Norfolk County Council

# Policy and Resources Committee

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| Date: | **Monday, 6 February 2017** |
| Time: | **10 am** |
| Venue: | **Edwards Room, County Hall, Norwich** |

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

**Membership**

Mr C Jordan (Chairman)

Mr M Baker
Mr R Bearman
Mr M Castle
Mr T Coke
Mrs H Cox
Mrs J Leggett
Mr I Mackie
Mr I Monson
Mr S Morphew
Mr G Nobbs
Mr A Proctor
Mr D Roper
Mr B Spratt
Mr B Stone
Dr M Strong
Mrs A Thomas

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

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# A g e n d a

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

2. **Minutes** **(Page 7 )**
To agree the minutes from the meeting held on 28 November 2016

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. **Public Question Time**

15 minutes for questions from members of the public of which due notice has been given.

Please note that all questions must be received by the Committee Team (committees@norfolk.gov.uk or 01603 223055) by **5pm on Wednesday 1 February 2017.** For guidance on submitting public question please view the Constitution at Appendix 10.

**6. 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 1 February 2017.** For guidance on submitting public question please view the Constitution at Appendix 10.

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***Section A – Items for Discussion and Decision/Action***

***Section B – Items for Report***

**13 Notifications of Exemptions Under Contract Standing Orders** **(Page 312 )**
Report by Executive Director, Finance and Commercial Services

**14 Decisions taken under delegated authority** **(Page 314 )**
Report by Managing Director

**15 Feedback from Members serving on Outside Bodies**

To receive verbal reports (where appropriate) from Members serving on the following outside bodies:

1. LGA General Assembly: Cliff Jordan, Alison Thomas, George Nobbs, Mike Sands

2. County Council Network: Cliff Jordan, Alison Thomas, George Nobbs Marie Strong

3. East of England Local Government Association: Cliff Jordan (George Nobbs substitute)

4. LGA Coastal Issues Special Interest Group: Michael Baker Outside Bodies

5. Greater Norwich Growth Board: Steve Morphew

**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: 27 January 2017

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communication for all

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Norfolk County Council

# Policy and Resources Committee

**Minutes of the Meeting Held on 28 November 2016**
**10:00am Edwards Room, County Hall, Norwich**

**Present:**
Mr C Jordan (Chairman)

Mr M Baker
Mr M Castle
Mr T Coke
Mrs H Cox
Mr A Dearnley
Mrs J Leggett
Mr I Mackie
Mr I Monson
Mr S Morphew
Mr G Nobbs
Mr D Roper
Mr B Spratt
Mr B Stone
Dr M Strong

**Substitute Member Present:**
Mr T Garrod for Mr A Proctor
Mr A Byrne for Mrs A Thomas

**Also Present:**
Mr B Borrett
Mrs M Dewsbury
Mr R Smith

**1. Apology for Absence**

1.1 Apologies for absence were received from Mr A. Proctor and Mrs A Thomas.

2 **Minutes**

2.1 The minutes of the previous meeting held on 31 October 2016 were confirmed by the Committee and signed by the Chairman.

3 **Declarations of Interest**

3.1 Mr I Mackie declared an “other interest” in item 14 as the Town Mayor for Thorpe St Andrew and in item 16 as a Director of NORSE.

4 **Items of Urgent Business**

4.1 In reply to questions, the Chairman said that the Secretary of State for

Communities and Local Government had written to the Norfolk and Suffolk local authorities to take the current devolution deal off the table following its rejection by Kings Lynn and West Norfolk Borough Council. The Chairman added that the latest position on devolution would be reported to the next Full Council. The Full Council would be meeting after one further planned meeting of Leaders of those Norfolk Local Authorities that had wanted to pursue a devolution deal with the Government.

5 **Public Question Time**

There were no public questions

6 **Local Member Issues**

6.1 There were no local member issues.

## *Section A – Items for Discussion and Decision/Action*

7 **The highlights of the Autumn Statement**

7.1 The Committee received a report (by way of a supplementary agenda) by the Executive Director of Finance that provided an overview of the key announcements from the Government's Autumn Statement with particular reference to those announcements that should be taken into account as part of the Council's budget setting for 2017-18.

7.2 Members drew attention to the failure of the Autumn Statement to address the increased financial pressures faced by Local Authorities in having to meet rising social care costs. This particular funding pressure was viewed as the leading cause of an increased number of complaints from the public about social care issues.

7.3 It was pointed out that more information about the impact on Local Authorities of the Government's economic strategy could be expected when the Provisional Local Government Settlement was announced in mid-December 2016.

7.4 **RESOLVED**

**That the Policy and Resources Committee:**

1. **Note the key issues and government's policy direction as set out in the Autumn Statement; and**
2. **Note that the Council's Efficiency Plan has been accepted by the government, providing access to the four-year settlement allocations.**

8 **2017-18 Budget and Medium Term Financial Planning 2017-18 to 2019-20**

8.1 The annexed report (8) by Executive Director of Finance was received.

8.2 The Committee received a report by the Executive Director of Finance that formed part of the strategic and financial planning framework for the Council. The report build on the report received at the previous meeting to provide an update on the Council's budget setting process, and progress towards setting a balanced budget for 2017-18.

8.3 In reply to questions, the Executive Director of Finance said that he was continuing to work with service departments to identify opportunities to capitalise expenditure following the decision taken on this matter at the previous meeting. That decision was due to be recommended to the next meeting of Full Council for approval.

8.4 Members' attention was drawn to the complex and varied reasons for the rising pension liability costs faced by the County Council and the work that was being done to reduce the gap in the County Council's budget that remained after the removal or delay of prior year budget savings that were no longer considered achievable.

8.5 It was pointed out that the outcomes of the Resources review and of the review into the deliverability of the 2018-19 Environment, Development and Transport savings would be reported to Members of this Committee when they were available. It was not possible to give a specific date for the completion of the Resources review which was expected shortly.

8.6 Members were informed that the Adult Social Services and Children's Services reserves were in line with planned use and that the costs associated with the appointment of the Interim Executive Director of Children's Services would be included within the Children's Services budget. This was because Executive Directors retained responsibility for managing their own budgets within the amounts approved by the County Council.

8.7 The Committee also heard the verbal advice of the Executive Director of Finance, which was:

a) that Service Committees should seek to identify £4m of further new savings (or from bringing forward 2018-19 savings) in order to contribute to the setting of a balanced budget in 2017-18; and

b) in view of the need to implement savings for the start of 2017-18, that:

- Savings need to be clear and deliverable;
- Must not require consultation; and
- Should be discussed at the Service committee in January before final consideration at Policy and Resources in February.

8.8 **RESOLVED:**

**That the Policy and Resources Committee:**

**1. Note that the Council's budget planning includes:**
**a) a current forecast budget gap of £3.533m for 2017-18;**
**b) forecast budget gaps of £9.753m in 2018-19 and £10.715m in 2019-20, resulting in a total gap of £24.001m for the period 2017-18 to 2019-20; and**

**c) an assumed increase in council tax of 2% for the Adult Social Care precept, and an inflationary increase of 1.8% in 2017-18.**

**2. Recommend that Service Committees continue to seek opportunities for further savings and / or to bring forward 2018-19 savings to contribute to the setting of a balanced budget in 2017-18, and note that the Executive Director of Finance will reflect on the remaining gap to be addressed following the Autumn Statement, as set out in paragraph 3.3 of the report.**

**3. Note the statements regarding the robustness of budget estimates, and risks to the 2017-18 budget, set out in section 3 of the report.**

**4. Note the recommendations from Service Committees regarding the removal or delay of savings which were agreed during previous budget rounds as set out in Section 4 and summarised in Table 3 of the report.**

**5. Recommend the removal and delay of £1.375m of savings which are no longer considered to be deliverable within the budgets for which this Committee is responsible as set out in section 5 of the report.**

**6. Note the proposed areas for additional savings, and the further changes required to deliver a balanced budget as set out in the report, which will be presented to this Committee for recommendation to County Council in February.**

9 **Finance Monitoring Report Period 6 September 2016**

9.1 The annexed report (8) by Executive Director of Finance was received.

9.2 The Committee received a report by the Executive Director of Finance that gave details of the forecast position for the 2016-17 Revenue and Capital Budgets, General Balances, and the forecast Reserves at 31 March 2017, together with related financial information. The report also provided a brief commentary on Resources and Finance budgets which were the responsibility of this Committee.

9.3 The Executive Director of Finance outlined the steps that were being taken to achieve a balanced budget with no net overspend at the end of the financial year.

9.4 The Committee discussed the comparatively high level of undeliverable savings in the budgets for which Policy and Resources Committee was responsible. This was mainly attributed to the high number of ICT projects to enhance services throughout the County Council.

9.4 It was suggested that the new western link road to the A47 should be included in the list of examples of strategic highways improvements schemes listed at page 83 of the agenda.

9.5 **RESOLVED:**

**That the Policy and Resources Committee:**

1. **Note the period 6 forecast Revenue overspend of £20.746m (Period 5 £21.393m);**
2. **Endorse and recommend to County Council for approval reserves use in 2016-17 as set out in Appendix 1, paragraph 3.6, table 3d, or as explained in paragraphs 3.11 to 3.15 of the report:**
    a. **Adult Social Services £0.651m**
    b. **Community and Environmental Services £6.987m**
    c. **Finance and Property £0.115m**
    **(note only the Adult Social Services proposed use of reserves will reduce the forecast overspend as the proposed use by other services is already reflected in the forecast)**
3. **Note the forecast General Balances at 31 March 2017 of £19.252m, before taking into account any over/under spends;**
4. **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;**
5. **Note the revised expenditure and funding of the 2016-20 capital programme as set out in Appendix 3 of the report;**
6. **Support and contribute to the development of the 2017-20 capital programme, including the capital strategy, prioritisation scoring method, and potential new schemes, as set out in Capital Annex 2.**

10 **Delivering Financial Savings 2016-17**

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

10.2 The Committee received a report by the Executive Director of Finance that provided details of the forecast outturn position in respect of the delivery of the 2016-17 savings agreed by the County Council at its meeting on 22 February 2016.

10.3 The Executive Director of Finance was asked to let Members know of any likely changes that might be made in financial support for rural bus routes following the Autumn statement and the publication of the Provisional Local Government Settlement that was expected in mid-December 2016.

10.5 **RESOLVED:**

**That the Policy and Resources Committee note:**

1. **The forecast total shortfall of £9.134m in 2016-17, which amounts to 22% of total savings, and for which alternative savings need to be identified;**
2. **The budgeted value of 2016-17 savings projects rated as RED of £11.483m, of which £2.089m are now forecast to be delivered;**
3. **The forecast over delivery of £0.260m on GREEN rated projects; and**
4. **The forecast total shortfall of £13.075m of 2017-18 savings and £7.872m of 2018-19 savings reflecting planned delay and removal of savings as detailed more fully in the Budget report elsewhere on the**

**agenda.**

11 **Mid-Year Treasury Management Monitoring Report 2016-17**

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

11.2 The Committee received a report by the Executive Director of Finance that provided information on the treasury management activities of the County Council for the period 1st April 2016 to 30th September 2016.

11.3 **RESOLVED:**

**That the Committee endorse and recommend to County Council the Mid-Year Treasury Management Monitoring Report 2016-17.**

12 **Performance and Risk Monitoring**

12a **Resources and Finance vital signs performance management report**

12a.1 The annexed report (12a) by Head of Business Intelligence and Corporate Planning was received.

12a.2 The Committee received a report by the Head of Business Intelligence and Corporate Planning that presented up to date performance management information for Resources and Finance. The report was based on the ‘vital signs’ performance indicators agreed by the Committee as part of the Council’s revised performance management framework introduced in April 2016.

12a.3 The Committee discussed the actions that managers in service departments were taking with HR support to equip themselves through training and appropriate tools to prevent/reduce long term sickness rates which remained challenging to achieve. The Committee also discussed the time that it was taking for the County Council to deal with additional numbers of increasingly complex complaints and the referral of such complaints from MPs. It was pointed out that there were procedures in place for managers to learn lessons from complaints. It was not however current practice for the details of individual complaints to be reported directly to service Committees.

12a.4 Members were informed that there were many reasons for the considerable variance in staff appraisal completion rates across the County Council. For example, Children’s Services had placed greater emphasis on recording a programme of monthly staff supervisions as a performance tool rather than the annual appraisal process, which they still did as well, in accordance with Ofsted’s recommendations.

12a.5 **RESOLVED:**

**That the Committee note the performance data and agree the action with regard to the Resources and Finance Vital Signs performance management information set out in the report.**

12b **Corporately significant vital signs performance management report**

12b.1 The annexed report (12b) by Head of Business Intelligence and Corporate Planning was received.

12b.2 The Committee received a report by the Head of Business Intelligence and Corporate Planning that presented up to date performance management information for corporately significant vital signs. This was based on the corporately significant 'vital signs' performance indicators agreed by the Committee as part of the Council's revised performance management framework introduced in April 2016.

12b.3 In reply to Members questions, the Head of Business Intelligence and Corporate Planning agreed to include in the next such report information about the specific measures taken by schools to improve achievement rates in mathematics. She also agreed to let Members know the latest position regarding the appointment of the manager of the integrated discharge team.

12b.4 Members were pleased to hear that Norse Care had received two prestigious national awards at a recent award ceremony in London.

12b.5 **RESOLVED:**

**That the Committee note the performance data and agree the action with regard to the corporately significant vital signs performance management information set out in the report.**

12c **Risk Monitoring report**

12c.1 The annexed report (12c) by the Executive Director of Finance was received.

12c.2 The Committee received a report by the Executive Director of Finance that provided the Committee with the corporate risk register as it stood at the beginning of November 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during October 2016.

12c.3 In reply to Members' questions, it was pointed out that Children's Services Committee had considered the follow up action to the Ofsted inspection of Children's Services (published on 16 November 2016) when they considered a report on the Children's Services Improvement Plan. The Improvement Plan had been shared with the DfE and was available on the Committee pages website. Andrew Bunyan, a former strategic Director of Children's Services for Derby Council, who had considerable experience in helping other authorities turn round their services for children had been taken on by the County Council as an Interim Executive Director of Children's Services to provide assurance and leadership whilst the County Council sought a longer-term replacement.

12c.4 **RESOLVED:**

**That the Policy and Resources Committee note:**

1. **The changes to the corporate risk register (Appendices A and B of the report), the progress with mitigating the risks; and**
2. **The scrutiny options for managing corporate risks, presented in Appendix C of the report;**
3. **The potential financial implications from a current risk and a potential risk as reported to Service Committees that are set out at paragraph 4.1 of the report.**

13 **Health, Safety and Well-being Mid-Year Report**

13.1 The annexed report (13) by the Managing Director was received.

13.2 The Committee received a report by the Managing Director that provided a mid-year update on health, safety and well-being information included in the latest annual report and also made comparisons with national performance indicators.

13.3 **RESOLVED:**

**That the Policy and Resources Committee note the Health, Safety and Well-being Mid-Year report.**

14 **Establishment of alternative business structure – nplaw (Norfolk Public Law)**

14.1 The annexed report (14) by the Executive Director of Finance and the Head of Law was received.

14.2 The Committee received a report by the Executive Director of Finance and the Head of Law that recommended the Committee agree to the formation of a company regulated by the Solicitors' Regulatory Authority (SRA). This type of company was known as an 'alternative business structure' (ABS) because it was not a traditional law firm and was not owned by lawyers.

14.3 The Head of Law confirmed that the Board of nplaw (Norfolk Public Law) had approved a business plan for the ABS and that this would be developed by the nplaw management team if permission was obtained for establishing the ABS. The ABS would be a mechanism for nplaw to increase its client base and adopt a growth strategy.

14.4 **RESOLVED:**

**That the Policy and Resources Committee:**

1. **Agree that a wholly owned County Council company be incorporated ('the Company').**
2. **Agree that the Executive Director of Finance and the Head of Law may each take all necessary steps so that the Company may be licensed**

**by the SRA as an ABS.**

3. **Agree to recommend to the Constitution Advisory Group that the constitution be amended to enable the establishment of the Company, with the County Council as sole shareholder and operating under the control of two directors who are solicitors (as required by regulation).**
4. **Agree that the directors of the Company will be the Practice Director and the Assistant Practice Director, nplaw to fulfil the function of being in day to day control of the Company.**
5. **Note that the contracts of employment of all nplaw staff will be amended to allow them to be employed by both the County Council and the Company.**

15 **Disposal and Acquisition of Properties**

15.1 The annexed report (15) by the Executive Director of Finance was received.

15.2 The Committee received a report by the Executive Director of Finance that included proposals aimed at supporting County Council priorities by exploiting properties surplus to operational requirements, pro-actively releasing assets with latent value where the operational needs could be met from elsewhere and strategically acquiring property.

15.3 The Committee deferred until its next meeting a proposal aimed at ensuring transparency and consistency of charging market rents and licence fees for NCC properties. Members were of the view that more information was required about the implications of such a policy change and the consistency with which it should be implemented before the Committee could reach a decision on this matter.

15.4 **RESOLVED**

**That the Policy and Resources Committee:**

1. **Agree to the lease of part of the Snetterton Closed Landfill Site to BioCHP for £30,000 per annum on terms agreed.**
2. **Formally declare Land at Pound Lane, Thorpe St Andrew surplus to Council requirements and instruct the Head of Property to dispose of the site in accordance with established policy.**
3. **Formally declare the 3 former highway landholdings surplus to Council requirements and instruct the Head of Property to dispose of the site in accordance with established policy.**

16 **Appointment of Directors in NCC related Companies – Supplement**

16.1 The annexed report (16) by the Executive Director of Finance was received.

16.2 The Committee received a report by the Executive Director of Finance that clarified the appointment of a Director in one of the companies in which the County Council had an interest and recommended amendments to a number of existing appointments that Full Council had agreed on 17 October 2016.

