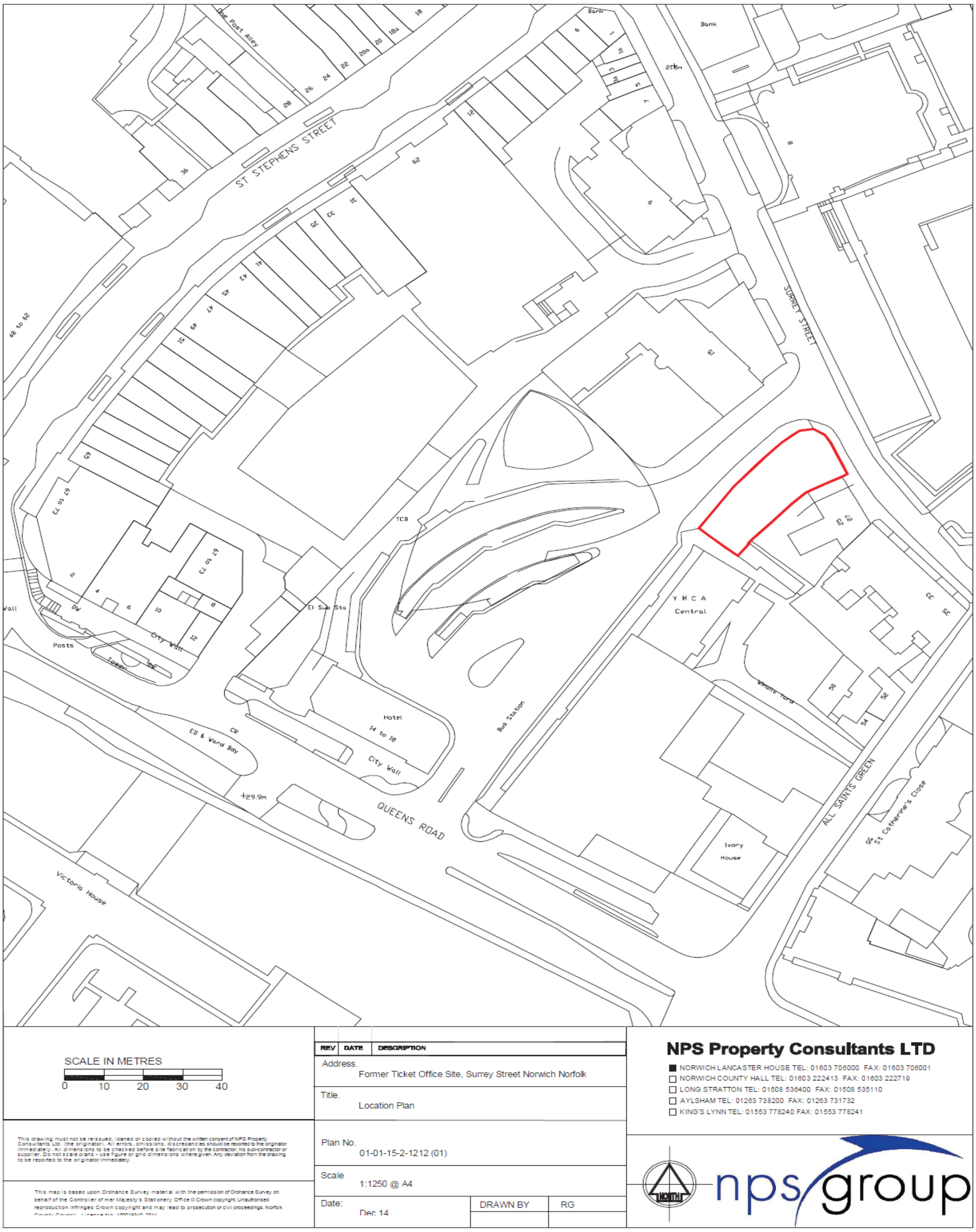
Location plan

Former Ticket Office, Surrey Street, Norwich

2.27 It is proposed to investigate options for the **Former Ticket Office site, Surrey Street Norwich** to ascertain if suitable for self-development. See site plan 01-01-15-2-12-12(01) below.

2.28 The site has an existing planning permission for commercial use. However the site failed to sell and in 2014 an application was made for a mixed office, retail and dwelling development. This application did not receive planning permission. The refusal was advanced not on the principle of the mixed use or built form scale, but in relation to detailed considerations, notably poor access / arrival to the building, size of units, poor internal layout and circulation. Therefore a further application is being worked up to address these issues. On a successful application a viability assessment on direct development will be undertaken.

2.29 Notwithstanding the new planning application and investigation regarding direct development there is requirement for a formal declaration the site is surplus to County Council use.



Site plan 01-01-15-2-12-12(01)

3. Financial Implications

The report includes financial implications which in the main relate to generating capital receipts from the disposal of surplus assets. Proposals for immediate disposal of properties to third parties will help optimise capital receipts (£3 million estimated in the current financial year). Proposal to include at least one and potentially two sites in this report for direct property development is estimated to generate in excess of £7 million in future years

For some of the sites proposed for disposal currently the Council is incurring holding costs which will no longer be required once the sites have been disposed. For other sites there is a revenue income derived from leasing out the (Farm) land which will no longer be receivable.

The recommendation to further investigate direct development delivery vehicles will have a cost implication in terms of office time and fees. This will be contained within existing budgets.

4. Legal implications

4.1 For disposals in the usual way the legal implications are around the parties agreeing to the terms of the agreement for each disposal and entering a contract.

4.2 For the direct development route there are the implication of setting up the delivery vehicle. This may include setting up a suitable company, agreeing terms with partners and the setting up of contracts with suppliers of design, construction, project management and agency services.

5. Issues, Risks and Innovation

For the disposals the main risks lie around the issue of allocation for residential use and successful planning appeals and applications. Furthermore one or more of the sites may fail to sell or it may take a period of time to complete a sale therefore the anticipated overall receipt may not be fully realised. These risks are mitigated by the use of expert consultants experienced in these types of developments.

The risks around direct development relate to Town Planning, market conditions, cost estimating and site issues impacting on buildability, extent of development and infrastructure costs. These risks are often amplified through objections from key stakeholders including local residents, businesses and statutory consultees. Mitigation of the risks through a robust and live Risk Register include measures to engage stakeholders early, carry out adequate research of the market, planning policies and obtain cost assurance as well as factor in contingencies.

All of these factors will be further examined as part of the proposals for direct development to be brought forward in March 2016.

6. Background

There are several strands forming the strategic background to these proposals, namely

- The overall Councils priorities of excellence in education, real jobs, good infrastructure and supporting vulnerable people.
- The adoption by the Council on 1st June 2015 of a new Asset Management Plan 2015-18 (AMP).
- The adoption of the property savings plan, agreed by Policy and Resources Committee, that calls for £7.3m of savings for 2015-18.
- Re-imagining Norfolk that anticipates improving property and assets, through a more innovative and commercial approach.
- The Norfolk One Public Estate Programme that is supporting the joint strategic exploitation of the combined public sector property estate.
- The Devolution offer anticipates working with government to identify new settlements and accelerate housing delivery.
- The medium term financial strategy includes commercialisation of NCC property assets as a priority to help diversify the Council’s funding.

Strategic asset management is focussed on:

- Releasing properties that are costly, not delivering services efficiently or in the wrong location.
- Exploiting the latent value of the property estate with an emphasis on using the retained estate more intensively or identifying opportunities to generate revenue income or increasing the capital value.
- Reducing future maintenance liabilities and reducing the overall carbon footprint.
- Directing spend on "core" assets that are to be retained over the long term.

There are several key targets in the AMP that support these proposals:

- Establish a 5 year Disposals Programme – seek opportunities for development.
- Implement property savings plan for year 1 then followed by years 2 and 3.
- Develop options for "top 10" sites with development potential.
- Deliver strategy to promote surplus/fringe sites for housing.

Furthermore the County Council is undergoing major service redesign aimed at early intervention and self-help. To this end the council is developing proposals around "Housing with Care" with the objective of keeping people in their own homes for longer.

Background papers

(i) Policy & Resources Committee 1 June 2015:
  a. agenda item 13 – Asset Management Plan – Strategy 2015/18
  b. agenda item 15 – Proposed sale of land to the north of Norwich Road, Acle
  c. agenda item 16 – Proposed sale of the Former First and Nursery School (Orchard) Site, Lingwood
  d. agenda item 17 – Proposed sale of land to the east of Plantation Road, Blofield

Officer Contact

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

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

Officer Name:	**Tel No:**	**Email address**:
Dinesh Kotecha	01603 222043	dinesh.kotecha@norfolk.gov.uk

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Policy & Resources Committee

Item No 13

Report title:	**Re-procurement of telephony & data network services**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Executive Director of Resources**

Strategic impact

We need to enter into a new contract to replace voice and data network services, as our current contracts expire in 2016.

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

Through the procurement process, we have sought additional benefits relating to the council's four priorities: real jobs, good infrastructure, high quality education and protecting the vulnerable.

Executive summary

We are nearing the end of the procurement process authorised by this committee in March 2015 to buy a replacement network to cover corporate requirements (offices, depots, libraries, etc). The service will also be marketed to schools: the vast majority of schools use the current network, and it is of particular importance for schools in more-rural areas, where there is a lack of alternative provision.

In addition to network services, the procurement also covers telephony (fixed and mobile) and mobile data. Some closely allied services such as internet filtering and Wi-Fi are also included.

We anticipate that the contract will deliver substantial savings compared to the current arrangements, which cost around £7m per annum, but we have not yet called for final tenders.

In addition to ourselves and schools, the contract will 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 public bodies in neighbouring counties.

Recommendations:

To enable time for a managed transition, we need to sign the new contract before Christmas. We expect to have completed evaluation by mid-December. To give some flexibility in timing for the final stage of the procurement, and to enable detailed member review of the proposed award decision, committee is invited:

A. To delegate the award decision to the Executive Director of Resources, in consultation with the Member ICT Working Group.

1. Proposal

Update on the procurement exercise and proposed conclusion

1.1. The procurement is being conducted via a Competitive Dialogue process. Initial proposals were received from five bidders, and these were shortlisted to three: BT plc, Telefonica, and Updata (part of Capita).

1.2. When the dialogue has run its course, we will invite tenders from the three shortlisted bidders. Because the dialogue has involved the continual refinement of the bidders' proposals, final submission of the tenders and their subsequent evaluation should not be a long-drawn-out process. We anticipate closing the dialogue at the end of November and being in a position to make an award recommendation by mid-December. Subject to the committee's agreement we would expect to provide a detailed report to the member ICT working group and to hold a consultative meeting with them, before a delegated decision by the Executive Director of Resources.