16.3 **RESOLVED**

**That the Policy and Resources Committee:**

1. **Recommend to Full Council to confirm the Directors of Norse Care Limited and Norse Care Services Limited as set out in Table 1 of the report.**
2. **Recommend to Full Council the appointment of Joel Hull as a Director of Norfolk Energy Futures Limited, replacing Paul Borrett.**
3. **Recommend to Full Council the Director appointments in respect of Norfolk Safety CIC as set out in Table 3 of the report.**

17 **Recommendations from the Constitution Advisory Group**

17.1 The annexed report (17) of the Constitution Advisory Group was received.

17.2 The Committee received a report on the recommendations of the meeting of the Constitution Advisory Group held on 11 November 2016.

17.3 The Committee discussed the extent of member involvement in senior officer appointments generally.

17.4 It was proposed and duly seconded that there should be member involvement in the following Head of Service appointments:

Head of Law
Head of Democratic Services
Head of ICT and Information Management
Head of Programme Management Office
Head of Procurement

This was unanimously agreed by the Committee.

17.5 **RESOLVED**

**To agree the recommendations of the Constitution Advisory Group for consideration by Full Council as follows:**

**1. To agree the revised wording to the terms of reference of the Personnel Committee as set out in Appendix 1 to Annexe A and recommend it to the Full Council for approval and incorporation into the Council's Constitution.**
**2. To agree and recommend to Council for approval the revised wording of Part 6.4 of the Constitution as set out in at Appendix 1 to Annexe B with the addition of Member involvement in the following appointments:**
**Head of Law**
**Head of Democratic Services**
**Head of ICT and Information Management**
**Head of Programme Management Office**
**Head of Procurement**

**3. To agree and recommend Council to remove responsibility for Drug and Alcohol commissioning from the Adult Social Care Committee and incorporate it into the Communities Committee's responsibilities for developing policy, reviewing performance and budget in relation to Public Health.**
**4. To agree and recommend to Council that Part 4.1 of the Constitution is amended to add the following to the terms of reference of the Policy and Resources Committee:**
• That the Council's purposes for participation in the Norse Group companies are clearly established and reviewed annually by the Policy & Resources Committee.
• That Norse reports annually to P&R on both past performance against the council's purposes and KPIs and future business plans for the Norse Group companies, with appropriate assurances from the Executive Director of Finance and the Head of Law and Monitoring Officer. The Council has two distinct interests in Norse, as the sole shareholder in the Norse Group where its interests are ownership interests, and as a customer of some of the Norse Companies where its interests are service delivery interests. As part of the business plans, that Norse commits to a range of KPIs against which it is measured, including:
(i) a value statement summarising the benefits accruing to NCC through ownership of Norse, including target rebate, dividend and return on any loans, provided the level of dividends, combined with rebates, should not be so large as to impact either short-term working capital or future investment requirements to meet long term spending objectives;
(ii) other KPIs such as the percentage of new work derived from private sector contracts, the profitability of such work and the total return to NCC.
• That, in relation to new Companies (as defined by the Articles of Association) proposed by the Norse Group, the Executive Director of Finance will establish annually business objectives including the financial return expected. Proposals for Companies meeting these business objectives will be fasttracked for approval by the Executive Director of Finance, through the P&R Committee or via the urgent business procedures for P&R business (where commercially necessary).
**5. To agree and recommend to Council the following amendment to the Delegations to the Executive Director of Community and Environmental Services - Part 6.2, B, Sub Para 2 "**Responding to District Council consultations on planning applications or to development proposals by Government departments, statutory undertakers, local authorities or other decision making bodies provided that the proposal is consistent with County Council policy, is unlikely to raise controversial issues of a strategic nature and the Local **Member** <u>*member is in agreement*</u> **has been informed of the proposed response."** (New wording in **bold**, deleted text in underlined italics).

18 **Norfolk Business Rates Pool**

18.1 The annexed report (18) by the Executive Director of Finance was received.

18.2 The Committee received a report by the Executive Director of Finance that appended information on the Norfolk Business Rates Pool presented to Norfolk Leaders in November 2016 and also summarised the decisions about the allocation of 2015-16 pool resources taken by the Pool Board.

18.3 **RESOLVED**

**That the Policy and Resources Committee:**

**Endorse the allocation of the 2015-16 pool surplus to projects following the discussions held at Norfolk Leaders Group.**

## *Section B – Items for Report*

19 **Notification of Exemptions Under Contract Standing Orders**

19.1 The annexed report (19) by the Executive Director of Finance was received.

19.2 **RESOLVED:**

**That the Policy and Resources Committee:**

**Note the exemptions granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that are set out in the report.**

20 **Feedback from Members serving on Outside Bodies**

20.1 No verbal update reports were received.

**The meeting concluded at 1.15 pm**

**Chairman**

**Appendix to Policy and Resources Committee minutes of 28 November 2016**

The Executive Director of Finance was asked to let Members know of any likely changes that might be made in financial support for rural bus routes following the Autumn statement and the publication of the Provisional Local Government Settlement that was expected in mid-December 2016.

**Response**
2014-15 to 2016-17 budgets and 2017-18 proposals have been reviewed. It is assumed that transport savings in Adults do not relate to bus services. With that caveat, the budgeted bus-related savings identified are as follows:

| Ref | Description | 2014-15 | 2015-16 | 2016-17 | Total |
|---|---|---|---|---|---|
| | | £m | £m | £m | £m |
| ETD015 | Replacement of BusNet system with SMART ticket machines | -0.060 | -0.100 | 0.000 | -0.160 |
| ETD017 | Reduce NCC subsidy for park and ride service by ongoing commercialisation | -0.275 | -0.075 | -0.075 | -0.425 |
| ETD018 | Renegotiate concessionary travel schemes with bus operators | -0.350 | -0.350 | -0.350 | -1.050 |
| ETD019 | Reduce subsidy for Coasthopper bus service | -0.075 | -0.075 | 0.000 | -0.150 |
| EDT09 | Re-tendering of Transport contracts | 0.000 | -0.370 | 0.000 | -0.370 |
| EDT025 | Bus Station park and ride contracts - redesign, and site management at Norwich Bus Station | 0.000 | 0.000 | -0.350 | -0.350 |
| **Total** | | **-0.760** | **-0.970** | **-0.775** | **-2.505** |

**None of the above savings relate to the front-line delivery of bus services, with the exception of ETD019 – the reduction of the subsidy for the Coasthopper bus service. However, the subsidy to Coasthopper was only ever intended to support the establishment of this service, which is now self-financing and operating as a commercial service. Bus services have been protected from cuts as far as possible, and Norfolk County Council has also invested in supporting targeted community transport schemes such as dial-a-ride.**

It should be noted that there are a number of school transport savings (for example savings from reducing demand for school transport and allocating children to public transport contracts), some of which would presumably have had a positive impact on public bus services. There were also some savings in Children’s from mini-buses and yellow buses but it is assumed these are not relevant for this request.

At this point there are no savings relating to bus services identified in the new 2017-18 budget proposals.

# Strategic and Financial Planning 2017/18 to 2019/20

## Report from the Leader of Norfolk County Council

**1. Context for this budget**

1.1 We are about to agree the final budget of this council before elections in May 2017.

1.2 The period since 2010-11 has been a challenging and turbulent time for local government, particularly those upper tier councils whose job is to provide services for the most vulnerable in our communities whilst still maintaining high quality universal services such as schools, roads, libraries for all Norfolk people.

1.3 The landscape for councils like this one is changing. The reality of the reductions in central government grant is starting to bite. Over the period from 2010-11 to 2016/17 the Council has lost just under £161 million in government funding. Looking ahead, the Council will lose £31m of revenue support grant in 2017/18 and a further £39m over the following two years.

1.4 At the start of this planning cycle, the shortfall that Committees needed to find was some £9m which on the face of it seemed achievable.

1.5 But it became quickly apparent that the challenge was a much larger one because of the early in-year overspends on our biggest budgets – children and adults social care – compounded by the difficulty and complexity of making changes to services in line with agreed budget savings.

1.6 We could have used reserves in an attempt to divert attention from these systemic problems. Our view is that reserves should be there for the unexpected – not as the first call when things get tight. Our actions have starkly highlighted the real financial context for the Council and by not drawing on reserves as the first port of call we have transparently and openly had debates about a sustainable level of funding for all our services.

1.7 Our intention in recommending this budget to Full Council, is to set a clean slate for services, taking away forward debt and establishing realistic budgets on a firm foundation that officers can deliver and that Members can scrutinise and monitor.

1.8 In practice, this means

Removing or deferring £20m of savings previously agreed for 2017/18, and a further £8m over the following two years.

1.9 Investing **£25.872m** to support the Adult Social Care budget:

- £6.134m for demographic growth pressures.
- £4.500m for Cost of Care pressures.
- £5.660m for pay and price market pressures.
- £9.578m to address 2016-17 overspend pressures (including one-off ASC support grant of £4.197m in 2017-18).

1.10 For **children's services** - Investing **£9.000m on a one-off basis to ensure overspend pressures in** 2016-17 are addressed for 2017/18.

1.11 Significant savings are still being made; this budget will see £48m of costs coming out of the organisation in 2017/18. Whilst the majority of these savings come from smart financial management and efficiencies, we are still having to put forward some difficult choices in adults.

## 2. Council Tax

2.1 The Government has calculated our grant funding on the basis that council tax will increase. In planning for this budget we had made the assumption that we would follow the same course as last year and increase council tax by 3.8% of which 2% is the social care precept.

2.2 In December, the Secretary of State modified this position, and gave authorities such as ours the flexibility to increase the social care precept to 3% in the years 2017-18 and 2018-19. Over that three year period the total adult care precept must only amount to no more than 6%, but this new flexibility gives us the option profile the spend differently and apply an early increase to help mitigate the well-known pressures and challenges in adults.

2.3 I have thought long and hard about this; at this point in any political cycle it would clearly be expedient not to raise council tax at all, and certainly not to increase it further. However, my judgement is that this is the right thing to do for Norfolk and for the quality of life of the most vulnerable that we have a duty and responsibility to support.

2.4 f agreed this would mean a total increase of 4.8% which would represent £16.2m to the county council. For an average band D council tax payer it is an additional £1.10 a week.

## 3. Investing in our priorities

3.1 At a time of financial pressure, it is all too easy to retreat to the statutory minimum. We are not doing that. We are committed to the four priorities in the County Council Plan:

- Excellence in education – working for a well-educated Norfolk and championing everyone's right to an excellent education, training, good health and preparation for employment;

- Real jobs – real, sustainable jobs available throughout Norfolk, making Norfolk a place where businesses are able to grow or want to invest;
- Improved infrastructure – making Norfolk a great place to live, work and visit, and ensuring communities are resilient, confident and safe;
- Supporting vulnerable people – ensuring vulnerable people are safe, and helping people earlier before their problems get too serious.

3.2 Helping more people into real jobs, obtaining good qualifications, within a county which is accessible and connected to the rest of the country are key to Norfolk's future. With economic growth and sustainable services, people living here will be able to lead independent and fulfilling lives. Just as important is for the most vulnerable residents to have access to the support they need to live as independently as possible in the community.

**4. Conclusion**

4.1 At this point in the year, there is – rightly – a focus on the savings we have to make, but if agreed this budget will mean some £1.4 billion being spent on services, with a further £361.888m on capital projects.

4.2 Looking ahead, the Council must accelerate the work we have begun to find ways to bring in more commercial income, to remodel our services so they are sustainable and fit for the future.

4.3 We already know we face a cumulative shortfall of just over £34 m over the next cycle. There is uncertainty about Business Rates and the impact of 100% localisation by the end of the parliament. Considerable pressures remain in social care, including uncertainty about new responsibilities linked to the Improved Better Care Fund and the knock-on costs from pressures in the NHS.

4.4 It will be for a new council to grapple with these issues, but if these proposals are agreed it will ensure new councillors start with a budget which has been 'right sized' for the job and which gives a sound footing for the future.

# Policy and Resources Committee

**Item No 8i**

| | |
|---|---|
| **Report title:** | **Strategic and Financial planning 2017-18 to 2019-20 and Revenue Budget 2017-18** |
| **Date of meeting:** | **06 February 2017** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services – Simon George** |

## Strategic impact

This report sets out the overall direction of travel for strategic and financial planning for 2017-18 to 2019-20 and provides the detailed financial information to support the Policy and Resources Committee's Revenue Budget and Council Tax recommendations. It sets out the background to consideration of the 2017-18 Revenue Budget, initial growth and savings proposals for 2018-19 to 2019-20 budgets, and a proposal for the level of Council Tax in 2017-18.

## Executive summary

Norfolk County Council is due to agree its budget for 2017-18, and Medium Term Financial Strategy to 2019-20, on 20 February 2017. The Policy and Resources Committee works with Service Committees to coordinate the budget setting process and to develop a robust and deliverable whole-council budget. Service Committees review and advise on budget plans for their service areas, taking into account the overall planning context as advised by Policy and Resources.

This report forms part of the strategic and financial planning framework for the Council. It builds on reports received by this Committee in October and November to set out the detailed revenue budget proposals for 2017-18.

As part of the preparation of the 2017-18 Budget, the Council has assessed the deliverability of planned savings, and considered the overspend pressures within the current year 2016-17.

The budget proposals for 2017-18 see the Council focusing its total resources of £1.4billion on meeting the needs of residents and making a significant investment to protect social care services including:

- £25.872m to support the Adult Social Care budget:
    - £6.134m for demographic growth pressures.
    - £4.500m for Cost of Care pressures.
    - £5.660m for pay and price market pressures.
    - £9.578m to address 2016-17 overspend pressures (including £4.2m one-off Adult Social Care Support Grant in 2017-18).
- To support the Children's Services budget:
    - £9.000m to address 2016-17 overspend pressures (one-off for 2017-18).

In support of this, the report sets out the latest information on the Local Government Finance Settlement and the financial and planning context for the County Council for 2017-18. It summarises the saving proposals for 2017-18, the proposed cash limited revenue budget based on all current proposals and identified pressures, and the proposed capital programme.

It also gives feedback from consultation on specific savings proposals and summarises the findings and mitigating actions of rural and equality assessments.

The information in this report is intended to enable the Policy and Resources Committee to consider how these proposals contribute to delivering an overall balanced budget for the whole council, and take a considered view of all relevant factors in order to agree budget proposals for 2017-18 and the financial strategy to 2019-20, in order to recommend these to Full Council when it meets on 20 February 2017 to agree the final budget and plan for 2017-20. The Committee is also responsible for approving proposals in relation to the budgets for which it is responsible.

Taking into account consultation responses, feedback from Service Committees, and the recommendation of the Executive Director of Finance and Commercial Services, this report has been prepared on the basis of **an increase in Council Tax of 1.8%, plus a 3% increase in Council Tax in respect of the new Social Care precept, an overall increase in Council Tax of 4.8%**. Bringing forward increases in the Social Care Precept will mean that the 2% increase planned for 2019-20 would not occur.

**Policy and Resources Committee is recommended to:**

1) **Note the specific recommendations for budgets and savings proposals relating to Policy and Resources Committee's own budgets as set out in Appendix F.**

2) **Note the statements regarding the robustness of budget estimates, and risks to the 2017-18 budget, set out in section 6 and the separate report on the Robustness of Estimates elsewhere on the agenda.**

3) **Note the feedback from Service Committees including the proposals for additional savings, and the further changes required to deliver a balanced budget as set out in this report.**

4) **Consider and comment on the findings of equality and rural assessments, linked at Appendix H(ii) to this report, and in doing so, note the Council's duty under the Equality Act 2010 to have due regard to the need to:**

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

5) **Agree to recommend to County Council:**

   a) **An overall County Council Net Revenue Budget of £358.812m for 2017-18, including budget increases of £93.741m and budget decreases of £73.889m as set out in Table 11 of this report, and the actions required to deliver the proposed savings.**

**b) The budget proposals set out for 2018-19 to 2019-20, including authorising Chief Officers to take the action required to deliver budget savings for 2018-19 to 2019-20 as appropriate.**

**c) With regard to the future years, that further plans to meet the remaining budget shortfalls in the period 2018-19 to 2019-20 are developed and brought back to Members during 2017-18.**

**d) To note the advice of the Section 151 Officer, at paragraph 6.1, on the financial impact of an increase in Council Tax, as set out in section 8, and confirm, or otherwise, the assumptions that:**

**i) the Council's 2017-18 budget will include a general Council Tax increase of 1.8% and a precept of 3% for Adult Social Care, and overall increase of 4.8% (shown at Appendix D) as recommended by the Executive Director of Finance and Commercial Services.**
**ii) the Council's budget planning in future years will include Council Tax increases for CPI in line with Government assumptions as set out in the Spending Review 2015, plus an increase of 3% for Adult Social Care in 2018-19 but no increase in the Adult Social Care precept in 2019-20, based on the current discretions offered by Government.**

**e) That the Executive Director of Finance and Commercial Services be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2017-18 Budget, to make payments, to raise and repay loans, and to invest funds.**

**f) That allocations of Transition Grant and Rural Services Delivery Grant totalling £4.561m and held in the 2016-17 Budget to address business risk, be carried forward and used to help ameliorate the level of savings required in 2017-18 (as recommended by this Committee in October 2016).**

**g) To agree the Medium Term Financial Strategy 2017-20 as set out in Appendix I, including the two policy objectives to be achieved:**

**i) Revenue: To identify further funding or savings for 2018-19 and 2019-20 to produce a balanced budget in all years 2017-20 in accordance with the timetable set out in the Revenue Budget report (Appendix E).**
**ii) Capital: To support the proposed long-term strategy to invest in the Council's assets while minimising the impact on the revenue budget.**

**h) The mitigating actions proposed in the equality and rural impact assessments (Appendix H(i)).**

## 1. Background

1.1. The County Council has established a sound approach to medium term service and financial planning. The overall strategic direction is set out in the County Council Plan, accompanied by a rolling Medium Term Financial Strategy with an annual budget agreed each year.

1.2. The planning cycle for 2017-18 to 2019-20 began in May 2016 when Policy and Resources committee agreed the County Council Plan which incorporated the four priorities and annual targets, together with a financial framework to guide the work of committees in preparing balanced budgets for 2017-18.

1.3. This paper brings together the outcome of committee discussions, of public consultation, and provides the latest information on the provisional Local Government Finance Settlement.

1.4. The information in this report is intended to enable the Policy and Resources Committee to consider how these proposals contribute to delivering an overall balanced budget for the whole council, and take a considered view of all relevant factors in order to agree budget proposals for 2017-18 and the financial strategy to 2019-20, in order to recommend these to Full Council when it meets on 20 February 2017 to agree the final budget and strategy for 2017-20.

## 2. The County Council strategy

2.1. The County Council has set its overall strategic direction through the County Council Plan[1], agreed by Full Council earlier in 2016-17. The Plan details the Council's ambition for everyone in Norfolk to succeed and fulfil their potential and demonstrates that by putting people first a better, safer future, based on education, economic success and listening to local communities can be achieved.

2.2. Delivery of the Council's four priorities remains a core commitment for the local community. These priorities go beyond statutory responsibilities to focus on the areas that will bring the best results for Norfolk people:

- **Excellence in education** – working for a well-educated Norfolk and championing everyone's right to an excellent education, training, good health and preparation for employment;
- **Real jobs** – real, sustainable jobs available throughout Norfolk, making Norfolk a place where businesses are able to grow or want to invest;
- **Improved infrastructure** – making Norfolk a great place to live, work and visit, and ensuring communities are resilient, confident and safe;
- **Supporting vulnerable people** – ensuring vulnerable people are safe, and helping people earlier before their problems get too serious.

2.3. Helping more people into real jobs, obtaining good qualifications, within a county which is accessible and connected to the rest of the country are key to Norfolk's future. With economic growth and sustainable services, people living here will be able to lead independent and fulfilling lives. Just as important is for the most vulnerable residents to have access to the support they need to live as independently as possible in the community.

2.4. At the same time as agreeing the overall County Plan, Members also agreed the County Plan Tracker, a three year set of targets which would signal significant progress towards each of the four priorities.

2.5. It is proposed that the targets already agreed by Full Council, are confirmed for 2017-18, although recognising that the new council to be elected in May 2017

[1] https://www.norfolk.gov.uk/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/corporate/county-council-plan

may choose to review and amend them as part of any wider changes to its strategic priorities.

## 3. Strategic financial context

3.1. The financial context in which the council operates continues to be challenging. Overall, councils have dealt with a 40% real terms reduction in core government grant since 2010. County Councils face some unique challenges within the local government family and research by the County Councils Network has identified that grants per head are 20% lower and social care cash funding has reduced by 21% between 2013 and 2015, while children's care referrals have increased and needs of the frail, elderly, and people with disabilities have become more complex.

3.2. As reported to this Committee in November, local authorities across the country are increasingly highlighting the significant financial pressures they face, particularly in respect of social care budgets. Norfolk County Council is therefore not alone in dealing with both pressures on the delivery of planned savings, alongside forecast overspends against revenue budgets in 2016-17. Nationally a number of councils have faced issues including: significant in-year overspends, challenging savings requirements for the medium term planning period, and the need to implement in-year savings packages. The Council's responses to these budget pressures are set out in this paper, with the key focus being how plans can contribute to the preparation of a robust budget for the whole Council for 2017-18.

3.3. In this context the government is moving towards a proposed new local government funding regime which reflects the expectations for local councils to fulfil a new role. By 2020, it is anticipated that revenue support grant will cease; instead it is intended that councils will become self-sufficient and fund services through a system of 100% business rates retention, Council Tax and miscellaneous locally generated revenue streams.

3.4. This shift away from national funding allocations to locally raised income is probably the single most significant change to local government in modern times. It introduces new incentives for councils to place a priority on their role in generating economic growth, by developing the right conditions for businesses to grow, people to work, and places to thrive whilst running services on the most efficient basis so as to keep costs to a minimum. However, at this time the details of the new funding system remain to be fully defined.

3.5. Over the period from 2010-11 to 2016-17, Norfolk County Council's share of cuts has seen the authority lose **£160.916m** in Government funding while the actual cost pressures on many of the Council's services have continued to go up. For example, last year alone, extra demands on children's services and adult's social care services arising from circumstances outside of the Council's control – such as inflation, changes in Norfolk's population profile, and legislative changes by Government – cost another £13.790m. Absorbing ongoing spending reductions of this scale requires the Council to keep its business and operations under constant review, and to continually seek to deliver services in the most effective way possible, for the lowest cost.

## 4. The Council's planning process for the 2017-18 Budget

4.1. The Council's budget planning for 2017-18 has been undertaken on the following timetable.

**Table 1: Budget and Service Planning Timetable 2017-18**

| Activity/Milestone | Time frame |
|---|---|
| Service planning options for 2017-20 developed | Summer 2016 |
| Policy and Resources Committee considered Efficiency Plan 2016-17 to 2019-20 | 18 July 2016 |
| County Council approved Efficiency Plan 2016-17 to 2019-20 | 25 July 2016 |
| Consultation on any new proposals and Council Tax 2017-20 *(where required)* | October to December 2016 |
| Service reporting to Members of service and budget planning – review of progress against three year plan and planning options | October 2016 |
| Chancellor's Autumn Statement | 23 November 2016 |
| Provisional Finance Settlement | 15 December 2016 |
| Service reporting to Members of service and financial planning and *(where required)* consultation feedback | January 2017 |
| Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee | Late January 2017 |
| Confirmation of District council tax base and Business Rate forecasts | 31 January 2017 |
| Final Local Government Finance Settlement | February 2017 |
| Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council | 6 February 2017 |
| County Council to approve use of transition funding 2016-17 | 20 February 2017 |
| County Council agree Medium Term Financial Strategy 2017-18 to 2019-20, revenue budget, capital programme and level of Council Tax for 2017-18 | 20 February 2017 |

4.2. In February 2016, the Council agreed the budget for 2016-17, and a four year Medium Term Financial Strategy (MTFS) taking account of the four year settlement figures provided by the Government. This included agreement of planned savings of **£115.182m** for 2016-17 to 2019-20, which resulted in a broadly balanced budget across the whole period, but with shortfalls of **£8.827m** and **£11.714m** to be addressed in 2017-18 and 2019-20 respectively.

4.3. In July 2016 Policy and Resources Committee received a report setting out details of the progress of the Council's budget work, which also recommended that the Council accept the Government's four year funding allocation to ensure a greater degree of certainty about future funding levels. This was followed in October with reports to Service Committees to set out options for savings to meet a projected £20.000m budget gap, and consideration of the deliverability of previously agreed savings.

4.4. Initial work to develop savings identified proposals totalling **£15.249m** for 2017-18 across the Council, which were reported to Service Committees in October. Further savings for 2017-18 totalling **£11.616m** were identified in November 2016, mainly within Performance and Resources budgets, to support the removal and reprofiling of savings across the Council (see section 7). Following the Autumn Statement in November 2016, on the advice of the Executive Director of Finance and Commercial Services, Policy and Resources Committee heard that Services should continue to seek an additional **£4.000m** of savings to deliver a balanced budget for 2017-18.

4.5. The indicative allocation of the £4.000m of required savings to Departments and Service Committees, based on 2016-17 net budgets, is as follows:

**Table 2: Allocation of additional savings**

| Department | Savings Target Based on 2016-17 Net Budget £m | Committee | Savings Target Based on 2016-17 Net Budget £m |
|---|---|---|---|
| Adult Social Care | 1.4 | Adult Social Care | 1.4 |
| Children's Services | 0.8 | Children's | 0.8 |
| CES | 1.2 | Communities | 0.3 |
| | | EDT | 0.9 |
| Resources | 0.1 | Policy and Resources | 0.6 |
| Finance, Property and Finance General | 0.5 | | |
| **Total** | **4.0** | **Total** | **4.0** |

4.6. Details of all Service Committee savings proposals, including contributions towards this additional savings requirement, are set out later in this report.

## 5. The Autumn Statement 2016 and the Provisional Local Government Settlement 2017-18

5.1. On 23 November 2016 the Chancellor of the Exchequer announced the Autumn Statement 2016, which confirmed that the period of shrinking government finance and cuts to local government funding is set to continue. The Government is no longer on course to eliminate the deficit by the end of the parliament and as a result the period of “fiscal consolidation” will continue longer than originally anticipated.

5.2. The Autumn Statement 2016 set out the course for public sector expenditure up to 2021-22 and confirmed that the government would continue to follow the spending plans outlined in the 2015 Spending Review, except that the target of achieving a balanced budget would be pushed back into the next parliament. The Chancellor confirmed that departmental spending plans set out in the Spending Review 2015 will remain in place, and the £3.5bn of savings to be delivered through the Efficiency Review set out in the last Budget still need to be found. However, the Chancellor also announced that he was budgeting for up to £1bn of these savings to be reinvested in priority areas in 2019-20. These priority areas have not yet been specified. The government’s continued commitment to achieving a balanced budget means that the current period of fiscal consolidation is likely to continue well into the 2020s, so there is little prospect of an end to the financial challenges facing local government in the medium term. The government has however signalled that Departmental Expenditure Limits will increase in line with inflation from 2020-21.

5.3. The Council received confirmation from the Department for Communities and Local Government (DCLG) on 16 November 2016 that its Efficiency Plan[2] submission had been accepted. This means that the Council is now formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016-17 settlement for the period to 2019-20 (subject to future events such as transfers of functions and barring exceptional circumstances). The multi-year settlement does not include all of the funding in the local government settlement. The relevant elements that are included are:

**Table 3: Certainty funding allocations for Norfolk County Council**

| | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| | £m | £m | £m |
| Revenue Support Grant | 77.926 | 58.035 | 38.810 |
| Transitional Grant | 1.657 | - | - |
| Rural Services Delivery Grant | 3.195 | 2.458 | 3.195 |
| **Total** | **82.779** | **60.493** | **42.005** |

5.4. The Government also indicated that tariffs and top-ups in 2017-18, 2018-19 and 2019-20 would not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

5.5. On 15 December 2016, the Government announced its Provisional Local Government Settlement 2017-18, which confirmed the figures set out in the multi-year settlement. The funding settlement provides provisional details for 2017-18, and is expected to be confirmed in early February. The Settlement Funding Assessment (made up of Revenue Support Grant and Business Rates funding) is £0.106m higher than expected in 2017-18.

5.6. The Settlement Funding Assessment for 2016-17 is £250.382m, for 2017-18 the Settlement Funding Assessment reduced by £27.689m to **£222.693m**. This was already included in our budget planning.

5.7. Alongside the main settlement figures, the Government announced additional funding for social care. This was in the form of a new Adult Social Care Support Grant worth £4.197m for Norfolk (one off for 2017-18), and increased flexibility (subject to Member decisions) to raise the Adult Social Care Precept by a further 1%, to permit 3% increases overall in 2017-18 and 2018-19. This would represent approximately £3.300m additional income in 2017-18 but at the expense of the discretion to increase the precept by 2% in 2019-20 being removed. As a result, subject to council tax decisions, the Council's overall position following the Provisional Settlement announcement reflects an **improvement by around £7.500m** for 2017-18 when compared to previous assumptions.

[2] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en

5.8. The Adult Social Care Support Grant has been funded by bringing forward reductions in New Homes Bonus (reduction in grant of £0.934m compared to 2016-17). Reductions in New Homes Bonus of a similar amount have already been assumed in the budget planning model. In 2018-19 onwards, changes in New Homes Bonus Grant have already been planned to fund the Improved Better Care Fund, the expected allocations for this are unchanged as per the council's budget planning from 2016-17.

5.9. The publication of the settlement represented the start of the consultation period for the 2017-18 Draft Local Government Finance Report. The deadline for the submission of responses to the consultation was 13 January 2017.

5.10. In spite of the welcome additional clarity from the four year settlement in 2016-17, and the funding brought forward in the 2017-18 provisional settlement, significant uncertainty remains about the implications of the Government's plans for 100% business rates localisation, intended to be in place before the end of the parliament. In addition the funding for social care does not represent new money but rather a change of timing, and the underlying funding crisis for social care remains unaddressed. As a result the County Council continues to face major financial challenges and considerable planning uncertainty. Nonetheless, taken together, the Autumn Statement and Provisional Settlement represent a key input for the Council's budget and service planning over the next three years, and will be one of the many elements that the Council will need to take into account in determining its savings proposals and budget for 2017-18, and its financial plans up to 2019-20.

## 6. The Council's budget planning assumptions 2017-18

6.1. The Council's budget planning assumes:

- That remedial actions will be successfully implemented to achieve a balanced budget in 2016-17, supporting the delivery of 2017-18 budget plans, and that sufficient funding has been allowed within the budget model for any ongoing overspend budget pressures to enable Services to manage within their budget allocations for 2017-18.
- That any undeliverable savings have been removed as set out elsewhere in this report, and that all the remaining savings proposed and included for 2017-18 can be successfully achieved.
- **Inflationary increases in council tax above the 3% Adult Social Care precept in 2017-18 and 2018-19, and a CPI increase only in 2019-20.** This is in line with the assumptions used by the Government at the time of the 2016-17 local government settlement, amended for the new flexibility in the Adult Social Care precept. **Any reduction in this increase will require additional savings to be found.** These assumptions are of course subject to Full Council's decisions on the levels of Council Tax, which will be made before the start of each financial year. In addition to an annual increase in the level of Council Tax, the budget assumes modest annual tax base increases of 0.5% for future years.

6.2. **The Executive Director of Finance and Commercial Services' judgement on the robustness of the 2017-18 Budget is substantially based upon these assumptions**.

## 7. Investing in Norfolk's priorities

7.1. At a time of significant and sustained financial pressure, the Council has continued to invest in infrastructure through significant capital projects; it has invested to support and sustain a strong care market through funding for pressures such as the living wage, and has largely protected children's services as it continues on its improvement journey. **Protection for social care services in the 2017-18 Budget includes**:

- **£25.872m** to support the **Adult Social Care** budget:
  - £6.134m for demographic growth pressures.
  - £4.500m for Cost of Care pressures.
  - £5.660m for pay and price market pressures.
  - £9.578m to address 2016-17 overspend pressures (including £4.197m one-off Adult Social Care Support Grant in 2017-18).
- To support the **Children's Services** budget:
  - **£9.000m** to address 2016-17 overspend pressures (one-off for 2017-18).

7.2. Budget planning for 2017-18 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2017-18 Budget sees a **significant investment in Service Committee budgets** through both the removal of previously planned savings and recognition of budget overspend pressures.

7.3. The changes to previously agreed savings proposed in this report reflect a considerable effort to ensure that the 2017-18 Budget will be both robust and deliverable. It represents the removal or delay of £7.000m of savings relating to 2016-17 and prior years, and £13.325m of savings planned for 2017-18, a total of £20.325m being removed or delayed from next year's budget as set out in the table below.

**Table 4: Summary of saving removal and delay**

| Savings Removal and Delay | Relating to 2016-17 and prior years | 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Adults | 3.000 | 10.000 | 7.000 | -10.000 | -10.000 | **0.000** |
| Children's | 3.650 | 0.700 | 0.085 | -0.535 | 0.000 | **3.900** |
| Communities | 0.000 | 0.000 | 1.357 | 0.000 | 0.000 | **1.357** |
| EDT | 0.000 | 1.600 | 10.355 | 0.000 | 0.000 | **11.955** |
| Policy and Resources | 0.350 | 1.025 | -0.325 | 0.000 | 0.000 | **1.050** |
| **Total** | **7.000** | **13.325** | **18.472** | **-10.535** | **-10.000** | **18.262** |
| | | | | | | |
| **Total removal / delay from 2017-18 Budget planning** | **20.325** | | | | | |

7.4. The investment in Service budgets includes **£9.000m** for Children's Services of which £5.734m is to be found by the Executive Director of Finance and Commercial Services undertaking a review of earmarked reserves as part of the year-end closure process. This review will take place in June 2017 and will encompass the 2016-17 outturn position and 2017-18 period 2 monitoring information to seek to identify £5.734m of earmarked reserves that can be released in 2017-18 to support the Children's Services budget. In the event that sufficient funding from reserves cannot be found, the Executive Director of Finance and Commercial Services will consider the need for additional in-year savings to be sought to support the Children's budget. This additional funding for Children's is supported from reserves as one-off growth in 2017-18 to provide time for the Service to further develop and implement plans which will allow it to manage within its ongoing budget envelope from 2018-19.

## 8. Council Tax

8.1. In determining the level of the Council Tax / Precept, consideration needs to be given to whether there are any restrictions or requirements imposed by the Government. The Localism Act includes the requirement that any Council Tax increase in excess of a limit determined by the Secretary of State for Communities and Local Government and approved by the House of Commons, will be decided by local voters, who, through a local referendum, will be able to approve or veto the proposed increase. The **threshold for 2017-18 has been provisionally announced as 2%**. This is usually finalised alongside the publication of the Final Local Government Finance Settlement.

8.2. The Government will examine Council Tax / Precept increases and budget increases when final decisions have been made throughout the country. County Councils are required by Government Regulation to declare their level of Council Tax / Precept by the end of February.

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

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

8.5. As previously reported, the Government introduced new flexibility in 2016-17 for those authorities with Adult Social Care responsibilities to increase their Council Tax by up to 2% more than the core referendum principle, provided that the additional precept raised is allocated to Adult Social Care. In December 2016, the Secretary of State for Communities and Local Government confirmed that this **flexibility would be increased to 3% in both 2017-18 and 2018-19**, but at the expense of losing the discretion to increase the precept in the final year of the settlement 2019-20. This means the precept increase, however it is applied within these criteria, is limited to a maximum of 6% over the three year period 2017-18 to 2019-20. The table below illustrates the changes in the County Council's Adult Social Care precept assumptions.