1.3. Following the award, we are required to allow a ten-day 'standstill period' before the contract can be signed, during which unsuccessful bidders can challenge the proposed award decision.

1.4. Thereafter, the contract can be signed and transition can begin.

Proposed contractual and service management arrangements

1.5. We propose to enter into a framework agreement – an agreement which sets out the terms on which the successful bidder will offer services to the council and other public bodies, including schools and districts. These terms include the services to be offered, the contractual conditions, and the price.

1.6. We will then enter into a contract – the "principal call-off" – which covers the council's requirements and those of bodies with which it operates a pooled ICT service – notably Great Yarmouth and Breckland councils. This call-off contract will be for four years, extensible for a further four years.

1.7. The principal call-off will cover:

1.7.1. The council's wide area network (WAN)

1.7.2. Maintenance of the most-critical parts of the local area network (LAN) – with less-critical components being replaced by the council as they fail or become unsupportable.

1.7.3. Reconfiguration of the council's Wi-Fi service to make it easier to use, and subsequent support.

1.7.4. Replacement of the current telephony system with a system which is better integrated with the council's email and instant messaging system (but which is sufficiently independent that telephony will continue to function if email or other services are lost).

1.7.5. A "mobile device management" solution which will provide better central control over mobile phones and other mobile devices, to improve security and provide a more-consistent configuration.

1.7.6. Moving to a "contact centre as a service" approach, where the number of contact centre agents can be flexed up and down in accordance with demand, and their location varied if necessary.

1.8. Other public bodies – schools, the City Council and the Norfolk & Suffolk NHS Foundation Trust – will be invited to enter into their own contracts under the framework agreement. The contractor will bill these entities directly for their services, rather than billing the county council.

1.9. However, schools which buy ICT services from the county council will be able to use the council's ICT service desk to report faults. The service desk will then check whether the fault lies with the network, and if so report it to the contractor. If the fault lies, elsewhere, the service desk will help to resolve it.

1.10. Schools which do not take the council's ICT services will report faults directly to the contractor.

1.11. As requested when the procurement last came to this committee, we have looked at whether there should be a charge on non-maintained schools which use the contract, to cover the procurement costs. We do not propose to levy a charge, as it is clear from discussions with bidders that the council is benefitting from significant economies of scale through encouraging all schools to use the new service, and anything which detracts from the incentive for schools to sign up would not be in the council's best interests.

1.12. If members wished a charge to be levied, however, the contractor could be asked to bill schools for this and to remit the amount billed to the council. Where this arrangement is used in other procurements (for example, when the Crown Commercial Service charges other authorities to use its contracts), the amount billed is typically around 0.3-0.7% of contract value.

<u>Transition arrangements</u>

1.13. A programme will be undertaken to transition safely to the new network, and subsequently to introduce the improved services.

1.14. The existing contract will be novated to the new provider, such that the entire service is under the new provider's control from 1 April, with the incumbent provider acting as a sub-contractor during transition.

1.15. The initial priorities will be:

1.15.1. To sign schools up to the new arrangements.

1.15.2. To transition existing "superfast" broadband connections to the new provider – this accounts for the largest number of connections.

1.15.3. To order new circuits for premises where the current arrangements are unsatisfactory – particularly schools and libraries on the slow, obsolescent "Learning Stream" circuits.

1.15.4. To replace higher-bandwidth circuits, as these are the most expensive under the current contract.

1.16. The new provider will take on services provided by the incumbent, such as internet filtering and the telephony platform, and keep them running until an alternative has been delivered. The exact nature of the transformed service varies from bidder to bidder, but in all cases the new services will make less use of dedicated infrastructure than the current contract, and there will be less equipment on council premises (which makes the network more resilient and makes it easier to close premises where business needs dictate).

1.17. Services which have a direct impact on end users, such as telephony and contact centre services, will not be altered until

<u>Consultation</u>

1.18. Widespread consultation has been undertaken as part of developing the statement of requirements, and many user departments and organisations have been involved in the subsequent procurement exercise.

1.19. Consultation has included:

1.19.1. Internal consultations with user services including democratic services, libraries, adult social care, children's services, highways, the fire service and the contact centre;

1.19.2. Consultations with the council's accessibility specialists

1.19.3. Liaison with the corporate property team regarding proposed building moves and changes

1.19.4. Liaison with external customers (current and prospective) including the city and district councils, Norfolk & Suffolk NHS Foundation Trust

1.19.5. Coordination with Suffolk County Council

1.19.6. A survey with all schools and meetings with:

- the various head teachers' organisations
- schools' network managers
- the governors' ICT steering group
- the Norwich Diocese
- the academy chains active in Norfolk.

2. Evidence

Benefits of the proposed arrangements

Higher bandwidths

2.1. The new service will make much greater use of the new broadband services which are being rolled out across the county by BT Openreach, both commercially and through the *Better Broadband for Norfolk* initiative part-funded by the council. This will give schools and other sites in more-remote areas higher speeds at an affordable cost.

2.2. In some more-remote areas, where these services are not yet deployed, a variety of technologies will be deployed to give better speeds than are currently available. These differ from bidder to bidder but may include, for example, point-to-point wireless technologies or the bonding of multiple lower-speed connections.

Ease of use and better support

2.3. The project has placed particular emphasis on ease of use for end users. This includes, for example:

2.3.1. tighter integration between email, instant messaging, directory services and fixed and mobile telephony;

2.3.2. reconfiguration of the council's Wi-Fi systems to make connection automatic wherever possible and avoid the need to sign on repeatedly;

2.3.3. the range of mobile devices in use will be reduced, so that the IT department has a better understanding of the devices it is supporting and can provide a better service.

3. Financial Implications

3.1. The current contractual arrangements cost around £7m per annum. We do not yet have final tendered prices for the new service, but expect a significant reduction in price.

3.2. The current contact does not provide sufficient price transparency. The new contract will give a much better understanding of which requirements are driving costs.

3.3. Schools are likely, in general, to see reduced costs, even though the service to schools is currently subsidised by the council and this will cease under the new contract. But some hard-to-reach schools will see an increase in costs – in the form of a one-off setup charge and potentially a somewhat higher ongoing charge – because they will be paying the actual cost of their service and not a cost averaged across all schools.

3.4. However, for those schools where 'superfast' broadband is not available, and where the cost of installing fibre would be excessive, bidders have been required to propose a lower-cost technology, such as microwave radio. This protects against extreme installation costs for rural schools.

3.5. There is some financial impact if a significant proportion of schools do not sign up, although this is considered unlikely, as the new service will offer greater bandwidths, new facilities and good value for money. We are negotiating mechanisms with each bidder to determine the impact on price of this eventuality – price would increase somewhat to reflect the reduction in economies of scale.

4. Issues, risks and innovation

4.1. The programme to move across to the new services will require capacity frm across the council. Whilst the effect will be greatest on the ICT department, user departments will need to be involved in user research and in acceptance testing. It will also be for individual departments to realise benefits from the new technology – for example, easier flexible working might allow peripatetic workers to fit in an additional visit each day by avoiding a trip into the office.

4.2. The key risks of the project, and the mitigations proposed, are as follows.

Risk	Mitigations
Technical solution does not work, or does not work in a local government context	• All three bidders are experienced in delivering similar services for other local authorities. • The technology is proven • Rigorous testing has been included in the project requirements • Technical assurance has been provided by external consultants (Grey Sky Limited) throughout the project. An independent assurance review is being conducted by KPMG prior to award.
Technical solution (particularly for telephony) is not acceptable to end users	• User departments have been heavily involved in setting the requirements and have been in dialogue with the bidders • Technical solutions are 'industry standard', not unusual, and have been deployed successfully elsewhere in local government • Further work will be carried out with users

	by the contractor to ‘fine-tune’ the solution • A contingency fund will be included in the budget to support this fine-tuning (particularly the ratio of conventional handsets to headsets)
Lack of sign-up by schools	• We have an unusually high proportion of schools on the current deal. The new deal is expected to offer better value for money. • Schools have been consulted as part of the development of the new arrangements, including through a survey and attendance at meetings of head teachers, governors and schools ICT staff. • An intensive marketing campaign will take place in January
Transition risk	• Robust transition plans are being developed • Financial risk of protracted ‘dual running’ of old and new networks will be on the contractor
Cost uncertainty	There is some cost uncertainty as a result of : • The need to determine post award the proportion of users with conventional handsets, compared to those with just headsets or some users who may not require a fixed phone at all • The need to allow some contingency for any integration between the new call centre system and the new customer relationship management system. In both cases, the proposed contingency is to hold back some of the expected savings to cover any additional costs.
Technical obsolescence during contract life (for example, ‘superfast’ broadband becomes available in an area where a more-expensive solution has been installed)	The contract will: • Place a responsibility on the Contractor to pro-actively recommend lower-cost solutions to individual sites as they become available • Permit change of technology without penalty (though the installation costs of the superseded technology will still need to be paid)

5. Background

5.1. The commencement of the procurement exercise was approved by this committee at its meeting of 23 March 2015.

Officer Contact

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

Officer Name:	**Tel No:**	**Email address**:
Al Collier	223372	al.collier@norfolk.gov.uk
Kurt Frary	223856	kurt.frary@norfolk.gov.uk

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Policy and Resources Committee

Item No 14A

Report title:	**Managing Director's Strategic Update: Devolution**
Date of meeting:	**30th November 2015**
Responsible Chief Officer:	**Wendy Thomson, Managing Director**

Strategic impact

In May 2015 the government published the Devolution to Cities and Local Government Bill to enable central government to devolve control to local government over transport, housing, strategic planning, health, social care and skills training to boost economic growth. Norfolk and Suffolk are working together to ensure the people of our counties' benefit from the opportunity afforded by this bill, focusing on the devolution of functions such as transport, economic development, housing, flood defence, skills, strategic planning and health and social care.

Executive summary

This report informs Members on the work being undertaken to progress a good devolution deal for Norfolk and Suffolk. It reports on the Challenge Session that local authority leaders and the LEP had with Lord Heseltine on November 4th, and sets out the next steps. It also provides information on the wider policy context and other deals that have been announced to date.

Policy and Resources is asked to:

- **Note the progress to date**
- **Agree that the Leader and Managing Director continue to pursue negotiations together with our partners to obtain the best devolution deal for Norfolk, in preparation for decision of a Devolution deal by Full Council.**

1. Progress with our Devolution case

1.1 As reported previously to members, work continues on a devolution case for Norfolk and Suffolk in collaboration with all district councils across the two counties, the New Anglia Local Enterprise Partnership and our universities. See Appendix 1, for the most recent version of our proposed devolution proposal. It is the subject of continuing work, and revision.