**Table 5: Adult Social Care Precept assumptions**

| | 2017-18 | 2018-19 | 2019-20 | Total |
|---|---|---|---|---|
| 2016-17 budget planning assumed increase | 2% | 2% | 2% | **6%** |
| 2017-18 budget planning assumed increase | 3% | 3% | 0% | **6%** |

8.6. Under the Local Government Finance Act 1992, the Section 151 Officer is required to provide information demonstrating that an amount equivalent to the additional Council Tax raised through this flexibility has been allocated to Adult Social Care. This must be done within seven days of the Council setting its budget and Council Tax for 2017-18.

8.7. Following these latest changes, it is anticipated that the **referendum principle for County Councils will therefore be set at 5% in 2017-18**, consisting of a 2% core referendum principle, plus 3% additional flexibility for Adult Social Care.

8.8. For 2016-17, the Government changed the methodology for distributing reductions in funding to local authorities. The new method of apportionment assumed that councils would increase Council Tax in line with CPI inflation, make use of the new flexibility for a social care precept where available, and will benefit from ongoing levels of Council Tax base growth. Failure to raise Council Tax in line with the Government's assumptions will result in progressively greater levels of underfunding through the Spending Review period and would lead to the Council experiencing a greater reduction in spending power than the Government forecasts.

8.9. In light of the Government's approach, the Council originally based its planning assumptions on an increase in general Council Tax of 1.8%, and 2% for the Adult Social Care precept. Following the announcement of new flexibilities around the precept, and taking into account the Council's overall financial position, Service Committees in January were presented with budget plans based on the maximum Adult Social Care precept increase of 3% and were also asked to consider the scope for an increase in general Council Tax of up to 1.99%.

8.10. Service Committees in January supported the Council Tax proposals for **an overall increase of 4.8%** and no Committees took a view that they would prefer to find more savings to reduce the level of Council Tax increase required. At the time of preparing this report Environment, Development and Transport (EDT) Committee had not met. The draft unconfirmed minutes of all Service Committee meetings will be available to Policy and Resources Committee to inform decisions about budget recommendations to County Council (see Appendix G).

**Information about the Council Tax consultation this year**

8.11. Budget proposals for 2017-18 were initially based on the assumption that council tax would increase overall by 3.8%. We invited comments on the approach via our website and through the on-line edition of Your Norfolk which is distributed to around 20,000 subscribers.

8.12. Information about the Council's proposals on council tax was updated following the Government's announcement on 15 December 2016 which gave Councils the option to raise the adult social care precept to 3% in 2017-18, therefore enabling **a total 4.8% increase**. We further promoted the consultation and extended the deadline for comments until 27 January 2017.

8.13. In total, up to the time of preparing these findings (21 January 2017) just over 200 responses have been received. Pre-settlement there were 11 responses which expressed similar themes to feedback received in previous years. Of the remaining responses there was a preference for increasing council tax.

- **113 out of 191** expressed the view that council tax should be increased.
- Of these, 59 either agreed with our initial proposal to increase council tax by 3.8% or did not indicate how great an increase they preferred.
- There was a strong feeling that services, especially adult social care, needed to be protected. Whilst several people said they would prefer not to have an increased council tax, they felt it was 'necessary', 'unavoidable', 'pragmatic', 'justified' or realistic'.
- A substantial number of respondents (34) thought that the council should go further and increase the council tax by the full amount available to them.
- Others (20) stated although they recognised the need for an increase in council tax they thought that this should be minimal, either less than 3.8% or in line with inflation.

8.14. Where people supported an increase in council tax to protect social care there was a call for the Council to evidence that any funds raised by the social care precept were being spent on adult social care. Several respondents felt that adult social care funding was a national issue and should be funded by central government through taxation, like the NHS.

8.15. Where people advocated an increase in council tax, two responses wanted to make it clear their views just applied to this year only.

8.16. Some respondents (23) **disagreed** with increasing Council Tax with one of these going further and calling for a reduction. The main contention being that people had themselves not received pay increases so could not be asked to pay more Council Tax.

8.17. Several respondents commented that the council should further reduce its costs, make efficiencies and cut back on senior managers' pay, meetings and administrative costs. Some felt that council tax should not go to fund specific departments, but be spent on communities as a whole.

8.18. Some themes appeared across the board. There was a general concern about people's ability to pay any increase, especially those on benefits or fixed incomes. People also took the opportunity to share their priorities for council tax spend and services they felt should be reduced or cut. These ranged from services or expenditure people perceived to be non-essential, such as the arts and salaries, to suggestions that we need to cut adults and children's social services.

8.19. The feedback is largely consistent with last year when we consulted widely on our medium term plan and included a question asking people to describe their views on what the Council should do about its share of council tax. People that suggested that council tax should be increased suggested that they would be prepared to pay more to keep vital services open, and argued that it is a socially fair way of spreading costs. Those opposed to an increase tended to do so on one of two contentions. Firstly a number of people suggested that an increase would be too much for people to pay, in particular those already struggling within a challenging financial climate. Secondly, a number of other respondents argued that a Council Tax rise was wrong in principle, and was unfair given that services were reducing.

**Implications of council tax proposals**

8.20. Policy and Resources Committee is therefore asked to consider and confirm, or otherwise, the assumption that the Council's **2017-18 budget will include a Council Tax increase of 4.8% made up of a 3% precept for Adult Social Care and a general Council Tax increase of 1.8% as recommended by the Executive Director of Finance and Commercial Services (Section 151 Officer)**. This will need to be considered at the County Council meeting on 20 February 2017.

8.21. Set out in Appendix D is the calculation of **total payments of £358.812m** due to be collected from District Councils in 2017-18 based on a Council Tax increase of 4.8%, together with the instalment dates and the Council Tax level for each valuation band A to H.

8.22. The Council is also required to authorise the Executive Director of Finance and Commercial Services to transfer from the County Fund to the Salaries and General Accounts, all sums necessary in respect of revenue and capital expenditure provided in the 2017-18 budget in order that he can make payments, raise and repay loans, and invest funds.

**Second homes Council Tax**

8.23. The Local Government Act 2003 required that additional monies from reducing the Council Tax discount on second homes should be shared by the District Councils with the precepting Councils i.e. the County Council and the Office of the Police & Crime Commissioner for Norfolk.

8.24. In 2015-16, it was agreed with Norfolk Leaders to distribute 25% of the Norfolk County Council 80% share of the second homes Council Tax to Norfolk District Councils. This revised arrangement delivered an ongoing £1.2m saving for the County Council in 2015-16. It was also agreed:

- to continue with this arrangement for 2016-17 and 2017-18, removing the proposed saving of £1.2m within the 2016-17 budget, as originally reported in the 2014-17 budget round; and
- that this arrangement would be jointly reviewed with District Councils for future years in early 2017-18, and that Norfolk County Council would consult early (prior to publication) on budget proposals for future years in order to identify any potential adverse impact on District Councils' budgets.

8.25. The Council's budget planning for 2016-17 therefore included an initial assumption that the distribution to District Councils of 25% of the County's share would cease in 2018-19, representing an ongoing saving to the County Council of £1.2m. However, it is now proposed that budget planning assumptions include **provision for 12.5% of this income to continue to be passed to District Councils in 2018-19**. This reduces the 2018-19 saving to approximately £0.600m. In line with the agreement set out above, the County Council will seek to consult with districts about this proposal in 2017-18 and it is proposed that the payment be kept under annual review thereafter.

## 9. Revenue Budget

9.1. In response to the need to identify additional savings of £4.000m to contribute to closing the budget gap 2017-18, the following total additional proposals have been prepared for the Council:

**Table 6: Additional savings proposed**

| Committee | 2017-18 £m | 2018-19 £m | 2019-20 £m |
|---|---|---|---|
| Adult Social Care | -1.400 | -0.230 | 0.000 |
| Children's Services | -0.800 | 0.300 | 0.000 |
| Communities | -0.040 | 0.025 | 0.000 |
| EDT | -0.685 | 0.500 | 0.000 |
| Policy and Resources | -0.850 | 1.350 | 0.000 |
| **Total** | **-3.775** | **1.945** | **0.000** |

9.2. In addition, Adult Social Care Committee has identified £3.300m of additional savings which will be required from April 2017 in response to reductions in the funding available from Clinical Commissioning Groups for the protection of social care. The savings have been reported to the Adult Social Care Committee and include £1.000m of savings through the Building Resilient Lives proposals and £1.159m of savings which are planned to come from commissioning changes such as decommissioning and renegotiation of services. The impact of these savings are included in this report. Robust plans to deliver the savings are under development and it is considered that the savings can be made.

9.3. The table below sets out a summary of the savings proposals for 2017-18 to 2019-20. The Council has identified £37.896m of **new** savings proposals in this budget round to help enable the Council to set a balanced budget for 2017-18.

**Table 7: Summary of recurring net budget savings by Committee**

| Committee | 2017-18 Saving £m | 2018-19 Saving £m | 2019-20 Saving £m | Total Saving £m |
|---|---|---|---|---|
| Adult Social Care | -11.276 | -18.653 | -10.000 | -39.929 |
| Children's Services | -1.854 | -0.859 | -0.535 | -3.248 |
| Communities | -1.906 | -0.102 | 0.000 | -2.008 |
| EDT | -6.090 | -0.086 | 0.000 | -6.176 |
| Policy and Resources | -26.702 | 6.095 | -0.769 | -21.376 |
| **Grand Total** | **-47.828** | **-13.605** | **-11.304** | **-72.737** |

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

**Income**

9.5. The Council has four main funding streams:

- Business Rates Retention Scheme
- Council Tax
- Specific Grants
- Fees and Charges

9.6. The main issues to consider are:

a) **Business Rates Retention Scheme** – the provisional Local Government Funding Settlement included information on the Settlement Funding Assessment, which includes the authority's Revenue Support Grant (RSG) and business rates baseline funding level uprated annually in line with RPI. In order to ensure that local government spending is within the national departmental expenditure limits, after taking into account the business rates baseline funding, the Revenue Support Grant is a balancing figure and subsequently is reducing year on year in line with the Government's deficit reduction plan.

In 2016-17 the Government changed the methodology for distributing reductions in funding to reflect an authority's "core spending power" which now includes the Settlement Funding Assessment (Business Rates Baseline Funding and RSG), New Homes Bonus, the local government element of the Improved Better Care Fund (from 2017-18), Rural Services Delivery Grant and transitional grant, the Council Tax Requirement, the funding available through the Adult Social Care precept, and the Adult Social Care Support Grant. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant to ensure that within each tier of Local Government (upper-tier, lower-tier, fire and rescue, and GLA other services), authorities of the same type receive the same percentage change in settlement core funding. The inclusion of Council Tax in this calculation represented a significant change in Government policy. In 2016-17 the Government set out indicative four year allocations of funding, as detailed elsewhere in this report, which the Council accepted via the submission of an Efficiency Plan in October 2016.

The tables below show the breakdown of the provisional 2017-18 Settlement Funding Assessment compared to the 2016-17 allocations, the component elements of the Settlement Funding Assessment, and how the Council will receive this funding. In overall terms this shows a reduction of £27.689m or -11% to core government funding compared to the 2016-17 actual.

**Table 8: Settlement Funding Assessment changes**

| | **2016-17 Actual** | **2017-18 Indicative** | **2017-18 Provisional** | **% Change (2016-17 actual to 2017-18 provisional)** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **%** |
| Upper-tier funding within Baseline Funding Level | 134.655 | 137.303 | 137.404 | 2% |
| Fire and Rescue within Baseline Funding Level | 7.215 | 7.357 | 7.363 | 2% |
| **Total Baseline Funding Level** | **141.870** | **144.661** | **144.767** | 2% |
| | | | | |
| Upper-tier funding within RSG | 101.696 | 72.627 | 72.627 | -29% |
| Fire and Rescue within RSG | 6.816 | 5.299 | 5.299 | -22% |
| **Total Revenue Support Grant** | **108.512** | **77.926** | **77.926** | -28% |
| | | | | |
| **Total Settlement Funding Assessment** | **250.382** | **222.587** | **222.693** | -11% |

**Table 9: Breakdown of Settlement Funding Assessment**

| | 2016-17 Actual | 2017-18 Indicative | 2017-18 Provisional | Change (2016-17 actual to 2017-18 provisional) | Change (2017-18 Indicative to 2017-18 Provisional) |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Settlement Funding Assessment | 250.382 | 222.587 | 222.693 | -27.689 | 0.106 |
| *Received through:* | | | | | |
| Revenue Support Grant | 108.511 | 77.926 | 77.926 | -30.585 | 0.000 |
| Business Rates Baseline | 141.870 | 144.661 | 144.767 | 2.897 | 0.106 |
| *Via: Top-up* | *115.685* | *117.961* | *119.351* | 3.666 | 1.390 |
| *Retained Rates* | *26.185* | *26.700* | *25.416* | -0.769 | -1.284 |

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

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

Irrespective of which of the options above is pursued with regard to general council tax, the Council must then also decide whether to exercise its discretion to:

- Increase council tax by up to **3%** in respect of the social care precept.

These **budget papers have been prepared on the basis of a 3% increase in Council Tax for Adult Social Care and a 1.8% increase in general (basic) Council Tax.** As a result of the Government's assumptions about local authorities' abilities to raise Council Tax, any decision to raise Council Tax by less than the government's inflation assumptions, or a decision not to exercise the full discretion to raise a social care precept, will lead to a progressively greater underfunding of the Council through the Spending Review period.

c) **Other Income** – a table on total government grant funding is included in this report at Appendix A. Agreement with the Norfolk Clinical Commissioning Groups has been reached on the **Better Care Fund** for 2016-17 to 2018-19. Reductions are expected in **Education Services Grant**, which Government has signalled will be removed completely by August 2017, and also in **New Homes Bonus** grant as part of the Government's proposed transitional arrangements, which will see the grant reduced from the current six years to five and then four. Further details are provided in the Medium Term Financial Strategy (Appendix I).

**Expenditure – underlying trends**

9.7. The aim of the budget planning process is to deliver a robust budget that supports the Council's priority areas but is affordable within reduced funding. The major areas of cost affecting Norfolk County Council that have been incorporated into the 2017-20 budget plans are:

a) **Price inflation** – significant elements of the Council's services continue to be delivered externally to the County Council – through partners, private sector contracts, and via the Council's own company (Norse) – meaning that contractual arrangements are a key driver of the Council's cost pressures. A significant proportion of the Council's spend is via third party contracts and the effective management of these contracts, to ensure both value for money and proper standards of service, is critical.

b) **Demographics** – demand for services continues to rise, both through the age profile of the county and through changes to need. Preventative strategies are in place, but are not always sufficient to stem the growth in levels of demand. In areas such as supporting looked after children, although new strategies have taken effect, numbers are once again beginning to increase.

c) **National Living Wage** – the costs of implementing the National Living Wage increase in 2017-18, for both the Council's directly employed staff and contracted services.

d) **Apprenticeships Levy** – the budget includes provision for a new levy to fund three million apprenticeships nationally, set at 0.5% of payroll, which will apply from 2017-18.

e) Increased costs of borrowing are anticipated from 2018-19 in line with expectations around interest rate growth and inflation.

9.8. In addition, the Capital Programme will be funded from external capital grants, capital receipts, prudential borrowing, revenue budgets and/or reserves. The majority of new schemes are funded from capital grants received from central government departments. The largest capital grants are from the Department for Transport and the Department for Education, and this is reflected in the balance of the programme. Capital receipts can only be used to fund capital expenditure, which in turn reduces the future revenue impact of borrowing, to repay debt, or (as a result of additional flexibilities from the 2015 Spending Review) to support the revenue costs of reform projects (invest to save and transformation). As set out in the Capital Programme report elsewhere on the agenda, there are not likely to be sufficient guaranteed unallocated capital receipts available to make use of the new freedoms from the 2015 Spending Review. Subject to the timing of borrowing and the application of the MRP policy, the future annual revenue cost of prudential borrowing can be significant (as much as 10% of the amount borrowed). The amount and timing of these costs are reflected in the revenue budgets where appropriate. A separate report to Policy and Resources Committee, elsewhere on this agenda, sets out the detail of the Capital Strategy, the 2017-20 programme and funding plans.

9.9. Financial planning assumptions for future years take account of the latest monitoring position for 2016-17, as reported to Policy and Resources Committee elsewhere on this agenda. Further details of the financial planning context are set out in the Medium Term Financial Strategy 2017-20.

9.10. The report on the Robustness of Estimates 2017-20 sets out the Executive Director of Finance and Commercial Services' (Section 151 Officer) report on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget. The factors and budget assumptions used in developing the 2017-20 budget estimates are set out in that report. The level of reserves has been analysed in terms of risk and is reported separately to Policy and Resources Committee elsewhere on this agenda. The recommended level of general balances is £19.2m for 2017-18 and the Medium Term Financial Strategy 2017-20 assumes that general balances will remain at or above this level.

**Expenditure and savings – proposals**

9.11. The tables in Appendix C set out in detail the proposed cash limited budget for all Committees for 2017-18, and the medium term financial plans for 2018-19 and 2019-20. These are based on the identified pressures and proposed budget savings reported to this Committee in October and November, which have been updated in this report to reflect changes to budget plans as shown in the table below. Cost neutral adjustments are also reflected within the Appendices and, as usual, these have been added following the Service Committee meetings.