1.2 Central Government has encouraged a joint bid across Norfolk and Suffolk, viewing the combined economy of the two counties as a suitable scale for devolution. There is a strong commitment to maximise the benefits of devolution for businesses and communities. With a fast growing population of 1.6m and a GVA of £31.8bn, the combined counties closely match the scale of other devolution deals such as Liverpool and Sheffield.

1.3 In summary, the proposals aim to:

- improve productivity, drive growth and improve housing delivery
- invest in transport and improve infrastructure
- transform skills and employment
- transform the delivery of health and social care

1.3 Since the report to this Committee on September 28th, and the subsequent discussion at Full Council on October 8th 2015, further work has continued to shape the proposed deal for the area for negotiation with the Government. A milestone in this process was a **Challenge Session,** held on 4th November, with Lord Michael Heseltine, with a seven person team from Norfolk and Suffolk councils, and the New Anglia Local Enterprise Partnership (composed of Cllr Nobbs (NCC), Cllr Noble (SCC), Cllr Waters (Norwich), Cllr Ellesmere (Ipswich), Cllr Proctor (Broadland), Cllr Jenkins (Babergh).

1.4 This session was felt by those who attended as very positive, which was also confirmed by senior officials present. Lord Heseltine was impressed by the scale and scope of work undertaken, in the short period of time, as well as the levels of collaboration achieved.

1.5 At the Challenge meeting, Leaders outlined the potential gain of a Norfolk and Suffolk deal.

- Support for the ‘whole system’ approach to health, care and safety in line with the NHS 5 year forward view.

- Freedom to pilot public sector innovation and reform, including a ‘planning reform pathfinder’ and flexibility around the Housing Revenue Account.

- A local approach to skills, business and out of work support with Government to maximise GVA and reduce benefit claims.

- Be the first Science and Innovation Audit with colleagues in Cambridgeshire and Hertfordshire, to maximise the potential of our innovation strengths in agri-tech, energy and ICT.

- A Combined Authority in Norfolk and Suffolk that is able to make tough decisions ahead.

1.6 The devolution deal has the potential to unlock:-

- At least 180,000 homes by 2036
- 10,000 apprenticeships by 2026
- 95,000 jobs by 2026
- Annual GVA increase of £11bn by 2026
- Public sector productivity savings of at least £275m by 2020.

1.7 The Challenge session covered a number of issues including:

- **Timing:** it was acknowledged that the timescale to get a deal signed by the Spending Review on 25th November, was ambitious. We have been subsequently told by senior officials that the timescale may slip to Christmas, although this has not been officially confirmed.

- **Cambridge/shire:** the possibility of extending our deal to include Cambridge/shire was discussed. The delegation set out work that is already taking place e.g. transport, innovation and skills investment. Options could include developing a Memorandum of Understanding on joint areas of work. However the Norfolk and Suffolk deal is already making progress and it could be better to embed our deal and therefore be in a stronger potential partner, when Cambridgeshire has shaped their aspirations.

- **Stakeholder support:** Lord Heseltine wanted confirmation of the support from stakeholders and the arrangements for keeping everyone informed on the progress of the deal.

- **Governance:** a clear case was set out for a Combined Authority, of a collaborative model, built around a ‘strong chair’, which will continue to be tested as we progress the deal. It was confirmed that ‘nothing at all would be imposed’.

- **Growth/Economic Development**: Provided briefing on the range of projects in our LEP investment ‘pipeline’, and on the scale of inward investment opportunities available. Lord Heseltine was encouraged by our high profile participation in MIPIM UK, at which a number of international investors showed interest in Norfolk/Suffolk regeneration projects. Also on the progress being made on private financing initiatives and on ideas to better focus and streamline economic development activities.

The team were told that we would get a deal if we wanted one, but there is a lot more work to do on the specific details.

1.8 More details of our ambition for devolution can be found in the brochure, ‘The>East; releasing the potential for Norfolk and Suffolk’ in Appendix 2.

2. Next Steps

2.1 Given the positive signals from the challenge session, work now continues on the financial analysis and refinement of the initial governance framework. We have not received comments from civil servants on our proposal; once this is received work will move to drafting the deal in negotiation with individual government departments. Once there is a finalised proposal that has received the support of government and local leaders, it will require approval by all Councils that wish to be part of the Combined Authority.

3. The National Picture

3.1 Information on the national policy context has been provided to members in previous reports and in the officers' presentation to Full Council. Additional information is becoming available on a very regular basis.

3.2 On the legislative front, the Cities and Local Government Devolution bill was considered in a Committee of the whole House on 21 October and 17 November 2015. The report stage and third reading is scheduled to take place over one day on a date yet to be announced. Members wishing to know more about the progress and amendments being made to the bill, can be found at http://services.parliament.uk/bills/2015-16/citiesandlocalgovernmentdevolution.html

3.3 Widely seen as the 'only show in town' by those attending the recent annual conference of the County Council network (attended by the leader and me), devolution is the subject of daily media coverage in the local government press.

3.4 The CCN commissioned a study by the IPPR 'Empowering Counties, Unlocking County Devolution Deals which explains how by securing locally specific powers and governance arrangements, counties can boost their economies and improve their services. The full report is available at http://www.ippr.org/publications/empowering-counties-unlocking-county-devolution-deals.

3.5 The LGA has also built a new 'Devo-next' resource hub which brings together extensive information on what Devolution is about, what has been achieved so far, the deals agreed to date and how local authorities can best take advantage of this opportunity. The announcement of deals in Liverpool and West Midlands on 17th Nov. brings to 7 the local areas which have so far secured deals (including Greater Manchester, Sheffield City Region, Northeast, Cornwall, and Tees Valley). Other counties in devolution discussion with government include Hampshire and the Isle of Wight, Greater Lincolnshire, Nottingham(shire) and Derby (shire)

3.6 The LGA resource hub can be accessed at http://www.local.gov.uk/devolution.

4. Recommendation

4.1 Policy and Resources is asked to:-

- Note the progress to date.
- Agree that the Leader and Managing Director continue to pursue negotiations together with our partners to obtain the best devolution deal for Norfolk, in preparation for decision of a Devolution deal by Full Council.

Officer Contact

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

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

Officer Name: Dr Wendy Thomson, Managing Director **Tel No:** 01603 222001
Email address: wendy.thomson@norfolk.gov.uk

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‘The East – Releasing the Potential for Norfolk and Suffolk: A Devolution Deal

A. Why Devolve to Norfolk and Suffolk?

1. We are ready. We are delivering and being ruthlessly focussed on what’s best for local people, we’re ambitious to do much more.

2. Our shared assets and distinct geography mean that we are uniquely placed as a non-metropolitan, southern area to offer a devolution proposal that will unlock productivity and provide a model of devolved arrangements for other non-metropolitan areas, without unitary local government.

3. We are determined to exploit our strengths to increase our contribution to UK growth and establish our position as a global leader in the 3rd industrial revolution with a unique contribution to:
   - feed the world’s population through our expertise and cutting edge agri-tech sector;
   - help the world connect, building on our established leadership of and track record in research and innovation in technology; and
   - ensure sustainable global energy supply through the exploitation of our natural assets and a leadership role in the country’s energy future.

4. Our contribution to the devolution revolution can be characterised by:
   - A new relationship between central and local government
   - Increased productivity in both the private and public sectors
   - Maximising the potential of our people and places
   - Helping the UK become a global economic powerhouse

5. We share a unique geography – close to but very distinct from London with a firm focus beyond our borders both within the UK - to Cambridgeshire westwards and Essex to our south and internationally, with our Europe facing world class energy coastline and the UK’s largest container port. We have a mix of urban, rural and coastal communities, which means a diversity of opportunities and challenges that emphasise the need to tailor to local circumstances – a demographic best suited to devolved arrangements.

6. We have economic scale and clout on a similar scale to City Regions such as Liverpool and Sheffield, with a much faster growing population. We also have the potential to grow our economy faster, with strengths in key sectors such as: agri-tech, food and health, energy and the digital economy. Our strengths are diverse and powerful including:
   a) National hubs for key business sectors that need to be nurtured to become magnets for global inward investment such as:
      - An all-energy coast at the centre of the world’s largest market for offshore wind that is worth about £994 million per annum,
      - Globally-leading research in life sciences worth £1.3 billion across Norfolk and Suffolk
      - agri-tech – a fast growing sector with huge commercial potential worth £2.2 billion GVA per annum almost 10% of Norfolk-Suffolk GVA
      - pioneering technical innovations in ICT research and development worth £1.3 billion with 1, 400 companies employing around 10 300 people .
      - The UK’s busiest container port
      - A fast-growing creative digital sector, recently recognised by Tech City UK

- Market-leading food and drink producers.
- Our first-class cultural heritage mean tourism is worth £4.6bn annually across Norfolk and Suffolk.
- the A11 corridor from Norwich to Cambridge – a world class destination for advanced manufacturing with already more than 100 automotive engineering and related advanced manufacturing companies in growing clusters
- the quality of place to attract significant inward investment

b) City Deals for Norwich and Ipswich that are pioneering successful approaches to increase productivity, reduce welfare dependency and deliver the Government's 'Youth Pledge' to support young people into employment such as Norwich for Jobs and MyGo in Ipswich.
c) Plans to deliver 180 000 homes by 2036
d) An innovative, collaborative and mature public sector that is willing to be bold in transforming public services
e) A net contributor to the Treasury
f) A wealth of local assets including our communities themselves and partners beyond the public sector such as, business and the VCS

7. Although this is a Norfolk and Suffolk proposal we are committed to working with neighbouring authorities – for example building on existing work with Cambridgeshire to maximise economic opportunities.

8. When realised, our economic potential is a key part of the counties' future. We see a strong and stable economy as fundamental to creating successful, self-sustaining communities. A decent job, home and supportive networks are critical to ensuring that people keep healthy and well.

9. Our economic ambition is inextricably linked to our public service reform ambition that will: increase individual independence, reduce public service demand and, through more local autonomy, enable public services to implement the transformational change needed to redesign and increase public sector productivity.

10. Beyond a simple transfer of powers, we want to re-set the relationship between central government and the local public sector so that we are all better placed to: power economic growth and productivity. To unlock the full potential of Norfolk and Suffolk we need a devolution deal that takes into account what makes our counties great and how best to tackle the root causes that have previously held back our productivity potential and where traditional public service models have historically failed to fully unlock the potential of our people and places.

11. Norfolk and Suffolk have the scale, ambition and leadership to maximise the opportunities offered by additional freedoms and responsibilities. We are clear how devolution can maximise the potential to both grow our economy faster and transform public services to better enable local people to reach their potential.

12. We are proof that cross border collaboration can work. We already have an Enterprise Zone with sites in both counties, a cross border Clinical Commissioning Group that, through its joined up out of hospital team has improved patient satisfaction and reduced emergency admissions to hospital by over 10% in its first year bucking the national trend; a Local Transport Body and Skills Board led by New Anglia LEP including local councils and businesses.

13. We have a track record of prioritising outcomes over organisational boundaries, including where this means going beyond our county borders. For example, we have worked flexibly with partners in the Greater Cambridge economic region with its strong influence on the west of the counties.

14. Our Enterprise Zone in Great Yarmouth and Lowestoft has consistently been one of the country's best performing zones, creating more than 1,300 jobs by May 2015 and £29m of private sector investment. We were the first Enterprise Zone to introduce Local Development Orders on all our sites.

15. However, our ambitions have often been hampered by a lack of ability to influence the economic and social levers which accelerate the pace of growth and improve outcomes for local people. Our employment figures are among the best in the country, but our skills and productivity levels are below the national average. We need to tackle this problem head on, if we are to shift our economy to the next gear and compete and win on a global stage.

16. Growing the economy and improving productivity, underpinned by public service reform, provides a framework to improve the opportunities and life chances for the people of Norfolk and Suffolk.

B. The Norfolk and Suffolk approach: Principles and Governance

17. Our goal is to improve outcomes for local people. To do this we must increase our productivity – closing our GVA per head to the national average by 2020. This builds on our clear blueprint for growth as outlined in the New Anglia Strategic Economic Plan which commits us to 95,000 new jobs and 10,000 new businesses.

18. More widely, we want to work more effectively with Government to achieve a radically re-set relationship between central and local public services and local people. One that is enabling and responsible; one that is adaptable and progressive and one that works in driving growth, enabling opportunity for our people and places and delivering a more efficient public sector that influences better outcomes.

19. Firmly grounded in what's best for local people, Norfolk and Suffolk's approach to devolution is (although not restricted to) cross public sector and cross county with the ambition to both drive growth and public sector reform. Our approach to public sector reform is rooted in: integration and shifting to prevention. We want to create an integrated system that is designed around Norfolk and Suffolk residents to keep them safe, healthy and cared for.

20. We therefore, expect our devolved arrangements to be firmly rooted in the principle of subsidiarity so that the right decisions and delivery are made at the right level. Therefore, beyond transfer from central government to the local public sector this could also include transfer between existing tiers of government within Norfolk and Suffolk – for example from Combined Authority to clusters of districts; county to district or district to parish council as locally relevant. This principle is the basis for our approach to double devolution.

21. Together we have the momentum to take our economy to the next level, maximise the potential for local business rate and business rate growth retention, create more effective, joined up public services and secure better outcomes for our people. To do this the Norfolk-Suffolk deal will be focussed on a number of key policy priorities –

these have been chosen because in their totality, we know that they will secure more prosperous, healthy, safe and sustainable local communities and places:

a) Productivity, business support and inward investment
b) Housing and planning
c) Assets and Infrastructure (including flood management)
d) Education, employment and skills
e) Public sector Productivity: Health, care and safety reform
f) A new model for Public Sector Finance

22. All of the above will be supported by more locally autonomous, accountable, simpler, joined up governance that brings decision making closer to local people. We are clear that form and resources must follow function and therefore, getting the content of our negotiation right takes precedence over structures; however, we are ready to be radical and agree a Combined Authority across Norfolk and Suffolk would fit with our principles of simpler, joined up, transparent decision making and subsidiarity – the right decision at the right level, which reflects our commitment to double devolution.

23. Building on our successful track record of collaborative governance, Suffolk and Norfolk aim to become the first entirely two tier two county Combined Authority taking what is best about the Manchester model but creating something better for our distinct geography. Our model will provide strong collaborative strategic leadership as well as accountability and a clear line of sight for both the Government and our many local communities. We will create a combined authority comprising 2 County Councils, 14 District and Borough Councils and the New Anglia Local Enterprise Partnership that will build on the strong relationships of trust and confidence that exist and be able to take the right decisions in the best interests of the whole of the two county area.

24. Recognising the need for an individual who can speak for the Combined Authority and who Government can do business with on our behalf, the Combined Authority Chair will be appointed by and enjoy the support of all 17 partners and will hold office for a fixed term to provide stable and focused leadership of the authority. In line with all devolution deals agreed to date, the Chair will have some autonomy and some powers will be reserved to the Combined Authority Board.

25. These arrangements will ensure that the streamlined governance works from the bottom up as well as at a strategic level and assure central government of our ability to deliver and clarify accountability. It will also enable governance models to evolve as implementation becomes clearer and secure best fit with existing governance such as the Health and Wellbeing Boards and New Anglia LEP (which is already cross Norfolk and Suffolk).

C. Core Elements of the Norfolk-Suffolk proposal

26. The following gives an overview of the most significant benefits to be realised and requests of Government across the devolution proposal's policy priorities. These requests are a combination of transferring central control (of assets, funds and decisions) as well as setting a different ongoing way of working between central and local partners.

27. Whilst there is considerable detailed modelling behind the business cases that support each of the priority policy areas for the Norfolk-Suffolk proposal it can be characterised by the following changes in existing policy and benefits that will be unlocked as a result.

Productivity, business support and inward investment: A more productive Norfolk and Suffolk that supports businesses to maximise their potential

28. Norfolk and Suffolk have weathered the economic downturn well compared with other areas, largely due to our diverse economy, which is not reliant on one sector. Employment and GVA figures are at similar levels to pre-recession level and business start-up levels are performing well. Whilst this is positive - the area is still largely a low wage, low skilled economy compared with the East of England an UK as a whole - and our productivity performance needs to be improved. At the same time, the population of Norfolk and Suffolk is forecast to grow substantially over the next few years.

29. We have the potential to grow our economy faster and are seeking a step change to improve GVA as well as attract thousands of new private sector jobs to cater for our growing population.

Therefore, we propose:

30. *Productivity Commission* - Establish a Productivity Commission, chaired by an independent economist, (e.g. from British Chambers of Commerce) to look at improving productivity at the local level by understanding local root causes of poor productivity and implement a clear action plan of rapid change. This would be a national pilot, enabling Government and local partners to utilise the Norfolk and Suffolk economy to test and evaluate measures to improve productivity, which can then be transferred to other areas.

31. *Productivity Fund* – We will create a multi-year productivity fund. This will be funded by local public sector partners, match funded by Government and then matched again by private funding. We will contribute £25 million per year over the next 30 years from local partners and propose that Government match fund to unlock private investment to create an investment pot. This will enable the Combined Authority to invest in larger projects that will deliver a step change in growth. Our target is that every £1 invested by the productivity fund pot at least a further £4 of economic growth will be unlocked

32. *Business Support* - Build on the success of the Norwich and Ipswich City Deals that created the New Anglia Growth Hub to improve local business support. The Hub will have a key role in coordinating and delivering actions from the Productivity Commission and will offer more integrated, cost effective business support. It will also help improve alignment of economic development resources to maximise the impact of support for businesses.

33. *Exporting and Inward Investment* - Develop the existing positive relationship with UKTI to improve inward investment through a whole system approach (using local assets better as well as working with UKTI). This would result in a coordinated inward investment service for Norfolk and Suffolk focussed on key locations and sectors and support to enable more businesses to maximise their export potential.

34. *Innovation* – continue to invest in and align with national policy the local network of innovation centres and work with Government on an audit of science and innovation to map and better maximise strengths and assets. In return we would want the New Anglia area and neighbours such as Cambridgeshire and Essex to be included in the first round of science and innovation audits and Government commitment to invest in local assets as a result.

35. *European Structural Funds* – European Structural & Investment Funds –work with Government to improve the delivery system underpinning the performance of the programmes delivered through ESIF, particularly exploring how through increased local control, programme management and planning we can enhance performance for the region, the UK and the Beneficiary. Devolving intermediate body status would be one enabler for this.

This will deliver:

a. Clarity of what local productivity challenges are and the means (through shared intelligence and resources) to address them
b. Two new Enterprise Zones
c. More integrated, cost effective and tailored business support
d. A whole system approach to inward investment that mirror the approach in Government's 'Fixing the Foundations' productivity plan.
e. Maximising our strengths in innovation and science and translating research into viable business propositions
f. More productive outputs from EU funding due to more locally sensitive management

Coherent Housing and Planning: More appropriate housing, delivered more quickly for local people

36. Sufficient and appropriate housing is vital to ensure people can live healthy and prosperous lives as well as having a major impact on developing the economy. A shortage of homes reduces the mobility of the workforce, increases pressure on public services and fails to meet people's aspirations. Many planning permissions are being granted but the homes are not being built.

37. To deliver sustainable development, a significant proportion of committed growth is formed by major sites, which require upfront infrastructure provision and are planned to be built out over a number of years. There is now a need to look towards investing in those which can be delivered as well as providing for a greater range of sites to encourage SMEs to build and to stimulate supply.

38. Through the Combined Authority we will significantly increase housing delivery through four inter-related elements:
    1. expanding our direct involvement in development activity, building capacity in the private sector especially SMEs, and through planning reform;
    2. establishing a Land Commission to drive development on publically owned land;
    3. develop a Strategic Plan to provide a single coherent vision that will address future challenges to stimulate growth, overcome blockages, identify strategic growth opportunities, provide better integration and free up resources at local level to focus on delivery, and
    4. embedding utility providers in the formation of strategic and investment plans

Therefore we propose

39. To deliver at least 180000 new homes by 2036
40. To go further by supporting an ambitious target for an increase in new homes, to be determined through the process of producing a Strategic Plan for Norfolk and Suffolk using the new statutory planning powers we are seeking, in return for our 5 year land supply being calculated on the basis of objectively assessed housing need.
41. In the short term guarantee to increase delivery by 15% year on year to 2020 through delivery on sites within local authority control through our own investment of approx. £150m

42. By 2020 annual delivery will exceed required annual delivery rate to meet local plan commitments
43. In the medium to long term we will continue to increase delivery through the locally managed Housing Investment Fund (£150m match funding from government) utilising publicly owned land identified through the new Land Commission; a new relationship with the HCA; providing support and assistance to SME's to increase delivery on allocated sites; using new strategic planning powers to identify and bring forward strategic sites including new settlements/garden cities/urban extensions.
44. Production of a single Strategic Plan to enable targeting of investment in infrastructure to support growth and delivery; enabling faster delivery of local plans working within an agreed strategic framework; better engagement with utility providers. Districts or clusters of districts, such as in Greater Norwich being responsible for producing Local Plans and determining where the new homes will go.
45. Becoming a Planning Reform Pathfinder to consider and pilot recommendations from the Planning Reform Review Panel; local plan process; planning fee regime; faster decision-making.