**Budget changes since January 2017 Service Committee Meetings**

9.12. Since budget proposals were presented to Service Committees, the following changes have taken place and are reflected in the appendices to the report:

- The Children's Committee in January 2017 recommended the removal of the 2016-17 saving relating to reducing funding for school crossing patrols, totalling £0.150m. It is proposed that the removal be offset by increasing the saving to be achieved from refocusing the Education Service in light of the Education White Paper and this is reflected in the budget papers.
- Pressures relating to Education Services Grant in 2018-19 have been adjusted compared to the budget position reported to Children's Services Committee. This has the effect of reducing the pressure in the 2018-19 budget by £0.466m.
- A revised council tax collection fund surplus estimate has been received from District Councils. This has reduced the saving required to be identified in 2017-18 from earmarked reserves.

9.13. Significant uncertainty remains around the following areas:

- District Business Rate forecasts are not finalised, these remain subject to change until final forecasts are received at the end of January.
- The Final Local Government Finance Settlement has not yet been published and is expected in February 2017.

9.14. Any changes arising as a result of these uncertainties will be reported to Full Council as necessary.

**Table 10: Budget planning position 2017-18 to 2019-20**

| | 2017-18 | 2018-19 | 2019-20 | 2017-20 |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| **Medium Term Financial Strategy budget gap / (surplus) as at 22 February 2016** | **8.827** | **-22.360** | **11.714** | **-1.820** |
| | | | | |
| ***Changes reported to Policy and Resources Committee October 2016*** | | | | |
| Savings reversed or delayed | 6.750 | -1.650 | 0.000 | **5.100** |
| New pressures | 13.510 | 1.551 | 2.665 | **17.726** |
| Other changes | -9.561 | 4.561 | 0.000 | **-5.000** |
| New saving proposals | -15.249 | -2.386 | 0.000 | **-17.635** |
| **Gap to find as reported to Policy and Resources 31 October 2016** | **4.277** | **-20.284** | **14.379** | **-1.629** |
| | | | | |
| ***Changes reported to Policy and Resources Committee November 2016*** | | | | |
| Savings reversed or delayed | 11.825 | 10.872 | -10.535 | **12.162** |
| Other changes | -0.953 | 12.165 | 6.870 | **18.082** |
| New saving proposals | -11.616 | 7.000 | 0.000 | **-4.616** |
| **Gap to find as reported to Policy and Resources 28 November 2016** | **3.533** | **9.753** | **10.714** | **23.999** |
| | | | | |
| **Savings reversed or delayed** | | | | |
| Remove CHL016 - alternative provision transport | 0.250 | 0.000 | 0.000 | **0.250** |
| Part remove of P&R066 - Second Homes Council Tax | 0.000 | 0.600 | 0.000 | **0.600** |
| Delay ASC006 - Promoting Independence | 0.000 | 10.000 | 0.000 | **10.000** |
| Adjust proposals for use of capital receipts saving in 16-17 to fund 16-17 overspend | 2.000 | -2.000 | 0.000 | **0.000** |
| P&R077 - adjust MRP saving | 0.778 | 0.136 | 0.290 | **1.204** |
| CMM041 Reduction in library books capitalisation saving | 0.320 | 0.000 | 0.000 | **0.320** |
| Remove CHI015 - reduce funding for school crossing patrols | 0.150 | 0.000 | 0.000 | **0.150** |
| | | | | |
| **New saving proposals (contribution to £4m target)** | | | | |
| Reprofile CHL026 Children's Centre saving | -0.300 | 0.300 | 0.000 | **0.000** |
| Increase CHL039 Refocus Education Service saving | -0.500 | 0.000 | 0.000 | **-0.500** |
| ASC027 - Efficiencies within SLAs | -0.190 | 0.000 | 0.000 | **-0.190** |
| ASC028 - Maximise use of apprenticeships | -0.020 | 0.000 | 0.000 | **-0.020** |
| ASC029 - Align charging policy to reflect Care Act more closely | -1.180 | -0.230 | 0.000 | **-1.410** |
| ASC030 - Rationalise mobile phones | -0.010 | 0.000 | 0.000 | **-0.010** |
| EDT037 - Increase vacancy management saving | -0.085 | 0.000 | 0.000 | **-0.085** |

| | 2017-18 | 2018-19 | 2019-20 | 2017-20 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| EDT047 - Additional income generation from Scottow | -0.100 | 0.000 | 0.000 | **-0.100** |
| CMM046 - Additional income generation | -0.015 | 0.000 | 0.000 | **-0.015** |
| CMM018 - Bring forward Customer Services redesign | -0.025 | 0.025 | 0.000 | **0.000** |
| P&R076 - Increased insurance fund saving | -0.850 | 1.350 | 0.000 | **0.500** |
| EDT048 Better Broadband contribution from reserves | -0.500 | 0.500 | 0.000 | **0.000** |
| | | | | |
| **New saving proposals (delivering Adults BCF reductions)** | | | | |
| ASC026 - Review commissioning arrangements | -1.159 | 0.000 | 0.000 | **-1.159** |
| ASC031 - Revised use of Care Act and other funding not previously used for recurrent expenditure | -1.141 | 0.000 | 0.000 | **-1.141** |
| ASC016-019 - Additional building resilient lives saving | -1.000 | 0.000 | 0.000 | **-1.000** |
| | | | | |
| **New saving proposals (other)** | | | | |
| Use of Reserves to be identified. Saving held in Finance General | -5.734 | 5.734 | 0.000 | **0.000** |
| Claw back ICT lease budget | -0.243 | 0.000 | -0.059 | **-0.302** |
| Increase CHL039 Refocus Education Service saving to enable removal CHI015 | -0.150 | 0.000 | 0.000 | **-0.150** |
| | | | | |
| **Changes to income forecasts** | | | | |
| Council Tax tax base and surplus | -3.606 | 2.232 | -0.014 | **-1.389** |
| Council Tax - adjust Adult Social Care Precept to 3%, 3%, 0% | -3.753 | -3.189 | 6.942 | **0.000** |
| New Homes Bonus (NHB) Grant final allocations | 0.088 | 0.219 | 0.315 | **0.623** |
| NHB Adjustment Grant | -0.026 | 0.000 | 0.000 | **-0.026** |
| Adult Social Care Grant | -4.197 | 4.197 | 0.000 | **0.000** |
| Rural Services Delivery Grant | -0.001 | 0.000 | 0.000 | **-0.001** |
| Increased Lead Local Flood Authority Grant | -0.077 | -0.005 | -0.005 | **-0.087** |
| Extended Rights to Free Travel Grant | 0.026 | 0.000 | 0.000 | **0.026** |
| New Funding for School Improvement | -0.370 | -0.265 | 0.000 | **-0.635** |
| Reduction in social care protection funding (BCF local agreement) | 3.300 | 0.000 | 0.000 | **3.300** |
| | | | | |
| **Growth pressures** | | | | |
| Inflation adjustments - reductions to forecasts | -0.269 | -0.183 | -0.210 | **-0.662** |
| Pressure for Looked After Children growth (one-off) | 9.000 | -9.000 | 0.000 | **0.000** |
| Adjustments for pension revaluation | -2.545 | 0.000 | 0.000 | **-2.545** |
| Norse Care and Independence Matters Pension Revaluation | 0.264 | 0.000 | 0.000 | **0.264** |

| | 2017-18 | 2018-19 | 2019-20 | 2017-20 |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Legislative reduction in post 16 Home to School transport income | 0.250 | 0.000 | 0.000 | **0.250** |
| Further reduction in Education Services Grant | 0.233 | -0.233 | 0.000 | **0.000** |
| Vulnerable Person Resettlement scheme pressure | 0.202 | -0.101 | -0.043 | **0.058** |
| Additional growth pressures within Adults budgets (including Adult Social Care Support Grant £4.2m one-off) | 7.578 | -4.197 | 0.000 | **3.381** |
| Audit Scale Fee increase 2016-17 | 0.011 | 0.000 | 0.000 | **0.011** |
| Impact of Autumn Statement increases to Insurance Premium Tax (IPT) | 0.025 | 0.000 | 0.000 | **0.025** |
| Interest budget pressures | 0.027 | -0.166 | 0.000 | **-0.139** |
| National Living Wage pressures for NCC Staff | -0.082 | 0.144 | 0.645 | **0.707** |
| Transfer of additional flood funding to CES budgets | 0.093 | 0.005 | 0.005 | **0.103** |
| | | | | |
| **Projected gap / (surplus) as at Policy and Resources 6 February 2017** | **0.000** | **15.626** | **18.580** | **34.206** |

There may be small differences in the table above due to the rounding of figures.

9.15. The Revenue Budget proposals set out in Appendix C form a suite of proposals which will enable the County Council to set a balanced Budget for 2017-18. As such, recommendations to add growth items, amend or remove proposed savings, or otherwise change the budget proposals will require the Committee to identify offsetting saving proposals or equivalent reductions in planned expenditure.

9.16. The Executive Director of Finance and Commercial Services is required to comment on the robustness of budget proposals, and the estimates upon which the budget is based, as part of the annual budget-setting process. This assessment is set out in the Robustness of Estimates report elsewhere on the agenda.

9.17. The overall net budget proposed for 2017-18 is £358.812m. This takes into account the Provisional Local Government Finance Settlement for 2017-18. Table 11 below summarises the overall proposed final budget for 2017-18. The table below also shows the cash limited budgets by service, and a detailed table of the proposed changes for each service is shown at Appendix C.

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

9.19. At the time of preparing reports to service committees in January 2017, estimates of business rates collection, and the impact of Districts' Council Tax decisions were not fully known and therefore were not fully reflected within service committee reports. At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2017-18 net budget may need to be altered to reflect any changes to government funding amounts for 2017-18 following the final Settlement publication, due to be announced in early February 2017. Likewise final changes to the District Councils' collection funds and the final Business Rates position will not be confirmed until the end of January and may alter the proposed 2017-18 net budget. In relation to Council Tax, if the County Council agrees to increase Council Tax by 4.8%, this would generate £16.226m additional funding in 2017-18, of which £10.143m would relate to the Social Care precept. This brings the total council tax raised from the Adult Social Care precept to £16.644m in 2017-18. Further details are included within Appendix D. The structure of the budget is based on the current organisational framework.

9.20. Service and budget planning for 2018-19 will be based on an expected reduction in core government funding of £15.234m (Settlement Funding Assessment incorporating Business Rates and Revenue Support Grant).

9.21. The Policy and Resources Committee report setting out the policy and position of reserves and balances recommends that the minimum level of General Balances be maintained at £19.252m, reflecting budget risks and uncertainty around future government funding. The forecast position for General Balances at 31 March 2017 is £19.252m. There is currently a forecast overspend on the 2016-17 budget of £5.512m (Period 8 as reported at February 2017), although it is anticipated that a balanced outturn position will be achieved at year-end. The non-delivery of savings in 2016-17 has been addressed as part of the 2017-18 budget process via the reversal of a significant number of savings as set out in this report.

9.22. The Policy and Resources Committee is asked to recommend to County Council the 2017-18 budget proposals, as reported to Service Committees in January 2017, taking into account the comments of Service Committees. The proposed overall budget is shown in the table below and detailed in Appendices B and C.

9.23. The unconfirmed draft minutes of the discussion of budget proposals by Service Committees are appended to this report at Appendix G.

**Table 11: 2017-18 Revenue Budget**

| | **2016-17 Base Budget** | **Budget increase incl. cost and funding decreases** | **Budget decrease incl. savings and funding increases** | **2017-18 Recommended Budget** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Children's Services | 167.292 | 16.638 | -6.579 | 177.351 |
| Adult Social Care | 246.852 | 35.712 | -21.111 | 261.453 |
| Environment, Development and Transport | 150.819 | 0.612 | -11.752 | 139.679 |
| Community Services | 47.683 | 3.156 | -2.058 | 48.781 |
| Policy and Resources | -273.687 | 37.623 | -32.388 | -268.452 |
| **TOTAL** | **338.960** | **93.741** | **-73.889** | **358.812** |

There may be small differences in the table above due to the rounding of figures.

Note:

- The total budget decreases of £73.889m include £47.828m savings, £6.585m funding increases (see Table 12 below) and £19.476m of cost neutral changes (see Appendix C).
- Of the budget savings, £14.174m relate to one-off savings in 2017-18, which will result in a pressure in 2018-19. These are detailed in Table 13 below.

**Table 12: Funding increases included in budget decreases**

| | **£m** |
|---|---|
| Improved Better Care Fund | 1.885 |
| Adult Social Care Grant | 4.197 |
| New Funding for School Improvement | 0.370 |
| Lead Local Flood Authority Grant | 0.077 |
| Transition Grant | 0.056 |
| **Total increase in funding** | **6.585** |

**Table 13: One-off savings**

| | | **2017-18** |
|---|---|---|
| **Committee** | **Saving** | **£m** |
| Communities | Capitalisation of library books 16-17 | -1.000 |
| Communities | One-off saving through re-setting budgets for leased equipment | -0.090 |
| EDT | One off saving - Further capitalisation of highways maintenance activities in 2016-17, to release a revenue saving to carry forward to 2017-18 | -1.500 |
| EDT | Use of Better Broadband Reserves | -0.500 |
| P&R | Insurance Fund contribution | -1.350 |
| P&R | Use of capital receipts in 17-18 to fund MRP | -4.000 |
| P&R | One-off use of reserves to be identified in June 2017 | -5.734 |
| | **Total** | **-14.174** |

9.24. Savings are being delivered through a range of approaches. The table below categorises the savings by type. Delivery of efficiency related savings continue to be targeted as a priority.

**Table 14: Categorisation of Saving**

| | 2017-18 | 2018-19 | 2019-20 | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| A: Cutting costs through efficiencies | -32.834 | 8.988 | -0.245 | **-24.091** |
| B: Better value for money through procurement and contract management | -1.194 | -1.011 | 0.000 | **-2.205** |
| C: Service Redesign: Early help and prevention, working locally | -8.978 | -18.411 | -10.000 | **-37.389** |
| D: Raising Revenue; commercial activities | -3.059 | -1.561 | 0.000 | **-4.620** |
| E: Maximising property and other assets | -1.763 | -1.610 | -1.059 | **-4.432** |
| **Total** | **-47.828** | **-13.605** | **-11.304** | **-72.737** |

Note:
- These figures exclude funding increases (base adjustments), such as from the Better Care Fund and Care Act, and cost neutral changes.
- Summary provided within Appendix B and details provided within Appendix C.

**Schools funding**

9.25. Schools funding is provided through the Dedicated Schools Grant (DSG) and Pupil Premium, which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. The DSG for 2017-18 was announced in December 2016. This sees the DSG continuing to be split into three main funding blocks: The Schools block, the High Needs block and the Early Years block, which includes funding to meet the statutory requirement for early learning for some two year olds. The statutory requirement covers around 40% of two year olds.

9.26. The Government has announced DSG for 2017-18 totalling £581.247m. This compares to a total revised DSG allocation of £560.262m in 2016-17. The DSG is before academy recoupment.

9.27. The table below shows the movement in DSG between 2016-17 and 2017-18.

**Table 15: Breakdown of Schools Funding**

| Funding element | Revised 2016-17 | 2017-18 | Change | Explanation for change |
|---|---|---|---|---|
| | £m | £m | £m | |
| Early Years 3 & 4 year olds | 26.687 | 29.594 | +2.907 | Increase in hourly rate as a result of a new formula |
| Early Years 3 & 4 year olds – 30 hours | 0.000 | 4.756 | +4.756 | New funding for additional 15 hours in place from September 2017 |
| Early Years Pupil Premium | 0.638 | 0.451 | -0.187 | Lower number of eligible pupils |
| 2 year old funding | 6.000 | 5.969 | -0.031 | No change |
| Nursery Schools Grant | 0.000 | 0.420 | +0.420 | New grant to protect Nursery Schools fixed sum budget allocations |
| Early Years Disability Access Fund | 0.000 | 0.172 | +0.172 | New grant for children receiving the Disability Living Allowance(DLA) |
| Schools Block | 457.670 | 464.637 | +6.967 | Increase in pupil numbers and addition retained Education Services Grant funding to DSG |
| High Needs Block (after deductions for direct funding of high needs places) | 69.120 | 75.248 | +6.128 | Growth funding for 2017-18 plus the addition of FE College High Needs place responsibility |
| Newly Qualified Teachers | 0.147 | 0.000 | -0.147 | Grant now included in the schools block |
| **Total** | **560.262** | **581.247** | **20.985** | |

**Pupil Premium**

9.28. In 2017-18, primary Free School Meals (FSM) ‘Ever 6’ pupils will attract £1,320, which is aimed to help primary schools raise attainment and ensure that every child is ready for the move to secondary school. £935 will be allocated for secondary FSM ‘Ever 6’ pupils. FSM ‘Ever 6’ allocations in 2015-16 and 2016-17 were £1,320 and £935 respectively. FSM ‘Ever 6’ pupils are those who have been registered for free school meals at any point in the last six years.

9.29. The pupil premium plus (for looked after children) will remain at £1,900 per pupil in 2017-18. The eligibility was expanded in 2014-15 to include those who have been looked after for one day or more, and from 2015-16 was widened further to include children who have been adopted from care or have left care under a special guardianship, residence or child arrangement order. Schools will receive £1,900 for each eligible pupil adopted from care who has been registered on the school census and the additional funding will enable schools to offer pastoral care as well as raising pupil attainment.

9.30. Children with parents in the armed forces will continue to be supported through the service child premium. In 2017-18, the service child premium will be set at £300 per pupil, unchanged from 2015-16 and 2016-17.

## 10. Medium Term Financial Strategy – Budget Implications for 2017-18, 2018-19 and 2019-20

10.1. The Local Government Act 2003 requires the Council to take into consideration the implications for revenue spending in future years arising from decisions taken in respect of the 2017-18 budget. A three-year revenue projection is specifically required and this has been considered as part of forward service and financial planning. Accordingly, Service Committees have considered their budgets for the next three years, within the Council's normal budget planning framework. This informs the Council's Medium Term Financial Strategy, which is set out at Appendix I.