This will deliver

a) ***At least*** 180,000 homes by 2036.
b) A joined up and strategic approach to spatial planning ensuring needs are met and investment in infrastructure is better aligned to future development so that it is enabling not reactive but linked directly to local and neighbourhood plans' needs.
c) Efficiencies achieved by: developing a shared evidence base and sharing skills (demography, economy, housing, viability, and delivery),
d) A single point of contact and information for the private sector;
e) A stronger and more diverse range of house builders many with a local connection and locally skilled employees to deliver
f) More proactive investment eg, infrastructure - as a result of greater certainty and flexibility on funding (such as Housing Revenue Account borrowing) we will be able to stimulate housing growth
g) Accelerated delivery of new homes by both private and public sectors, and jobs growth in a planned and coordinated way
h) More effective planning to deliver long term sustainable growth and the alignment of strategic investment priorities
i) Address public concerns that infrastructure cannot cope with the growth through accessible local investment plans
j) Nationally significant energy infrastructure enables the wider growth and infrastructure opportunities to be maximised.
k) Better use of constrained resources creating capacity to better focus on delivery on the ground
l) Opportunity to pilot different methods of working in a positive and collaborative environment
m) Incentives for developers to work in partnership to achieve smarter outcomes
n) Upskilling, building and maintaining an appropriate skills base at local level
o) New opportunities to support emerging parts of the development industry such as custom build sector
p) Decisions on housing numbers and locations being taken at the appropriate geography reflecting our commitment to engaging our distinctive communities.

Assets and Infrastructure: Enabling growth, unlocking potential and protecting communities through more local autonomy and influence and proactive use of our assets

46. To maximise our growth and productivity potential we must improve the use of our assets and ensure delivery of excellent infrastructure. Currently key infrastructure projects that will bring forward housing and jobs growth are not shovel-ready because of the funding uncertainty. This lack of certainty means that other ways of raising funding – e.g. through borrowing against the future stream present excessive risk to councils. In the current system there is also considerable disconnect between Government investment and local priorities with too many centrally held pots that would be more efficiently utilised if devolved.

47. There is currently no spatial plan for the economic area (the LEP) and our economic geography is not bound by county boundaries – it stretches west (working with Cambridgeshire and GCGP LEP) and south (working with Essex and the SE LEP). Currently there is no mechanism to properly consider and plan for big strategic issues, such as the ongoing growth of Greater London and Cambridge, which will continue to impact on the local economy, and affect planning of transport and other infrastructure.

48. Under a devolved arrangement the Norfolk-Suffolk Combined Authority would provide coherent strategic leadership and set the framework for the strategic plan of our geography. By bringing strategic responsibility for key functions such as: transport, housing and spatial planning together the Combined Authority can speak with one voice and offer a simpler and more effective way of unlocking productivity and growth and more effective relationships for public and private sector partners within and beyond our geography.

Therefore, we propose:

49. *Funding* - Devolution of funding and decision making for investment with a longer term multi-year settlement incorporating all of the capital funding streams from a range of current and proposed new government programmes (e.g. Integrated transport and maintenance blocks, Growth Deal, science capital) and revenue support (e.g. for highway maintenance and local transport). This would be matched by local funds to create an Investment Fund and would align with the concept of the National Infrastructure Commission at a micro level. We want to explore options for such an Investment Fund to be managed by the Combined Authority to allow flexible use for bringing forward priority based investment for maximum impact. This would help unlock the development of stalled employment and housing sites across the counties, support increased productivity within growth sectors and existing businesses to enable the development of a modern, integrated transport system with a secure future.

50. *Strategic Transport Networks* - Greater local engagement and influence over planned improvements to the Strategic Road Network, and the development of rail franchises and rail infrastructure programmes of spend. We would want to explore with Government the role that a Combined Authority could take in decision making with key strategic bodies such as Network Rail and the Highways England to improve connectivity, cut congestion and keep the economy moving.

51. *Flood Risk and Coastal Management* – We want government to commit to long term funding settlements and local flexibility to the assessment and allocation of Flood Grant in Aid that will allow existing investment in Flood and Coastal Erosion Risk Management (FCERM) to meet wider economic development objectives and attract additional partnership funding. This will enable us to create a strategic, integrated

approach between FCERM and other infrastructure investment to support long term economic growth as well as greater protection from flood and erosion.

52. *Utilities and Energy* – In order to shape and influence the priorities for utilities to support growth in key locations, we would like to form a pilot that makes stronger links between utility companies' (electricity, water supply and treatment and telecoms) business plans and the expected delivery of development. This could include financial mechanisms to reduce uncertainty of costs (through more detailed design work) and even incentivise developers and landowners to deliver (by a supportive investment programme).

53. *Public Transport* - We would like to build on the partnerships we have with public transport operators and adopt a "franchising-lite" network approach to a jointly developed and delivered network of services, across scheduled local bus and rail services, community based transport and our network of car clubs supported by smart ticketing. We aim to exploit the new opportunities coming forward as part of the Buses Bill and would be asking for franchising powers too, so we have all of the tools available to us to deliver a first class transport system.

54. *Digital Economy* – We would like government commitment to support authorities in meeting public expectations of 100% superfast broadband coverage by 2020, through centralised or devolved funding and consideration of pooled budgeting for infrastructure. This would offer local authorities discretion to evaluate the relative local priority of local infrastructure projects (e.g. transport, broadband, mobile, etc.). We will also determine the right technological solution – fibre based, with mobile, wireless and satellite potentially playing a role. This may well offer less expensive solutions to maximise value for money.

This will deliver:

a. A combined Strategic Planning Framework (see Housing and Planning) covering housing and employment growth and combining the two counties' Local Transport Plans would provide a light touch, robust single coherent vision to stimulate growth, overcome blockages and provide better integration and efficiencies, focussed on delivery.
b. Better value for money by leveraging in more local authority and private sector funding
c. Stronger delivery of growth through better engagement with the market, and better linkages between planning and the delivery of infrastructure
d. Swifter delivery and more efficient projects because of better proactive planning as a result of more local autonomy (and therefore, less time taken responding to funding deadlines)
e. As a result of greater certainty and flexibility on funding (such as Housing Revenue Account borrowing) we will be able to stimulate housing growth through more proactive investment in infrastructure
f. Significantly improve the effectiveness of planning to deliver long term sustainable growth and the alignment of strategic investment priorities
g. Make better use of constrained resources creating capacity to better focus on delivery on the ground

Education, employment and skills: accelerating workforce productivity to support our growing economy

55. The demand for skills is already outstripping supply at all levels in our economy, including in skilled technical trades such as engineering, logistics and construction, and in the

professional fields of computing, creative digital, agri-tech, and health. This situation is likely to worsen without decisive action. We will, therefore, focus to secure the high skilled workforce needed to realise our productivity and growth ambitions.

56. Our proposals build on our successful City Deals, will deliver an ambitious programme to turn around the intractable workforce issues that would otherwise limit growth and productivity. Our solutions are driven by the needs of the economy and developed with the private sector, giving local businesses the skilled labour they need to grow.

57. While we still face the challenge that the skills of local people are not keeping pace with the needs of our rapidly changing economy there is good evidence that our recent actions are starting to have impact. We have made good progress in improving education outcomes and will continue to focus relentlessly on our goal that every child should be able to attend a good or outstanding school. We have used the new opportunities of City Deal, Growth Deal and European Funding to make significant strides in strengthening our skills and employment offer and have demonstrated our ability to innovate and deliver in partnership with Government, through projects such as the MyGo Youth Employment Service

Therefore, we propose:

58. *School Standards and Place Planning* – Government commitment to and investment in an Education Board. This would enable the Combined Authority to work with the Regional Schools Commissioner (RSC) to accelerate the pace of improvement by bringing together our expertise and capacity with that of the RSC. Through this approach we are also seeking to agree a joint Education Infrastructure Plan to enable us to collectively meet the demands of our growing population within available resources.

59. *Skills that Drive Productivity and Growth* - Establish, with our highest performing colleges and universities, specialist Institutes of Technology in priority industries, such as Engineering, Agri-Tech, Civil Construction and Health. These institutions will lead on the development of a more responsive training offer and increase the proportion of young people and adults that are completing the high level qualifications that employers need. Growing the market for apprenticeships will be central to this approach and we will build on our existing activity to assume responsibility over apprenticeship brokerage activities targeted at SMEs and raising the profile of apprenticeships amongst young people, parents and their advisers. To support this we want to work with Government to support this new model of delivering including to: pilot Post-16 Area Reviews which fully include sixth forms where there are concerns about quality, capacity, or the financial sustainability of institution; design the Institutes of Technology model and grant us the ability to award this prestigious status to our highest performing Further Education colleges and a co- commissioning partnership with the Skills Funding Agenda for our Adult Skills Budget.

60. *New Anglia Youth Pledge* – Build on the success of the MyGo Youth Employment Project to deliver the Government's Youth Obligation through a local Youth Pledge that ensures every young person aged 16-24 is earning or learning. To achieve this we will need Government to agree to integrate JobCentre Plus resources into the Youth Pledge and agree a shared long term investment model with Government.

61. *Growing the Economy* – We will work with Government to develop and test strategies to accelerate in-work progression at part of the Productivity Commission and use the findings to develop a new approach to building peoples' earning capacity, therefore

reducing reliance on benefits. To achieve this we will ask Government to agree to a joint review of local public sector estates and enable local partners to retain a proportion of any cost savings that are created to reinvest in local employment and skills provision with DWP, for DWP to participate in the commission and invest, alongside local partners, in the testing and rolling out of a progression support model and to be involved in the commissioning of any future adult careers advice programmes to ensure they are aligned to our local approach.

62. *Enabling the Hardest to Help to Work* – To work with Government and local partners to pilot a more effective, integrated employment support offer to help those people with the most barriers to improve outcomes for those furthest from being able to secure work.

This will deliver:

a. More integrated and costs effective ways of achieving the best possible standards in schools and bring together expertise to identify underperformance and intervene with struggling schools before they reach crisis point.
b. A stable and vibrant post 16 education and skills system which is closely aligned to the local economy and providing clear, high quality academic and technical routes to employment and the high level skills valued by employers in our key industries.
c. Build on the success of the MyGo Youth Employment Project to deliver the Government's Youth Obligation through a New Anglia Youth Pledge.
d. Ensure that work pays – reducing reliance on benefits
e. Help individuals to stay in employment and where appropriate, encourage them to increase their earnings
f. Help those that find it hardest to secure work

Health and care redesign: People are able to live as healthily, safely and independently as possible for as long as possible and if needed, receive early and joined up public sector support

63. The current system does not adequately support people to live as positive and independent lives as possible. This is bad for our people and offers poor value for money. The current system is not financially sustainable both in terms of public service spending and demographic pressures facing Suffolk and Norfolk. We want to shift financial incentives and planning towards activities that maintain health rather than just treat ill health.

64. If we succeed we will not only have stemmed the increasing demand for high end in patient services but actually reduced it. We are seeing significant increases in hospital activity this year, we think we can turn this trend around to a 3% reduction in 5 years, achieved through working on two fronts, preventing people from becoming ill as well as treating illness earlier and better, out of hospital. With proper join up we could crack delays for people who are ready to go home, designing sensible services that enable people to live as independently as they can having a significant positive impact on delayed transfers of care across the county

65. We want to continue to develop an integrated system that is designed around our residents to keep them safe, healthy and cared for and through our economic ambition offer more opportunity to unlock their potential to live independently and well for as long as possible. Our residents don't care about traditional service boundaries, just that they are as independent as possible and get help when they need it and this remains our biggest priority to deliver

Therefore, we propose:

66. *Funding* – Optimise resources across the local system through a more integrated, medium term approach to financial planning that enables a shift to models of prevention and early help to enable independence and reduce demand. This would require Government to devolve multi-year settlements for health, care and safety.

67. *Estates* – local control over public service estates and capital assets including NHS and police to unlock assets across local public services. To do this we would want first rights on central government estates in Suffolk and Norfolk as highlighted in our finance section.

68. *Changing model of support* – explicit support from Government departments, inspectorates and regulators to enable longer term systemic shifts in service delivery

This will deliver:

a. Fiscal neutrality (asking for freedoms not more funding) and a public service that is more sustainable and in the longer term cheaper
b. Greater demand reduction
c. Quicker and broader integration and more effective and efficient use of resources as a result
d. Greater economic growth and increased productivity as health and wellbeing improves and public assets are more effectively maximised
e. the NHS Forward View more quickly
f. Accountability and simpler decision making
g. the better use of resources across the local system including a more integrated workforce that will increase productivity and efficiency as highlighted in the Carter Review
h. Better public sector productivity as highlighted in the summer budget's accompanying command paper 'A country that lives within its means'

Finance: a radically different approach to local public service funding, where greater local autonomy creates a system that is more locally self-sufficient

69. Underpinning all elements of the Norfolk-Suffolk proposal is greater local autonomy over resources. We are seeking a radically different approach to local public service funding, where greater local autonomy creates a system that is more locally self-sufficient. This certainty and increased local autonomy would enable more rational, creative and medium term planning across local public resources. More flexibility and significantly longer term funding support is required to deliver our ambitions and manage the risks we are taking on.

70. We want to work with government to develop this this model which will require a new relationship with DCLG/Treasury to ensure that new arrangements for funding can operate successfully in combined Norfolk/Suffolk authority.

71. A number of our fiscal 'asks' are around local taxation so it is probably worth setting this in context. Land and Property taxes (i.e. Council Tax, Business Rates, Stamp Duty) are tied to a place and so the devolution of such taxes to combined authorities does not distort the system in the same way as income tax would (London Finance Commission May 2013). Land and Property taxes also play a much smaller role than Labour taxes, accounting for around 11% of total tax take at the national level. At the geography of the New Anglia LEP which broadly covers Norfolk and Suffolk this amounts to about 12.5% but if Stamp Duty is removed then this would fall to 11.3%. See attached Tax and Spend factsheet for New Anglia LEP.

72. However what our devolution proposals will seek to do amongst other things is to increase the economy taxes (i.e. Labour, Land and Property, Consumption and Capital) which in turn will contribute to bringing down the deficit or avoid further unpalatable 'cuts'.

Therefore, we propose:

73. Fundamental to our financial model are two key proposals:
    a. Work with Government as a trailblazer/pilot to shape and influence the design of the new Local Government finance system based on the 100% retention of business rates in advance of its universal introduction in 2020.
    b. 100% Retention of Business Rates Growth

74. Work with Government as a *trailblazer/pilot to shape and influence the design of the new Local Government finance system based on the 100% retention of business rates* in advance of its universal introduction in 2020. Issues to be considered in any new system will include:
    i. Redistribution mechanism to reflect different needs of different authorities
    ii. An extended system of top-ups and tariffs based on a reset of the system to reflect needs and resources
    iii. A review of the current 80:20 split in the two tier areas to reflect exposure to risk and take account of potential new responsibilities
    iv. Consideration of the responsiveness of the system to changes in relative needs and resources whilst retaining a strong incentive for authorities to grow their economies
    v. The timing of futures 'reset' arrangements and the 2017 revaluation.
    vi. Safety nets to protect authorities against significant falls in income and how it is funded
    vii. The funding of reliefs
    viii. How decisions to changing the rates multiplier will be made in two tier areas above the national multiplier
    ix. The ability of an elected mayor to set a higher business rates multiplier, likely to be capped at 2p to invest in infrastructure
    x. Implications of phasing out RSG and rolling other grants into business rates
    xi. Fiscal neutrality and what further powers and functions are passed down to local government to be met from business rates
    xii. The impact of any changes to the appeals system
    xiii. Timing of implementation unlikely to be before 2018/19 as any changes would require primary legislation
    xiv. The continuation of New Burdens funding for those new duties and activities which government may impose on local government from time to time.

75. 100% retention of Business Rates Growth
    i. Need to agree a baseline from which to measure the growth. The current pooling arrangements have their baseline set in 2013 which would be more beneficial than other starting points.
    ii. Under existing baselines, i.e. April 2013 we would generate £18m (100%) growth using pooling arrangements but if we are forced to use a 2015/16 baseline, as the Manchester/Cambridge deals imply, it would probably be nearer £10m and could be less depending on how the year is progressing.

iii. However, historically the rateable value has increased by an average of 0.5% over the last 5 years which if this continued in the short term is equivalent to £3m in growth per annum,

iv. The negotiations would also need to establish a model which incorporates some protection against the rest of the system in 2020, safeguards against appeals, levy payments and compensation for centrally mandated changes to the system.

76. *A Productivity Fund* based on a 'gain share' arrangement similar to what other authorities have been able to negotiate e.g. Sheffield. A fund over 30 years, with funding of £25m from Central Government matched by local funding and private sector funding annually.

    i. The local funding would be generated from borrowing, financed from retention of 100% business rates growth.

    ii. £25m locally per annum would require approximately £2m of financing which can be generated from a joint Norfolk/Suffolk growth pool (with the pilot to be developed with Government). Please see the next point, iii below.

    iii. Using the principles from the Cambridge/Manchester pilot schemes and applying them to the Norfolk and Suffolk authorities. A 'new pool' with revised baselines (NNDR1 14/15) would be created. To establish what growth is possible, the figures for 2014/15 (NNDR 1 & 3 Estimates/Actuals) have been used under these 'rules'. The 'new pool' under the 100% retention of growth could generate approximately £10m (subject to any levy implications). The 'ask' to Government to finance a Productivity Fund which requires match funding from the Combined Authority can come from this potential growth, i.e using £2m of the £10m to borrow £25m (assuming each £1m of borrowing costs £80,000), and this should still leave some head room for other purposes. Sizewell Nuclear Plant in Suffolk Coastal has generated 25% of this growth but valuation changes may mean this will not be repeated in future. However, even if you took their growth out there is still sufficient growth to cover the match funding.

    iv. Alternatively if in time a Combined Authority (CA) or something equivalent, that allowed the CA the flexibility to raise the rates multiplier by 2p, then this could raise income of about £26m (sufficient to match fund the Government contribution).

77. *Housing Investment Fund,* comprising £150m investment by local councils, to increase housing delivery by 15% per year to 2020 on sites within local authority control. In the medium term any match funding from the Government /Homes & Community Agency (HCA) and with investment on infrastructure and developing a diverse range of house builders to deliver at least 180,000 homes by 2036, this would increase the council tax take by £12m per year but this will not fall evenly as this implies 9,000 new properties per annum which will require a significant increase in build in later years.

    i. Access national Infrastructure Fund for large scale delivery on land pooled within the region.

    ii. Freedom to set up a localised planning application fee regime to help drive delivery.

78. *Health and Social Care*

    i. Devolved multi-year settlements for health, care and safety.

79. *Transport and Infrastructure*

    i. Devolution of other funding streams with additional responsibilities e.g. trunk road delivery from Highways England.

    ii. We would like a guaranteed share, determined by the economic potential of the area, of future bidding rounds, e.g. Local Sustainable Transport Fund

(LSTF), maintenance bids, pinch-point, incorporated into the longer-term secured funding stream.

iii. We want government to commit to long term funding settlements and local flexibility to the assessment and allocation of Flood Grant in Aid that will allow existing investment in Flood and Coastal Erosion Risk Management (FCERM) to meet wider economic development objectives and attract additional partnership funding.

iv. The flexibility to use capital to invest in maintenance when it is the most effective response

v. We would like to explore a funding mechanism for schemes of £50m to £150m which are currently 'too big for Growth Deals' and not on the trunk road network and hence out of scope for Highways England.

vi. Commitment that government will support authorities to meet public expectations of 100% superfast broadband coverage by 2020, through centralised or devolved funding.

This will deliver:

a) More funding certainty (if the risks can be mitigated).
b) Local discretion to fund infrastructure and essential development to promote housing and economic growth.
c) Enable more integrated public services across Norfolk and Suffolk particularly the Health and Social Care Agenda.

Conclusion

a. Our Devolution Proposal is broad and ambitious. It makes the links between people, their health, wellbeing and safety; and Places, the infrastructure, housing and connectivity which is essential to Productivity. Achieving this requires a commitment to a new long-term relationship between central and local government and a joint approach to long-term investment which provides the confidence for local businesses to deliver the growth we need in Suffolk and Norfolk, and more generally for the benefit of UK plc.