10.2. Reports to Service Committees in January 2017 included projected additional costs and savings proposals for 2017-18 to 2019-20 in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2017-20 budget are sustainable and deliverable in the medium term from both a service and financial perspective and that they are considered to be affordable to the taxpayer. In addition, many of the savings needed for future years require actions to be taken in previous financial years and therefore County Council approval is sought on future year's savings to enable Chief Officers to put in place the necessary programmes of work required to deliver these.

10.3. The report to Policy and Resources Committee 28 November 2016 projected potential shortfalls of £9.753m in 2018-19 and £10.714m in 2019-20, based on the savings proposals and pressures identified at that time. The forecast for the period 2018-19 to 2019-20 has now been developed and revised following Government funding announcements, and further review and challenge of cost pressures. Together with identified savings and taking into consideration the proposed 2017-18 Revenue Budget, it is now estimated that **the County Council has a remaining budget gap of £34.206m for the years 2018-19 to 2019-20**.

10.4. The projected additional costs, including inflation, and forecast reduction in Government grant funding for the following two years, 2018-19 and 2019-20, are set out in the table below.

**Table 16: Provisional medium term financial forecast**

| | 2018-19 | 2019-20 |
|---|---|---|
| | £m | £m |
| Additional cost pressures and forecast reduction in Government grant funding | 58.167 | 52.508 |
| Forecast increase in Council Tax base | -14.723 | -9.338 |
| Identified saving proposals and funding increases | -27.818 | -24.590 |
| **Budget shortfall / (surplus)** | **15.626** | **18.580** |

10.5. It is the view of the Section 151 officer, that whilst the Council can balance the 2017-18 budget, the shortfall for future years represents a very significant risk. In addition, deliverability of the 2017-18 budget will be contingent upon identification of sufficient suitable reserves to be released to support the Children's Services budget as detailed earlier in this report. In the event that adequate reserves cannot be identified, it may be necessary to seek further in-year savings. An element of the growth allowed in 2017-18 is one-off and will be removed in the 2018-19 budget. As a result, Services will need to implement changes in 2017-18 which will enable them to operate within the lower ongoing budget envelope from 2018-19 onwards.

10.6. Reports setting out the changing planning context for both service delivery and the Council's finances will be presented to future committee meetings, along with additional savings plans, and will form part of the detailed planning approach for reviewing and recommending final budgets for 2018-19 to 2020-21, and the level of Council Tax.

10.7. As part of ongoing financial planning, services will keep under review all aspects of future cost pressures and inflation. The Executive Director of Finance and Commercial Services also keeps under ongoing review all aspects of financial planning, and the financial standing of the Council, including levels of reserves and provisions, and reports regularly to Policy and Resources Committee on financial management performance. A proposed budget and service planning timetable for 2018-19 is set out in Appendix E.

## 11. Capital Budget

11.1. A summary of the Capital Programme and schemes relevant to this committee are set out in the separate Capital Programme report elsewhere on the agenda.

## 12. Summary of the public consultation process

12.1. Appendix I sets out a Medium Term Financial Strategy for Norfolk County Council for 2017-18 to 2019-20.

12.2. Last year Norfolk County Council consulted extensively on its Medium Term Financial Strategy. This covered the overall strategy for services in a context of continued budget austerity, as well as specific consultation on a wide range of savings proposals. In total the council received 3,101 responses to the consultation, which gathered a wide range of views on:

- Council tax and whether we should increase it to protect essential services.
- Our approach to making savings over the life of the strategy.
- Our proposals to balance our budget for 2016-17 that involved changes or cuts to our services.
- The Norfolk Fire and Rescue Service draft Integrated Risk Management Plan.

12.3. As a result of this, Full Council agreed a range of savings totalling £115m, which broadly balanced the budget over the four year period to 2019-20 but with a gap still to be found for 2017-18.

12.4. Saving proposals to bridge the shortfall for 2017-18 were put forward by committees, the majority of which did not require consultation because they could be achieved without affecting service users. The exception to this were two adult social services proposals requiring consultation; Building Resilient Lives and Information and Advice.

12.5. Building on the strong body of evidence of views from last year's consultation, the Adult Social Care Committee oversaw targeted consultation with affected groups, particularly those at risk of disadvantage.

12.6. An additional consultation about savings from disability related expenditure is still underway, and the outcome of this, together with the equality impact assessment, will be available for Members to enable them to make decisions about the budget at Full Council on 20 February 2017. The consultation can be accessed here: https://norfolk.citizenspace.com/consultation/dre/.

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

a) The public consultations ran from the 28 October 2016 to the 9 December 2016.

b) The consultation web sites can be found at: https://norfolk.citizenspace.com/consultation/buildingresilientlives/ and https://norfolk.citizenspace.com/consultation/informationandadvice/.

c) People were able to respond online and in writing. We also received responses by email to HaveYourSay@norfolk.gov.uk.

d) Consultation documents were available in different formats on request.

e) Every response has been read in detail and analysed to identify the range of people's opinions, any repeated or consistently expressed views, and the anticipated impact of proposals on people's lives.

f) As part of the engagement process for proposals around building resilient lives we undertook three workshops with public sector partners and three workshops with service providers. We invited all affected providers to meet us individually, with 24 face-to-face meetings being undertaken. We also met with senior managers of district councils twice.

g) We also undertook four face-to-face meetings with service providers potentially affected by our information and advice proposals.

h) We enlisted the support of service providers to publicise the consultation to their service users that may be directly affected by our proposals and enable to them to take part.

## 13. Equality and rural impact assessments

13.1. When setting the budget, public authorities have a legal duty under the Equality Act 2010 to consider the impact of proposals on people with ‘protected characteristics’. The Act states that public bodies must pay due regard to the following when planning, changing or commissioning services:

- Advancing equality of opportunity for people with protected characteristics;
- Eliminating discrimination, harassment, victimisation and other prohibited conduct;
- Fostering good community relations.

13.2. To meet this legal duty we undertake impact assessments of all our proposals. In addition to considering the impact on potentially vulnerable people, we also look at the impact on rural communities.

13.3. In carrying out an assessment, the Council reviews a wide range of evidence before drawing conclusions about likely impacts. For many proposals this involves reviewing, for example, data about people and services that might be affected, contextual information about local areas and populations and other data sources. As such equality and rural assessments are directly informed by the findings of public consultation, and in particular feedback from people about the practical impacts that proposals might have.

## 14. Consultation findings, and the outcome of equality and rural assessments, for service proposals

14.1. The remainder of this section summarises the key elements of feedback on these proposals and includes all responses submitted to the Council up to and including 13 December 2016.

**Building Resilient Lives: consultation feedback**

14.2. Last year, we consulted widely with residents and stakeholders on proposals to review housing related support services, although at that time, Members decided not to take those proposals forward.

14.3. When we consulted last year, partner organisations and stakeholders said that they wanted to work with us to come up with ideas for how best to support people's needs. We have built on that offer, and as well as a traditional on line consultation, we have engaged with the people who use our services as well as key stakeholders, providers and partner organisations to help design a new service, with less money, to support people who are not eligible for Norfolk County Council's statutory care services.

14.4. We received **965** specific responses, almost all of which were opposed to or concerned about any changes to the existing service. At least half of those responding were individuals or family members.

14.5. **54** respondents told us they were responding on behalf of a group, organisation or business but not all gave the names of their organisations and some were residents, employees or individuals whose response does not necessarily represent the organisational view. Of the respondents who described their relationship to the service, **626** describe themselves as current or past service users. Key concerns and issues raised were:

- Impact of losing highly valued wardens and other support workers in sheltered accommodation.
- The value of housing related support in helping people to improve their physical and mental wellbeing, including: preventing loneliness, generating a supportive community of peers, preventing existing mental health issues from deteriorating, getting people “back on track”, and giving hope for the future. People told us that receiving these services made them feel safe.
- Concern that changes would increase homelessness.
- Concern that reducing the service was short-sighted since safe housing and related support was preventative and helped people keep independent.

**Information and advice: consultation feedback**

14.6. There were **94** responses received for this proposal. Of these, just under half (**45 people** or **48%**) replied as individuals. **33** respondents told us they were responding on *behalf* of a group, organisation or business but not all gave the names of their organisations, some were residents whose response did not necessarily represent the organisational view. Of the respondents who described their relationship to the service, most were staff working in the service (26), past service users (22) or current service users (21). Key issues and concerns were:

- Importance of choice in how information and advice services can be accessed, in particular ensuring a mix of telephone, internet and face to face options are available as well as printed information.
- Value of well trained, specialist, well informed staff with local knowledge and condition-specific experience. Service users told us how much they value the advisers they see (67 responses).
- Concern about the impact on vulnerable people and groups of people with protected characteristics and told us it is important to ensure all groups of people can access specialist advice
- The importance of collaborative working between agencies and organisations who deliver information and advice services and the scope to improve partnership working and collaboration.

**Equality and rural impact assessments – findings and suggested mitigation**

14.7. The Council’s impact assessment process for 2017-18 budget proposals has sought to identify the potential for adverse impact on people with protected characteristics and rural communities, so that decisions can be informed, and where appropriate, action can be taken to address any negative impact.

14.8. Assessments of all relevant budget proposals for 2017-2018 were carried out on behalf of Policy and Resources Committee and all service committees (46 in total). This included an assessment of the proposal to increase Council Tax.

14.9. The majority of assessments did not suggest potential detrimental impact with the exception of two proposals.

14.10. These related to Adult Social Care Committee proposals:

- Remodelling information, advice & advocacy services (ASC021)

- Building resilient lives, reshaping our work with people of all ages requiring housing related support to keep them independent (ASC016/19)

14.11. This detrimental impact was identified because some older and disabled service users, including Blind and visually impaired people, Deaf and hearing impaired people, people with reduced mobility, people with mental health issues, people with learning difficulties and people with dementia, may no longer receive a service, or receive a service that differs significantly from the present time.

14.12. These two proposals may also have some impacts on people with other protected characteristics, which includes younger people (including care leavers, as users of some accommodation services), men (who are high users of some homelessness services) and Gypsies and travellers (as users of floating support services). People in rural areas may also be affected.

14.13. At the time of writing this report, the consultation and impact assessment process is still open for the proposal to make changes to disability related expenditure in adult social services. An initial equality and rural assessment, already published, suggests there may be detrimental impact on some disabled and older service users. The final assessment will be published when the consultation closes (9 February 2017) with any recommended mitigating actions to inform decisions on the budget at Full Council on 20 February 2017.

14.14. At October 2016 there were 405,511 Council Tax ‘chargeable dwellings’ in Norfolk. Any County Council increase in council tax would be applied equally and proportionally to each household, meaning that higher-banded properties would pay a higher cash amount. Concessions are in place that mean that many people that live on their own or that have a disability are eligible for Council Tax support, reductions or exemption. Figures from October 2016 show that of the 405,511 dwellings, 37% were subject to some kind of reduction in council tax.

14.15. In addition to these exemptions, district councils are responsible for local arrangements to provide help with Council Tax. These responsibilities cover what was known prior to 2013 as Council Tax Benefit, and mean that reductions are also in place to support vulnerable working age and older people. Factors that enable a household to qualify for help include householders’ disability status, caring responsibilities and being a student. Whilst the local arrangements are at the discretion of each district, the number of equivalent dwellings receiving this kind of support for working age people was 24,209, and for older people was 24,184.

14.16. The financial impact of an increase in Council Tax would be reduced for vulnerable people and those on low incomes by existing Council Tax exemption mechanisms, although provisions vary from district to district. It is also important to consider that overall, the increase would also help protect essential social care services for the most vulnerable, through the adult social care precept.

14.17. Although no detrimental impact was identified for any of the other proposals, the assessment process did recommend that a number of actions be carried out, to monitor implementation and find opportunities to promote accessibility for older and disabled people. A summary of mitigating actions is set out for agreement in Appendix H(i).

14.18. Broadly speaking, where no detrimental impact was identified, this was because the impact on service users was expected to be minimal, and no changes were proposed to service standards, eligibility thresholds or service quality.

14.19. The full assessment findings of all budget proposals are set out in Appendix H(ii) which is available online here[3]. Clear reasons are provided for each proposal to show why, or why not, adverse impact has been identified, and the nature of this impact.

**More information on consultation findings and the outcome of equality and rural assessments**

14.20. The detailed findings of the consultation and equality and rural assessments of the budget proposals 2017-18 are available for inspection online:

- Building Resilient Lives: https://norfolk.citizenspace.com/consultation/buildingresilientlives/
- Information and Advice: https://norfolk.citizenspace.com/consultation/informationandadvice/
- Disability Related Expenditure (consultation ongoing): https://norfolk.citizenspace.com/consultation/dre/

14.21. The findings have been made available electronically due to the size of the document.

## 15. Representatives of non-domestic ratepayers

15.1. The Council has a statutory duty under Section 65 of the Local Government Finance Act 1992 to consult with representatives of non-domestic ratepayers. A meeting with representatives of the business sector was held on 23 January 2017. Representatives were provided with a summary of the financial challenges facing the Council in 2017-20, and proposals for expenditure (including capital expenditure).

## 16. Evidence

16.1. The proposals in this report are informed by the Council's constitution, local government legislation, best practice recommendations for financial and strategic planning, and feedback from residents and stakeholders via the Re-imagining Norfolk public consultation launched in October 2015, which has been supplemented by targeted consultation on specific new savings proposals for 2017-18 as detailed within this report.

## 17. Financial Implications

17.1. Financial implications of the County Council's budget proposals are set out throughout this paper.

17.2. In the Autumn Statement 2016, the Chancellor confirmed that the Government still has to find savings of £3.5bn in the course of this parliament as set out in the

[3] https://www.norfolk.gov.uk/what-we-do-and-how-we-work/councillors-meetings-decisions-and-elections/Additional-information

March 2016 Budget. However, up to £1bn of this has now been earmarked for reinvestment in 2019-20. Unprotected areas, which include local government, may therefore have anticipated further cuts to funding during this period, although some protection is offered by the four year funding allocations for local government set out in 2016-17.

17.3. Service Committees in January have considered the full budget proposals for their individual service areas, prior to Policy and Resources Committee considering the consolidated budget position at this meeting to recommend to Full Council in February.

## 18. Issues, risks and innovation

18.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2017. Legal requirements in relation to setting the budget and level of Council Tax have been set out within this report and are considered to be met.

18.2. **Risks** – Specific financial risks in this area are identified in the Corporate Risk Register, including the risk of failure to manage significant reductions in local and national income streams (RM002).

18.3. The risks associated with these budget proposals were reported to Service Committees in January 2017 and to this Committee in the separate report on the Robustness of Estimates. Reports on the Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

18.4. There are no further significant risks or implications beyond those set out in the financial implications section, and identified throughout the report.

## 19. Summary

19.1. The information included in both this report and other reports to Policy and Resources Committee needs to be considered when Policy and Resources Committee recommends a budget to County Council. Issues that need to be considered and where decisions are required are:

- Additional Costs and Savings Options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2017-18 Revenue Budget and proposals for 2018-19 to 2019-20
- Overall level of the 2017-18 to 2019-20 Capital Programme
- Prudential Code Indicators for 2017-18
- Level of the Council Tax / Precept for 2017-18 and for the period 2018-19 to 2019-20
- Implications of the Revenue Budget for 2018-19 to 2019-20
- Responses to savings proposals from the Budget Consultation
- Outcome of equality impact assessment

## 20. Background Papers

County Council Budget 2016-17 to 2019-20: Medium Term Financial Strategy 2016-20, County Council, 22 February 2016, Item 4, Annexe 9:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx

Budget 2017-18 Planning and Efficiency Plan, Policy and Resources Committee, 18 July 2016, Item 10:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/499/Committee/21/SelectedTab/Documents/Default.aspx

2017-18 Budget and Medium Term Financial Planning 2017-18 to 2019-20, Policy and Resources Committee, 28 November 2016, Item 8:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/503/Committee/21/SelectedTab/Documents/Default.aspx

Service Committee Strategic and Financial Planning Reports, January 2017:
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings.aspx

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**List of key grants and funding**

| Grant | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| | Provisional Settlement | Estimated | Estimated |
| | £m | £m | £m |
| **Un-ring-fenced** | | | |
| Revenue Support Grant | 77.926 | 58.035 | 38.810 |
| Top-Up Grant (Business Rates Retention Scheme) | 119.351 | 123.191 | 127.573 |
| Section 31 Grant (compensation for Government business rate initiatives) | 3.243 | 3.243 | 3.243 |
| New Homes Bonus | 3.998 | 2.704 | 2.580 |
| New Homes Bonus adjustment | 0.353 | 0.353 | 0.353 |
| Education Services Grant | 3.067 | 0.000 | 0.000 |
| New: School Improvement Monitoring and Brokering Grant | 0.370 | 0.635 | 0.635 |
| Fire Revenue | 1.004 | 1.004 | 1.004 |
| Inshore Fisheries | 0.152 | 0.152 | 0.152 |
| Local reform and community voices | 0.571 | 0.571 | 0.571 |
| Extended rights to free travel (Local Services Support Grant) | 0.696 | 0.696 | 0.696 |
| PFI Revenue Grant (street lights; salt barns and schools) | 8.046 | 8.046 | 8.046 |
| Social Care in Prisons | 0.361 | 0.361 | 0.361 |
| Rural Services Delivery Grant | 3.195 | 2.458 | 3.195 |
| Transition Grant | 1.657 | 0.000 | 0.000 |
| Independent Living Fund Grant | 1.518 | 1.518 | 1.518 |
| New: Lead Local Flood Authority Grant | 0.077 | 0.082 | 0.087 |
| New: Improved Better Care Fund | 1.885 | 15.828 | 28.372 |
| | | | |
| **Ring-fenced** | | | |
| Public Health | 40.093 | 39.050 | 39.050 |
| Dedicated Schools Grant | 581.247 | 581.247 | 581.247 |
| Pupil Premium Grant | TBC end Jan | | |
| New: Adult Social Care Grant | 4.197 | 0.000 | 0.000 |
| | | | |
| **Locally collected tax (forecasts)** | | | |
| Council tax<br>(assuming increases for Adult Social Care precept 3% in 2017-18 and 2018-19 and general increase 1.8% 2017-18, 1.9% 2018-19, and 1.99% 2019-20) | 358.812 | 373.535 | 382.873 |
| Business Rates | 26.167 | 26.233 | 27.166 |
| | | | |
| **Pooled funding** | | | |
| NHS Funding (incl. Better Care Fund) | 58.235 | 59.458 | 59.458 |

Shaded figures remain to be confirmed.
*DSG is before Academy recoupment.