THE>EAST

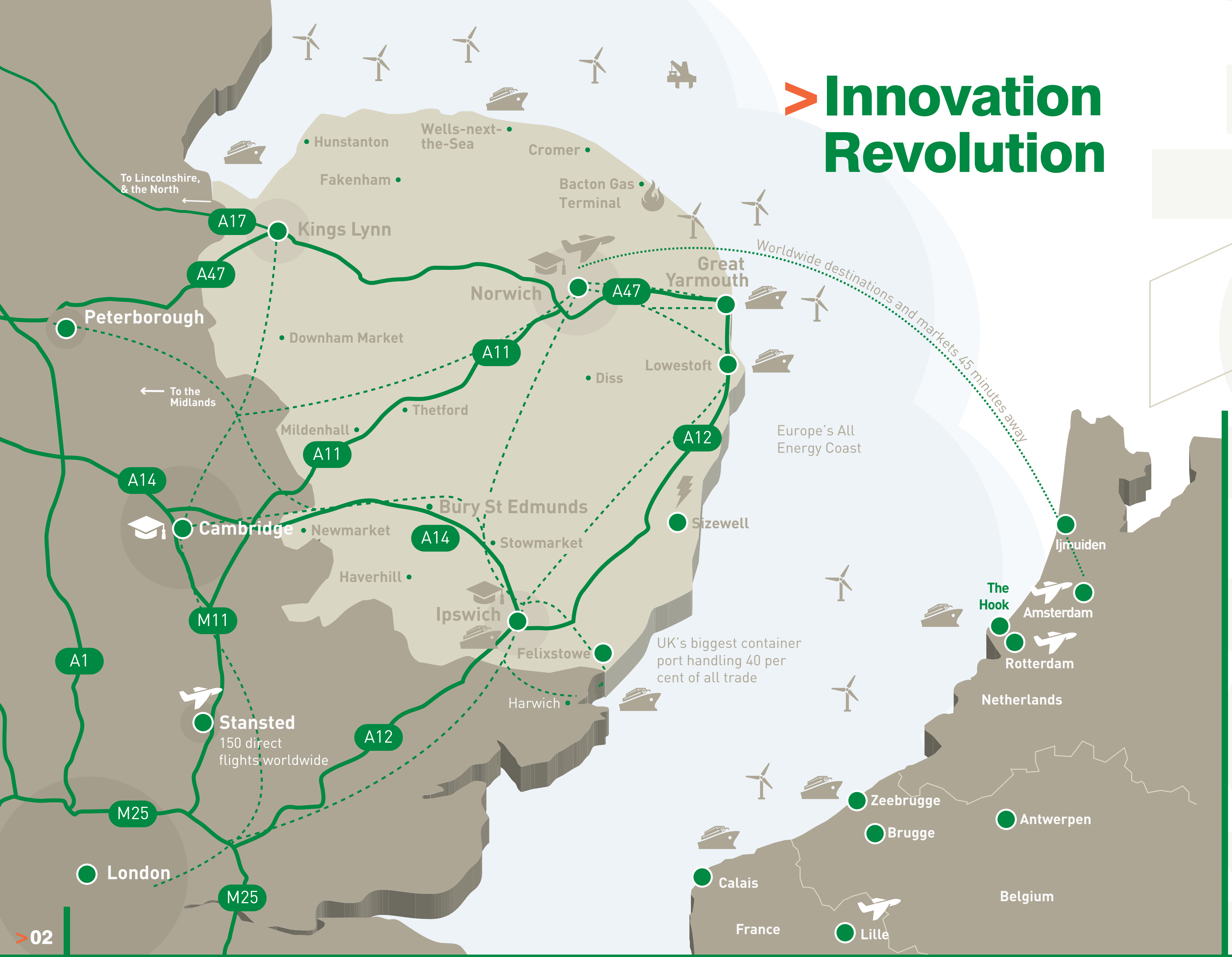
Releasing the potential for Norfolk and Suffolk

November 2015





>Innovation Revolution



>Our ambition

Our strengths make us uniquely placed to enable UK plc to be at the forefront of the Innovation Revolution

Feeding the world
With world-leading agricultural research

Norwich Research Park is Europe's largest single site hub of research, training, education and enterprise in health, food and environmental sciences.

Wheat yield research at the John Innes Centre on the Norwich Research Park could be worth £400m per year to the UK and £8.7bn worldwide.

Food, drink and agriculture employs nearly 120,000 people across Norfolk and Suffolk with a GVA of £3.5bn.

Powering the world
With global all-energy expertise

Capital investment in energy worth £50bn planned for the region by 2020.

50 years expertise in the oil and gas sector.

World's largest wind farm in development off the coastline.

Connecting the world
With international research and innovation in technology

BT's global research hub at Adastral Park, Ipswich.

ICT R&D worth £1.3bn with 1,400 companies employing 10,300 people.

Norwich recognised as national digital hub by Tech City UK.

Growth Deal

Securing government support to create new jobs, boost skills and improve infrastructure

£221m
OVERALL INVESTMENT

3,000
NEW HOMES

16,000
NEW JOBS

UNLOCKING A FURTHER
£240m
PUBLIC AND PRIVATE SECTOR INVESTMENT BY 2026

Great Yarmouth and Lowestoft Enterprise Zone

Beaten ambitious targets to create jobs and support businesses in energy and related industries

45
BUSINESSES

£30m
PRIVATE SECTOR INVESTMENT ACHIEVED TO DATE

City Deals for Norwich & Ipswich

Devolving to local leaders the power to accelerate growth and create jobs

300
NEW BUSINESSES

£100m
PRIVATE SECTOR INVESTMENT BY 2026

5,000
NEW APPRENTICESHIPS

£10m
INVESTMENT IN SKILLS

>What we promise, we deliver

> We can deliver more

ANNUAL GVA **INCREASE** OF **£11bn** BY 2026 = **INCREASE** OF ANNUAL TOTAL GVA IN 2026 TO **£43bn**

AT LEAST **180,000** **HOUSES** BY 2036

95,000 **JOBS** BY 2026

PUBLIC SECTOR PRODUCTIVITY SAVINGS OF AT LEAST **£275m** BY 2020

APPRENTICESHIPS **10,000** BY 2026

Every YOUNG PERSON **EARNING** OR **LEARNING** BY 2026

NEW BUSINESSES **10,000** BY 2026

> Our ambition: Answering the productivity puzzle

Productivity Commission
New national initiative with British Chambers, the CBI, universities and Government tackling the root causes of poor productivity and implementing a clear action plan of rapid change.

Skills - Delivering a higher-skilled workforce through devolved skills funding, tailoring national programmes, establishing Institutes of Technology, and ensuring more people can work and progress.

Business support - New Anglia Growth Hub expands expertise to become one stop shop with devolution of national programmes.

Enterprise Zone - New sites to build on existing success which have exceeded targets driving innovation and new businesses across rural areas.

Innovation - Lead a Science and Innovation Audit with colleagues in Cambridgeshire and Hertfordshire to maximise the potential of our innovation strengths in agri-tech, ICT and energy.

Infrastructure - Investing in essential assets to create a mobile and accessible economy.

> Our ambition: Investing in a mobile and accessible economy

- A long term integrated plan for infrastructure to unlock growth across the East.
- Creation of a 30-year Productivity Fund pooling local funding, Government funding and levering in private funding to deliver transformational projects.
- Fund will invest in projects that demonstrably unlock additional growth. Opening up the energy coast, enabling growth in our urban centres and providing digital connectivity for rural businesses.
- Long-term settlement on transport funding – providing long-term certainty of delivery.
- Development of Housing Infrastructure Fund to rapidly accelerate delivery, including new garden cities.
- Retain 100 per cent of business rates growth to invest in infrastructure through Productivity Fund.

> Our ambition: Creating a new relationship between central Government and local partners

- Commitment to develop a “whole system” approach to health, care and safety in line with NHS 5-year forward view.
- Devolved adult skills funding and responsibility for delivering the Youth Obligation, ensuring every young person is earning or learning.
- Create local employment service working with Job Centre Plus.
- Freedom and flexibilities around Housing Revenue Account.
- Planning reform pathfinder.
- Work with Government to develop 100% business rate retention model.
- The freedom to pilot public sector innovation and reform.
- Local management of European programmes.
- A different relationship with the Regional School’s Commissioner.

> A summary of our deal

- > A commitment to create a 30-year Productivity Fund pooling of local funding, Government funding and levering in private funding to deliver transformational projects.
- > Support for the “whole system” approach to health, care and safety in line with NHS 5-year forward view.
- > Freedom to pilot public sector innovation and reform including a “planning reform pathfinder” and flexibility around the Housing Revenue Account.
- > A local approach to skills, business and out of work support with Government to maximise GVA and reduce benefit claims.
- > Be the first Science and Innovation Audit with colleagues in Cambridgeshire and Hertfordshire to maximise the potential of our innovation strengths in agri-tech, energy and ICT.
- > A Combined Authority for Norfolk and Suffolk that is able to make the tough decisions required.





> This will unlock

ANNUAL GVA **INCREASE** OF **£11bn** BY 2026 = **INCREASE** OF ANNUAL TOTAL GVA IN 2026 TO **£43bn**

AT LEAST **180,000 HOUSES** BY 2036

95,000 JOBS BY 2026

PUBLIC SECTOR PRODUCTIVITY SAVINGS OF AT LEAST **£275m** BY 2020

APPRENTICESHIPS 10,000 BY 2026

Every YOUNG PERSON **EARNING** OR **LEARNING** BY 2026

NEW BUSINESSES 10,000 BY 2026

BABERGH DISTRICT COUNCIL SOUTH SUFFOLK

Breckland COUNCIL

Broadland District Council ...leading the way

Forest Heath District Council

GREAT YARMOUTH BOROUGH COUNCIL

IPSWICH BOROUGH COUNCIL

Borough Council of King's Lynn & West Norfolk

Mid Suffolk DISTRICT

NEWANGLIA Local Enterprise Partnership for Norfolk and Suffolk

Norfolk County Council

NORTH NORFOLK DISTRICT COUNCIL

NORWICH City Council

South Norfolk COUNCIL

St Edmundsbury BOROUGH COUNCIL

SUFFOLK COASTAL DISTRICT COUNCIL

Suffolk County Council

Waveney District Council

Policy and Resources Committee

Item No 14 B

Report title:	**Managing Director's Strategic Update; Re-Imagining Norfolk**
Date of meeting:	**30 November 2015**
Responsible Chief Officer:	**Dr Wendy Thomson, Managing Director**

Strategic impact

In June 2015, 'Re-Imagining Norfolk' was adopted as the Council's strategic framework for the County Council to find new ways of pursuing its priorities and securing positive outcomes for local residents despite the reduced level of resources likely to be available from government over the next three years. An ambitious program of transformation is underway to meet this challenge, which will have implications for this and future years.

Executive summary

This paper provides information to Members on selected areas of work being undertaken across the Council under the banner of Re-Imagining Norfolk:

- Development of a virtual public service for Norfolk – working with other local authorities, police and the NHS.
- The Corporate Bid Team – the latest on the work of this team which has been
- established to make Norfolk successfully compete for external grants, as one of our initiatives to raise more revenue
- Member workshops on implementing the Council's priorities

Devolution is covered elsewhere on this agenda at item 14 A

Recommendation:

Members are invited to note the progress set out in the report.

1. Background

1.1 Re-Imagining Norfolk sets out a strategic direction for the Council which will radically change the role of the County Council and the way it delivers services in the coming years.

1.2 Policy and Resources Committee agreed the approach in June 2015 as a framework for a multi-year strategy underpinned by a sound medium term financial plan. The first progress report was submitted to this Committee in September. What follows is information on selected initiatives.

2. Public Service Reform: a ‘virtual’ public service for Norfolk

2.1 The importance of integration across Norfolk’s public services was highlighted in my Re-Imagining Norfolk report. This theme in our strategy reflects locally the national importance attached to public services reform and the negotiations to promote economic growth through greater devolution. This is because in years to come, the resources available to fund local services will be increasingly dependent on the revenue that can be raised through business rates. Much of the detail of how this will work is yet to be determined by central government, but the direction of travel is clear as is the importance of public services in Norfolk working efficiently and effectively through collaboration.

2.2 With this rationale, Norfolk’s first Public Service Summit in September brought together senior managers across all districts, the police, County Council and the Broads Authority to explore practical ways that, by working more closely and more smartly, we could achieve more positive outcomes at less cost for Norfolk people.

2.3 Even in these resource constrained times, these public services collectively spend in the region of £7.3 billion of public money for people in the county. Whilst good examples of collaboration exist, the summit identified much more we could do to scale up our collective efforts and achieve a more integrated and effective public service in Norfolk.

2.4 With shrinking budgets and growing demand for our services, the summit was an early step towards creating a more coherent public service for Norfolk which offers better value, and most importantly achieves better outcomes for people who use it.

2.5 Collaborative working on a series of themes is underway, with actions ranging from simple, practical steps to more complex and ambitious longer term plans. Common threads are the support for better locality working, early help and improving the value from the business intelligence functions which exist in different agencies across Norfolk. The themes are:-

- **Helping more people to live independently** – focusing on older people, people with disabilities, adults with learning difficulties and people with mental health issues. The emphasis is on better access to early help and prevention, re-directing people to community solutions, delaying the need for formal services.

- **Keeping children with their families**, and out of care, preventing the cycle which leads children into the criminal justice system. The emphasis is on early help, sharing better intelligence, and planning with families whom agencies already know.

- Maximising our resources to drive **economic growth – this theme is being taken forward through the devolution work, reported elsewhere on this agenda.**

- **One public estate** - maximising our estates and buildings, supporting service re-design and looking for opportunities to co-locate services and reduce the space and number of buildings occupied by public sector partners in each locality.

- Joining up **our street scene** to remove duplication, making it better for the public, and reducing costs overall.

- Joining up our **information and intelligence** so we share data about needs, risks and harm that will enable us to target our efforts to best effect.

2.6 Each theme is being led by two named officers who are responsible for sharpening the focus of the work to ensure delivery of measureable results that can motivate people across the system to see the benefits of working together (the council and the police). Oversight and direction is through the Norfolk Chief Executives' Group, and the intention is to re-convene the Summit in spring 2016 to take stock of progress and ensure the actions are making a positive impact.

2.7 To help support better local working, and improve communication, each member of CLT is serving as a point of contact for a named district, and have taken on the following role:-

Relationship management - partners often say that they do not know who or how to contact Norfolk County Council 'Plc' in an area. The CLT lead provides that strategic relationship management – top of the office contact for an area. A key relationship is with the District Council.

Co-ordination - a source of knowledge about the strategic issues in the area; the person with a 'whole-view' of the locality – strengths, assets, issues for improvements.

Convenor – a catalyst for bringing together staff, resources, knowledge ideas within and about the locality.

Broker – a broker of conversations, ideas, actions, planning to lead to better collaboration, understanding, integration of public services in that locality.

2.8 The link CLT members are:-

Norwich	Dr Wendy Thomson, Managing Director
Great Yarmouth	Simon George, Executive Director of Finance
Broadland	Anne Gibson, Executive Director of Resources
Breckland	Tom McCabe, Executive Director of Environment Development and Transport
South Norfolk	Dr Louise Smith, Director of Public Health

King's Lynn and West Norfolk	Michael Rosen, Executive Director of Children's Services

2.9 In parallel, the Managing Director, in conjunction with Harold Bodmer, has convened an initiative to develop whole system leadership across the rather fragmented **Health and Social Care Services** in Norfolk.

2.10 Chief Executives and Chairs of health and social care organisations from across the county attended the two sessions held to date, and developed a set of Norfolk principles of care from the perspective of the citizen to drive the resilience work. The plan is that this work with health partners will form the foundation for more integrated commissioning and strategic delivery of services across the county.

2.11 As we see the serious financial and performance issues experienced in health services in Cambridgeshire and Essex, and reflect on the work on demand management that our strategies for social care rely upon, it is clear that Norfolk needs an effective whole system approach. We need to harness our efforts on a few important initiatives that can demonstrate impact when delivered locally at scale.

3. Corporate Bidding Team

3.1 As reported previously, the Managing Director established the Corporate Bidding Team (CBT) to improve the Council's capacity to compete successfully for external grants and funding programmes. The Team's role is to proactively identify external funding opportunities, develop and submit proposals working with Council departments and partners, whilst building capacity across the departments to maximise our income from external funding where this can help meet the Council's priorities.

3.2 Since the last report in September 2015, the bid team have focused on:

- Investigating sources of external funding that can support the Council's Priority Objectives and Budget Challenge.
- Increasing the capacity of the Council to establish priorities and successfully bid for funds.
- Developing projects to serve as priorities for funds that become available.

3.3 The CBT has run workshops focused on identifying service priorities and 'Developing Good Funding Bids', designed to improve the quality and success rate of our external bids. These workshops will run on a regular basis and be rolled out to other public, private and third sector partners in the County. Staff from most District Councils attended the most recent workshop.

3.4 Since the last report, bids have been won totalling £82,890. With a further £1,072,000 under development.

4. Implementing the Council's Priorities

4.1 As part of Re-Imagining Norfolk we are translating the Council's four priorities into specific objectives, developing the metrics necessary to define and measure outcomes against these objectives, and mapping out the actions that must be taken by services across the Council to achieve the desired results.

4.2 Since the Managing Director's last report, two Member workshops have been held to look in detail at the outcomes sought for each of our four priority areas and what successful delivery will look like in the future. Some of the key themes arising from the workshops, attended by 33 Members, were:-

- **Excellence in Education**

The need for our planning to address issues around small schools was identified e.g. maintaining standards, specific support needs, transport issues, etc. Young people being ready and able to learn was also seen as a key issue along with the importance of empowering parents/carers to be part of the drive to improve education and attendance. There was a strong message about the need to focus on the skills agenda, in addition to reading and writing. Members were clear that a balance of indicators would be needed across outcomes (and sub-outcomes) and absolute clarity would be needed - both in the language used to describe the outcomes and in any visual presentation of them.

- **Real Jobs**

The need to focus on the skills agenda, good apprenticeships and high value jobs were identified, together with the need for these to be reflected strongly in our developing outcomes. Members recognised the importance of encouraging more young people into the care and health sectors and addressing workforce issues in key areas of shortage. Some of the key challenges identified included balancing the need for jobs with local growth and new housing, and the relationship between jobs and local infrastructure, transport, etc. Again, the overall challenge was the need to be absolutely clear about what we are trying to achieve.

- **Good Infrastructure**

It was considered vitally important for all those concerned to work together on infrastructure improvements and, with the new A11 and the NDR now underway, the need to articulate our next top priorities. Co-locating infrastructure would be important going forward as would the need for transport to be integrated with developing infrastructure.

The priority outcomes framework was considered a helpful tool for facilitating the discussion needed around priorities and outcomes and it was recognised that we would need to be ready to challenge what was working, what was not and identify ways to improve. Members also considered that there was a potential window of opportunity over the next 12 – 18 months to make an impact with this priority area.

- **Supporting vulnerable people**

A key issue identified was the need to be clear about the outcomes we are seeking under this priority area and the need for a robust, evidence based approach to ensure that the outcomes were realistic and achievable and to enable performance to be tracked and monitored. Members considered that it was crucial for services to be locally based and for the Council to work even more closely with local voluntary, community and faith based organisations to help ensure that we are able to reach vulnerable communities. There was a strong view that the only way to achieve the outcomes sought was for all those concerned to work together – the 'one public service' was an important part of this agenda and the concept that there should be "no wrong door" was key to success.

4.3 A set of measurable outcomes will be reported for consideration by Committees in January 2016, so that priorities are made an explicit part of the Council's multiyear strategy and medium term financial plan which provides the framework for plans made by departments and services.

5. Re-imagining Norfolk Team

5.1 In October, a small team of 5.5 FTE staff was seconded from across the Council to provide the support and capacity needed by the County Leadership Team to develop and deliver the efficiencies and innovations necessary to deliver a re-imagined public service in Norfolk. The seconded team is doing a job that will be carried out on a more permanent basis by a strategy and delivery unit, proposed as part of the changes arising within the Resources Department, reported to Members in previous meetings.

5.2 The team will acquire and disseminate new approaches and ways of working, including the use of tried and tested methods that will help the organisation develop strategy; action that anticipates and responds to the changes facing the county, develops more effective delivery of corporate priorities, and enables early identification of service issues so that action can be taken to put them right.

5.3 The Re-imagining Norfolk team is taking a systems wide overview of priorities to help ensure that objectives and delivery are aligned from top to bottom within the council, and across to its partners in other public services. The team is supporting the work on the Public Service Summit, selected Council priorities, and key issues agreed with departmental management teams.

6. Recommendation

Members are invited to note and comment on the report.

Officer Contact

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

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

Officer Name: Dr Wendy Thomson, Managing Director **Tel No:** 01603 222001
Email address: wendy.thomson@norfolk.gov.uk

IN TRAN communication for all

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