## Summary of proposed Revenue Budget 2017-18

| | Adult Social Care | Children's Services | Environment, Development and Transport | Communities | Policy and Resources | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Base Budget 2016-17 | 246.852 | 167.292 | 150.819 | 47.683 | -273.687 | 338.960 |
| Growth | | | | | | |
| Economic / Inflationary | 4.990 | 2.119 | 1.582 | 0.498 | 0.535 | 9.724 |
| Legislative Requirements | 10.424 | 3.404 | 0.000 | -0.462 | -2.295 | 11.071 |
| Demand / Demographic | 6.134 | 9.000 | 0.000 | 0.000 | 0.226 | 15.360 |
| NCC Policy | 9.780 | 0.000 | -1.657 | 0.000 | -2.535 | 5.588 |
| Funding Reductions | 3.300 | 0.000 | 0.000 | 0.462 | 28.760 | 32.522 |
| Cost Neutral Transfers | 1.084 | 2.116 | 0.687 | 2.657 | 12.933 | 19.476 |
| **Total budget increase** | **35.712** | **16.638** | **0.612** | **3.156** | **37.623** | **93.741** |
| Savings | | | | | | |
| Cutting costs through efficiencies | -2.875 | -0.230 | -4.842 | -1.493 | -23.394 | -32.834 |
| Better value for money through procurement and contract management | -0.371 | -0.238 | -0.050 | 0.000 | -0.535 | -1.194 |
| Service Redesign: Early help and prevention, working locally | -6.850 | -0.736 | -1.038 | -0.354 | 0.000 | -8.978 |
| Raising Revenue; commercial activities | -1.180 | -0.650 | -0.160 | 0.031 | -1.100 | -3.059 |
| Maximising property and other assets | 0.000 | 0.000 | 0.000 | -0.090 | -1.673 | -1.763 |
| Funding Increases | -6.082 | -0.370 | -0.077 | 0.000 | -0.056 | -6.584 |
| Cost Neutral Transfers | -3.753 | -4.355 | -5.586 | -0.152 | -5.630 | -19.476 |
| **Total budget decrease** | **-21.111** | **-6.579** | **-11.752** | **-2.058** | **-32.388** | **-73.889** |
| | | | | | | |
| **Base Budget 2017-18** | **261.453** | **177.351** | **139.679** | **48.781** | **-268.451** | **358.812** |

There may be small differences in the table above due to the rounding of figures.

| | |
|---|---|
| **Funded by:** Council Tax | -354.315 |
| Collection Fund Surplus | -4.497 |
| | **-358.812** |
| 2017-18 Budget Gap | 0.000 |

## Summary of proposed Revenue Budget 2018-19

| | Adult Social Care | Children's Services | Environment, Development and Transport | Communities | Policy and Resources | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Base Budget 2017-18 | 261.453 | 177.351 | 139.679 | 48.781 | -268.451 | 358.812 |
| Growth | | | | | | |
| Economic / Inflationary | 5.888 | 2.425 | 1.596 | 0.490 | 0.597 | 10.996 |
| Legislative Requirements | 19.864 | 1.401 | 0.000 | -1.043 | 2.669 | 22.891 |
| Demand / Demographic | 6.134 | -9.000 | 0.000 | 0.000 | 0.000 | -2.866 |
| NCC Policy | -4.298 | 0.000 | 0.005 | 0.000 | 6.845 | 2.552 |
| Funding Reductions | 4.197 | 0.000 | 0.000 | 1.043 | 19.354 | 24.594 |
| Cost Neutral Transfers | 0.000 | 0.000 | 0.000 | 0.164 | 0.035 | 0.199 |
| **Total budget increase** | **31.785** | **-5.174** | **1.601** | **0.654** | **29.500** | **58.366** |
| Savings | | | | | | |
| Cutting costs through efficiencies | 0.000 | -0.550 | 0.165 | 0.378 | 8.995 | 8.988 |
| Better value for money through procurement and contract management | -1.011 | 0.000 | 0.000 | 0.000 | 0.000 | -1.011 |
| Service Redesign: Early help and prevention, working locally | -17.412 | -0.309 | -0.200 | -0.490 | 0.000 | -18.411 |
| Raising Revenue; commercial activities | -0.230 | 0.000 | -0.051 | -0.080 | -1.200 | -1.561 |
| Maximising property and other assets | 0.000 | 0.000 | 0.000 | 0.090 | -1.700 | -1.610 |
| Funding Increases | -13.943 | -0.265 | -0.005 | 0.000 | 0.000 | -14.213 |
| Cost Neutral Transfers | -0.035 | 0.000 | 0.000 | 0.000 | -0.164 | -0.199 |
| **Total budget decrease** | **-32.631** | **-1.124** | **-0.091** | **-0.102** | **5.931** | **-28.017** |
| | | | | | | |
| **Base Budget 2018-19** | **260.606** | **171.052** | **141.189** | **49.333** | **-233.020** | **389.161** |

There may be small differences in the table above due to the rounding of figures.

| | |
|---|---|
| **Funded by:** Council Tax | -373.535 |
| Collection Fund Surplus | 0.000 |
| | **-373.535** |
| 2018-19 Budget Gap | 15.626 |

**Summary of proposed Revenue Budget 2019-20**

| | Adult Social Care | Children's Services | Environment, Development and Transport | Communities | Policy and Resources | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Base Budget 2018-19 | 260.606 | 171.052 | 141.189 | 49.333 | -233.020 | 389.161 |
| Growth | | | | | | |
| Economic / Inflationary | 5.643 | 2.450 | 1.504 | 0.498 | 0.637 | 10.732 |
| Legislative Requirements | 18.285 | 0.000 | 0.000 | 0.000 | 2.895 | 21.180 |
| Demand / Demographic | 6.000 | 0.000 | 0.000 | 0.000 | 0.000 | 6.000 |
| NCC Policy | -0.043 | 0.000 | 0.005 | 0.000 | 0.000 | -0.038 |
| Funding Reductions | 0.000 | 0.000 | 0.000 | 0.000 | 14.635 | 14.635 |
| Cost Neutral Transfers | 0.000 | 0.000 | 0.037 | 0.197 | 0.879 | 1.113 |
| **Total budget increase** | **29.885** | **2.450** | **1.546** | **0.695** | **19.045** | **53.621** |
| Savings | | | | | | |
| Cutting costs through efficiencies | 0.000 | -0.535 | 0.000 | 0.000 | 0.290 | -0.245 |
| Better value for money through procurement and contract management | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Service Redesign: Early help and prevention, working locally | -10.000 | 0.000 | 0.000 | 0.000 | 0.000 | -10.000 |
| Raising Revenue; commercial activities | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Maximising property and other assets | 0.000 | 0.000 | 0.000 | 0.000 | -1.059 | -1.059 |
| Funding Increases | -12.544 | 0.000 | -0.005 | 0.000 | -0.737 | -13.286 |
| Cost Neutral Transfers | -0.879 | 0.000 | 0.000 | 0.000 | -0.234 | -1.113 |
| **Total budget decrease** | **-23.423** | **-0.535** | **-0.005** | **0.000** | **-1.740** | **-25.703** |
| | | | | | | |
| **Base Budget 2019-20** | **267.068** | **172.968** | **142.729** | **50.028** | **-215.714** | **417.079** |

There may be small differences in the table above due to the rounding of figures.

| | |
|---|---|
| **Funded by:** Council Tax | -382.873 |
| Collection Fund Surplus | 0.000 |
| | **-382.873** |
| 2018-19 Budget Gap | 15.626 |
| 2019-20 Budget Gap | 18.580 |
| **2018-20 Budget Gap** | **34.206** |

| | Budget Changes Forecast for 2017-20<br>Adults Committee | | | |
|---|---|---|---|---|
| | **Savings Reference** | **2017-18 £m** | **2018-19 £m** | **2019-20 £m** |
| **1** | **Cash Limited Base Budget** | **246.852** | **261.453** | **260.606** |
| | | | | |
| **2** | **GROWTH** | | | |
| | Economic / Inflationary | 4.990 | 5.888 | 5.643 |
| | Demand / Demographic | 6.134 | 6.134 | 6.000 |
| | Legislative | 10.424 | 19.864 | 18.285 |
| | NCC Policy | 9.780 | -4.298 | -0.043 |
| | **Total Growth** | **31.328** | **27.588** | **29.885** |
| | | | | |
| **3** | **SAVINGS** | | | |
| A | Cutting costs through efficiencies | -2.875 | 0.000 | 0.000 |
| B | Better value for money through procurement and contract management | -0.371 | -1.011 | 0.000 |
| C | Service Redesign: Early help and prevention, working locally | -6.850 | -17.412 | -10.000 |
| D | Raising Revenue; commercial activities | -1.180 | -0.230 | 0.000 |
| E | Maximising property and other assets | 0.000 | 0.000 | 0.000 |
| | **Total Savings** | **-11.276** | **-18.653** | **-10.000** |
| | | | | |
| **4** | **Base Adjustments** | **-2.782** | **-9.746** | **-12.544** |
| | | | | |
| **5** | **Cost Neutral Adjustments** | **-2.669** | **-0.035** | **-0.879** |
| | | | | |
| **6** | **Cash Limited Base Budget** | **261.453** | **260.606** | **267.068** |
| | | | | |
| **7** | **Definitions** | | | |
| A | Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working. | | | |
| B | Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money. | | | |
| C | Savings achieved by developing new and better ways of working including sharing services with partner organisations, working with voluntary groups, early intervention to reduce costs elsewhere in the system, and working on a locality basis. | | | |
| D | Savings from generating additional revenue from existing processes and operating in a more business like way, including through income generation, reducing borrowing costs, and maximising the return on our investments. | | | |
| E | Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way. | | | |

| Reference | Budget change forecasts for 2017-20<br>Adult Social Care | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **246.852** | **261.453** | **260.606** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Economic / Inflationary** | | | |
| | Basic Inflation - Pay (1% for 17-20) | 0.362 | 0.362 | 0.364 |
| | Basic Inflation - Prices | 4.628 | 5.526 | 5.279 |
| | **Demand / Demographic** | | | |
| | Demographic growth | 6.134 | 6.134 | 6.000 |
| | **Legislative Requirements** | | | |
| | Additional responsibilities from increased improved Better Care Fund allocation | | 13.943 | 12.544 |
| | Cost of Care | 4.500 | | |
| | Pay and Price Market Pressures | 5.660 | 5.921 | 5.741 |
| | Norse Care and Independence Matters Pension Revaluation | 0.264 | | |
| | **NCC Policy** | | | |
| | Adult Social Care 2016-17 Overspend | 9.578 | -4.197 | |
| | Vulnerable Persons Resettlement Scheme | 0.202 | -0.101 | -0.043 |
| | | **31.328** | **27.588** | **29.885** |
| | | | | |
| | **SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| ASC010 | Reduce Training & Development spend following implementation of Promoting Independence | -0.200 | | |
| ASC022 | Review of commissioning structure and wider opportunities to realign staffing structures in localities | -0.155 | | |
| ASC026 | Review of various commissioning arrangements to identify more cost effective ways of providing services | -1.159 | | |
| ASC027 | Multiple small efficiencies within Service Level Agreements | -0.190 | | |
| ASC028 | Maximise use of apprenticeships | -0.020 | | |
| ASC030 | Rationalise mobile phones | -0.010 | | |
| ASC031 | Revised use of Care Act and other funding not previously used for recurrent expenditure | -1.141 | | |
| | **B - Better value for money through procurement and contract management** | | | |
| ASC020 | Remodel contracts for support to mental health recovery | -0.125 | -0.275 | |
| ASC021 | Recommissioning of information advice and advocacy services | -0.063 | -0.187 | |
| ASC024 | Home care commissioning - an improved framework for procuring home care services in Norfolk | -0.183 | -0.549 | |
| | **C - Service Redesign: Early help and prevention, working locally** | | | |
| ASC008 | Promoting Independence - Housing with Care - develop non-residential community based care solutions | | -0.500 | -0.500 |
| ASC009 | Promoting Independence - Integrated Community Equipment Service - expand service so through increased availability and access to equipment care costs will be reduced | -0.250 | -0.250 | |

| Reference | Budget change forecasts for 2017-20<br>Adult Social Care | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| ASC003 | Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council | 0.900 | -0.900 | -0.800 |
| ASC016-019 | Building resilient lives: reshaping our work with people of all ages requiring housing related support to keep them independent | -2.100 | -3.400 | |
| COM040 | Delay to 14-15, 15-16 and 16-17 saving: Reduce the number of service users we provide transport for | 2.100 | -2.100 | |
| COM033 | Reducing funding within personal budgets to focus on eligible unmet needs | -0.500 | | |
| ASC006 | Promoting Independence - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting | -4.445 | -3.628 | -7.538 |
| ASC007 | Promoting Independence - Reablement - net reduction - expand Reablement Service to deal with 100% of demand and develop service for working age adults | -1.500 | -0.500 | |
| ASC011 | Move service mix to average of comparator family group or target - all specialisms | | -1.444 | -0.962 |
| ASC013 | Radical review of daycare services | -1.000 | -2.500 | |
| ASC015 | Move service mix to lowest of comparator family group - all specialisms | | -2.190 | -0.200 |
| ASC023 | A consistent approach to specific laundry needs | -0.055 | | |
| | **D - Raising Revenue; commercial activities** | | | |
| ASC029 | Align charging policy to more closely reflect actual disability related expenditure incurred by service users | -1.180 | -0.230 | |
| | **NET RECURRING SAVINGS** | **-11.276** | **-18.653** | **-10.000** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Improved Better Care Fund | -1.885 | -13.943 | -12.544 |
| | Adult Social Care Grant | -4.197 | 4.197 | |
| | Loss of social care protection funding (Better Care Fund) | 3.300 | | |
| | | **-2.782** | **-9.746** | **-12.544** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Transfer of manager post from Finance Exchequer Services to Adult Mental Health | 0.054 | | |
| | Depreciation | 0.115 | | |
| | Debt Management | 0.000 | | |
| | REFCUS | -3.753 | | |
| | Social Care System | 0.914 | -0.035 | -0.879 |
| | | **-2.669** | **-0.035** | **-0.879** |
| | | | | |
| | **NET BUDGET** | **261.453** | **260.606** | **267.068** |

There may be small differences in the table above due to the rounding of figures.

| | Budget Changes Forecast for 2017-20<br>Children's Committee<br>Savings Reference | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| **1** | **Cash Limited Base Budget** | **167.292** | **177.351** | **171.052** |
| | | | | |
| **2** | **GROWTH** | | | |
| | Economic / Inflationary | 2.119 | 2.425 | 2.450 |
| | Demand / Demographic | 9.000 | -9.000 | 0.000 |
| | Legislative | 3.404 | 1.401 | 0.000 |
| | NCC Policy | 0.000 | 0.000 | 0.000 |
| | **Total Growth** | **14.523** | **-5.174** | **2.450** |
| | | | | |
| **3** | **SAVINGS** | | | |
| A | Cutting costs through efficiencies | -0.230 | -0.550 | -0.535 |
| B | Better value for money through procurement and contract management | -0.238 | 0.000 | 0.000 |
| C | Service Redesign: Early help and prevention, working locally | -0.736 | -0.309 | 0.000 |
| D | Raising Revenue; commercial activities | -0.650 | 0.000 | 0.000 |
| E | Maximising property and other assets | 0.000 | 0.000 | 0.000 |
| | **Total Savings** | **-1.854** | **-0.859** | **-0.535** |
| | | | | |
| **4** | **Base Adjustments** | **-0.370** | **-0.265** | **0.000** |
| | | | | |
| **5** | **Cost Neutral Adjustments** | **-2.240** | **0.000** | **0.000** |
| | | | | |
| **6** | **Cash Limited Base Budget** | **177.351** | **171.052** | **172.968** |
| | | | | |
| **7** | **Definitions** | | | |
| A | Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working. | | | |
| B | Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money. | | | |
| C | Savings achieved by developing new and better ways of working including sharing services with partner organisations, working with voluntary groups, early intervention to reduce costs elsewhere in the system, and working on a locality basis. | | | |
| D | Savings from generating additional revenue from existing processes and operating in a more business like way, including through income generation, reducing borrowing costs, and maximising the return on our investments. | | | |
| E | Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way. | | | |

| Reference | Budget change forecasts for 2017-20 Children's Services | 2017-18 £m | 2018-19 £m | 2019-20 £m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **167.292** | **177.351** | **171.052** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Economic / Inflationary** | | | |
| | Basic Inflation - Pay (1% for 17-20) | 0.667 | 0.686 | 0.687 |
| | Basic Inflation - Prices | 1.452 | 1.739 | 1.763 |
| | **Demand / Demographic** | | | |
| | Impact of Looked After Children and Children's growth pressures | 9.000 | -9.000 | |
| | **Legislative Requirements** | | | |
| | Education Services Grant | 3.154 | 1.401 | |
| | Legislative reduction in post 16 Home to School transport income | 0.250 | | |
| | | **14.523** | **-5.174** | **2.450** |
| | | | | |
| | **REMOVAL OF PRIOR YEAR SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| CHI012 | Removal of 2016-17 saving: Reduce the cost of transport for children with Special Educational Needs | 0.500 | | |
| | **C - Service Redesign: Early help and prevention, working locally** | | | |
| CHI001-4 | Removal of 2016-17 saving: Increase the number of services we have to prevent children and young people from coming into our care and reducing the cost of LAC | 3.000 | | |
| CHI015 | Reverse reduced funding for school crossing patrols as recommended by Committee 24-01-17 | 0.150 | | |
| | | **3.650** | **0.000** | **0.000** |
| | | | | |
| | **SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| CHL013 | Update our budget for retirement costs for teachers to reflect how much we are now spending on this - we are not responsible for paying redundancy and retirements costs for teachers that work for the growing number of academy schools | -0.050 | -0.100 | |
| CHL017 | Reduce the number of social workers we use who work for employment agencies - we are giving more support to families at an earlier stage so that the challenges they face are resolved quicker and before they turn into more serious problems. As a result the number of families we are working with that need support from a social worker is reducing. We therefore won't need to use as many agency social workers | | -0.450 | -0.535 |
| CHL029 | Early Years Funding Panel – deliver greater efficiency in allocations | -0.100 | | |
| CHL034 | Children's Legal Costs – review opportunities to reduce expenditure. | -0.050 | | |
| CHL035 | Performance and Challenge staff budgets – review current establishment | -0.120 | | |
| CHL036 | Children with Disabilities Short Breaks – return budget to previous level | -0.100 | | |
| CHL037 | Early Years Settings Panel – achieve saving through prioritisation and targeting of resources | -0.250 | | |

| Reference | Budget change forecasts for 2017-20<br>Children's Services | 2017-18 £m | 2018-19 £m | 2019-20 £m |
|---|---|---|---|---|
| CHL038 | Norfolk Institute for Practice Excellence (NIPE) – reduce agency spend by moving NIPE trainees into posts one month earlier, reducing agency spend | -0.060 | | |
| | **B - Better value for money through procurement and contract management** | | | |
| CHL009 | End Children's Services funding for Homestart - this is a charity who supports families with young children who are struggling to cope | -0.158 | | |
| CHL030 | East Coast Community Healthcare Speech and Language Contract increased income | -0.050 | | |
| CHL033 | Service Level Agreement efficiencies – based on current levels of expenditure | -0.030 | | |
| | **C - Service Redesign: Early help and prevention, working locally** | | | |
| CHL019 | Review of educational services | -0.350 | | |
| CHL032 | Children's Homes – increase occupancy through review of placements and improving staff to child ratios | -0.100 | | |
| CHL039 | Refocus Education Service in light of Education White Paper | -1.250 | | |
| CHL040 | Review Early Help Services | -0.270 | | |
| CHL010 | Change how we provide parenting support - we have contracts with four organisations to provide parenting support programmes, they offer advice and one-to one support. We are proposing to end these contracts. Targeted family support activities will continue to be provided by Early Help staff and other commissioned providers | -0.427 | | |
| CHL012 | Change how we provide support to families who are struggling to cope with the challenges they face - we have contracts with two organisations to deliver Family Intervention Projects with families who are struggling to cope with the challenges they face. We are proposing to not renew these contracts when they end. Our 'Troubled Families' team will continue to provide support to these families | -0.580 | | |
| CHL026 | Keep all children's centres open and focus their work on supporting the families that need them most | -0.909 | -0.309 | |
| | **D - Raising Revenue; commercial activities** | | | |
| CHL027 | Increase troubled Families income. There may be changes nationally which could reduce our ability to generate this extra income | -0.500 | | |
| CHL028 | Education Psychology Service – increase traded income, based on charging more and taking on a greater workload. | -0.050 | | |
| CHL031 | Woodside Norwich Early Years Hub - increase the income budget to reflect current forecasts | -0.100 | | |
| | **NET RECURRING SAVINGS** | **-5.504** | **-0.859** | **-0.535** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | New Funding for School Improvement | -0.370 | -0.265 | |
| | | **-0.370** | **-0.265** | **0.000** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Economic Development staff salary budget to Children's Services | -0.002 | | |

| Reference | Budget change forecasts for 2017-20<br>Children's Services | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | Depreciation | 2.097 | | |
| | Debt Management | 0.006 | | |
| | REFCUS | -4.353 | | |
| | National Consortium for Exam Results | 0.013 | | |
| | | **-2.240** | **0.000** | **0.000** |
| | | | | |
| | **NET BUDGET** | **177.351** | **171.052** | **172.968** |

There may be small differences in the table above due to the rounding of figures.

| | Budget Changes Forecast for 2017-20<br>Environment, Development and Transport Committee<br>Savings Reference | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| **1** | **Cash Limited Base Budget** | **150.819** | **139.679** | **141.189** |
| | | | | |
| **2** | **GROWTH** | | | |
| | Economic / Inflationary | 1.582 | 1.596 | 1.504 |
| | Demand / Demographic | 0.000 | 0.000 | 0.000 |
| | Legislative | 0.000 | 0.000 | 0.000 |
| | NCC Policy | -1.657 | 0.005 | 0.005 |
| | **Total Growth** | **-0.075** | **1.601** | **1.509** |
| | | | | |
| **3** | **SAVINGS** | | | |
| A | Cutting costs through efficiencies | -4.842 | 0.165 | 0.000 |
| B | Better value for money through procurement and contract management | -0.050 | 0.000 | 0.000 |
| C | Service Redesign: Early help and prevention, working locally | -1.038 | -0.200 | 0.000 |
| D | Raising Revenue; commercial activities | -0.160 | -0.051 | 0.000 |
| E | Maximising property and other assets | 0.000 | 0.000 | 0.000 |
| | **Total Savings** | **-6.090** | **-0.086** | **0.000** |
| | | | | |
| **4** | **Base Adjustments** | **-0.077** | **-0.005** | **-0.005** |
| | | | | |
| **5** | **Cost Neutral Adjustments** | **-4.899** | **0.000** | **0.037** |
| | | | | |
| **6** | **Cash Limited Base Budget** | **139.679** | **141.189** | **142.729** |
| | | | | |
| **7** | **Definitions** | | | |
| A | Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working. | | | |
| B | Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money. | | | |
| C | Savings achieved by developing new and better ways of working including sharing services with partner organisations, working with voluntary groups, early intervention to reduce costs elsewhere in the system, and working on a locality basis. | | | |
| D | Savings from generating additional revenue from existing processes and operating in a more business like way, including through income generation, reducing borrowing costs, and maximising the return on our investments. | | | |
| E | Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way. | | | |

| Reference | Budget change forecasts for 2017-20<br>Environment, Development and Transport | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **150.819** | **139.679** | **141.189** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Economic / Inflationary** | | | |
| | Basic Inflation - Pay (1% for 17-20) | 0.261 | 0.244 | 0.170 |
| | Basic Inflation - Prices | 1.321 | 1.352 | 1.333 |
| | **County Council Plan** | | | |
| | 1D Establish Road Maintenance and Small Projects Fund (Potholes) | -1.500 | | |
| | 1E Supporting young people into work and enterprise working with the Prince's Trust | -0.200 | | |
| | 1F Investment in Hethel technology park to develop long term vision and job creation | -0.050 | | |
| | Additional Flood Funding | 0.093 | 0.005 | 0.005 |
| | | **-0.075** | **1.601** | **1.509** |
| | | | | |
| | **SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| EDT028 | Intelligent transport systems - put new technology and models in place for delivery of the intelligent transport systems approaching the end of their economic life, including replacing rising bollard technologies at bus gates with camera enforcement and co-locating the control room with another public service provider | -0.383 | -0.085 | |
| EDT032 | Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week | -0.250 | -1.750 | |
| EDT037 | Vacancy management and deletion of vacant posts | -0.488 | | |
| EDT038 | Further reductions in back office spend | -0.148 | | |
| EDT042 | Rationalise our highway depot provision and change inspection frequency for main roads | -0.473 | | |
| EDT044 | Further capitalisation of highways maintenance activities to release a revenue saving | -1.000 | | |
| EDT045 | One off saving - Further capitalisation of highways maintenance activities in 2016-17, to release a revenue saving to carry forward to 2017-18 | -1.500 | 1.500 | |
| EDT043 | Implement new national guidance for winter maintenance | -0.100 | | |
| EDT048 | Use of Better Broadband Reserves | -0.500 | 0.500 | |
| | **B - Better value for money through procurement and contract management** | | | |
| EDT040 | Waste – efficiency savings through robust management of costs through open-book accounting | -0.050 | | |
| | **C - Service Redesign: Early help and prevention, working locally** | | | |
| EDT027 | Environment service - redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns | | -0.200 | |
| EDT036 | Service re-design - introduce a locality based structure for the Community and Environmental Services directorate | -1.038 | | |
| | **D - Raising Revenue; commercial activities** | | | |

| Reference | Budget change forecasts for 2017-20<br>Environment, Development and Transport | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| EDT019 | Economic development sector grants funding - Cease the direct funding to support economic development projects, and work with others to identify alternative ways to secure funding | -0.050 | | |
| EDT020 | Economic development match funding - cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities | | -0.051 | |
| EDT039 | Reduction in Economic Development project fund | -0.010 | | |
| EDT047 | Additional income generation Scottow Enterprise Park | -0.100 | | |
| | **NET RECURRING SAVINGS** | **-6.090** | **-0.086** | **0.000** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Lead Local Flood Authority Grant | -0.077 | -0.005 | -0.005 |
| | | **-0.077** | **-0.005** | **-0.005** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Correction of transfer: Business Support to Corporate Property Team | 0.018 | | |
| | Microfiche store at Tuckswood Library | -0.006 | | |
| | Economic Development staff salary budget from Children's Services | 0.002 | | |
| | Staff transfer to Corporate Property Team | -0.032 | | |
| | Transfer of stationery budget to Corporate Post Team | -0.014 | | |
| | Travel allowances savings | 0.002 | | |
| | Transfer saving from Trading Standards to Road Safety | -0.200 | | |
| | Customer Service Assistant base budget from EDT to Communities | -0.021 | | |
| | Depreciation | 0.664 | | |
| | Debt Management | 0.001 | | |
| | REFCUS | -5.085 | | |
| | Leases | | | 0.037 |
| | Part transfer of CMM033 saving from Public Health | -0.228 | | |
| | | **-4.899** | **0.000** | **0.037** |
| | | | | |
| | **NET BUDGET** | **139.679** | **141.189** | **142.729** |

There may be small differences in the table above due to the rounding of figures.

| | Budget Changes Forecast for 2017-20<br>Communities Committee<br>Savings Reference | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| **1** | **Cash Limited Base Budget** | **47.683** | **48.781** | **49.333** |
| | | | | |
| **2** | **GROWTH** | | | |
| | Economic / Inflationary | 0.498 | 0.490 | 0.498 |
| | Demand / Demographic | 0.000 | 0.000 | 0.000 |
| | Legislative | -0.462 | -1.043 | 0.000 |
| | NCC Policy | 0.000 | 0.000 | 0.000 |
| | **Total Growth** | **0.036** | **-0.553** | **0.498** |
| | | | | |
| **3** | **SAVINGS** | | | |
| A | Cutting costs through efficiencies | -1.493 | 0.378 | 0.000 |
| B | Better value for money through procurement and contract management | 0.000 | 0.000 | 0.000 |
| C | Service Redesign: Early help and prevention, working locally | -0.354 | -0.490 | 0.000 |
| D | Raising Revenue; commercial activities | 0.031 | -0.080 | 0.000 |
| E | Maximising property and other assets | -0.090 | 0.090 | 0.000 |
| | **Total Savings** | **-1.906** | **-0.102** | **0.000** |
| | | | | |
| **4** | **Base Adjustments** | **0.462** | **1.043** | **0.000** |
| | | | | |
| **5** | **Cost Neutral Adjustments** | **2.505** | **0.164** | **0.197** |
| | | | | |
| **6** | **Cash Limited Base Budget** | **48.781** | **49.333** | **50.028** |
| | | | | |
| **7** | **Definitions** | | | |
| A | Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working. | | | |
| B | Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money. | | | |
| C | Savings achieved by developing new and better ways of working including sharing services with partner organisations, working with voluntary groups, early intervention to reduce costs elsewhere in the system, and working on a locality basis. | | | |
| D | Savings from generating additional revenue from existing processes and operating in a more business like way, including through income generation, reducing borrowing costs, and maximising the return on our investments. | | | |
| E | Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way. | | | |

| Reference | Budget change forecasts for 2017-20<br>Communities | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **47.683** | **48.781** | **49.333** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Economic / Inflationary** | | | |
| | Basic Inflation - Pay (1% for 17-20) | 0.449 | 0.454 | 0.459 |
| | Basic Inflation - Prices | 0.050 | 0.036 | 0.039 |
| | **Legislative Requirements** | | | |
| | Reduced Public Health expenditure | -0.462 | -1.043 | |
| | | **0.036** | **-0.553** | **0.498** |
| | | | | |
| | **REMOVAL OF PRIOR YEAR SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| RES082 | Efficiency savings arising from utilising Public Health skills and resources to remove duplication | 0.805 | | |
| | | **0.805** | **0.000** | **0.000** |
| | | | | |
| | **SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| CMM013 | Healthwatch - reduce the Healthwatch grant | -0.150 | | |
| CMM033 | Cross-cutting savings | -0.250 | | |
| CMM034 | Vacancy management and deletion of vacant posts | -0.021 | | |
| CMM035 | Further reductions in back office spend | -0.015 | | |
| CMM040 | Capitalisation of library books 16-17 | -1.000 | 1.000 | |
| CMM041 | Capitalisation of library books 17-18 | -0.680 | | |
| CMM016 | Norfolk and Norwich Millennium Library opening times - Reduce the opening times for Norfolk and Norwich Millennium Library but install Open Plus technology to enable the ground floor to be open longer via self service | -0.138 | | |
| CMM022 | Libraries self-service - introduce technology (Open Plus) to enable libraries to open with self-service machines | | -0.622 | |
| CMM026 | Special service mobile library service - change the mobile library service for people in residential care, by encouraging care homes to pay for the service or using volunteers to provide books for individual people | -0.044 | | |
| | **C - Service Redesign: Early help and prevention, working locally** | | | |
| CMM018 | Customer Service delivery re-design - further re-shaping and re-design of some customer service teams | -0.200 | | |
| CMM023 | Fire service operational support reductions and redeployment of WDS staff - re-design the operational support structures to rationalise and remove some teams, and reduce the operational training budget. Re-design of some operational activities and redeployment of associated resource to other community focussed activities | -0.110 | -0.490 | |
| CMM027 | Public mobile libraries - reduce the public mobile library mobile fleet from 9 to 8 vehicles, reduce the frequency of some visits and stop Saturday routes | -0.044 | | |

| Reference | Budget change forecasts for 2017-20<br>Communities | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | **D - Raising Revenue; commercial activities** | | | |
| CMM004 | One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history | 0.100 | | |
| CMM036 | Registration service income generation - develop business opportunities within the service to generate additional income | | -0.080 | |
| CMM037 | Additional income generation (Museums, Records Office, Trading Standards) | -0.054 | | |
| CMM046 | Additional income generation (Museums, Records Office, Arts Service) | -0.015 | | |
| | **E - Maximising property and other assets** | | | |
| CMM039 | One-off saving through re-setting budgets for leased equipment | -0.090 | 0.090 | |
| | **NET RECURRING SAVINGS** | **-2.711** | **-0.102** | **0.000** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Reduced Public Health grant | 0.462 | 1.043 | |
| | | **0.462** | **1.043** | **0.000** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | 2016-17 staff transfer between Customer Services and P&R | -0.125 | | |
| | Transfer saving from Trading Standards to Road Safety | 0.200 | | |
| | Transfer of HR & OD stationery budgets to central service | 0.001 | | |
| | Travel allowances savings | -0.002 | | |
| | Microfiche store at Tuckswood Library | 0.006 | | |
| | Transfer of stationery budget to Corporate Post Team | 0.014 | | |
| | Customer Service Assistant base budget from EDT to Communities | 0.021 | | |
| | Return of excess lease budget on lease termination | 0.000 | | |
| | Depreciation | 1.117 | | |
| | Debt Management | 0.002 | | |
| | REFCUS | 0.439 | | |
| | Leases | 0.427 | 0.164 | 0.197 |
| | Museums marketing budget | 0.054 | | |
| | Libraries marketing budget | 0.005 | | |
| | Communications budget realignment | -0.025 | | |
| | Corporate Planning and Partnerships staff transfer | 0.142 | | |
| | Part transfer of CMM033 saving to Casualty Reduction | 0.228 | | |
| | | **2.505** | **0.164** | **0.197** |
| | | | | |
| | **NET BUDGET** | **48.781** | **49.333** | **50.028** |

There may be small differences in the table above due to the rounding of figures.

| | Budget Changes Forecast for 2017-20<br>Policy and Resources Committee<br>Savings Reference | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| 1 | **Cash Limited Base Budget** | **-273.687** | **-268.451** | **-233.020** |
| | | | | |
| 2 | **GROWTH** | | | |
| | Economic / Inflationary | 0.535 | 0.597 | 0.637 |
| | Demand / Demographic | 0.226 | 0.000 | 0.000 |
| | Legislative | -2.295 | 2.669 | 2.895 |
| | NCC Policy | -2.535 | 6.845 | 0.000 |
| | **Total Growth** | **-4.069** | **10.111** | **3.532** |
| | | | | |
| 3 | **SAVINGS** | | | |
| A | Cutting costs through efficiencies | -23.394 | 8.995 | 0.290 |
| B | Better value for money through procurement and contract management | -0.535 | 0.000 | 0.000 |
| C | Service Redesign: Early help and prevention, working locally | 0.000 | 0.000 | 0.000 |
| D | Raising Revenue; commercial activities | -1.100 | -1.200 | 0.000 |
| E | Maximising property and other assets | -1.673 | -1.700 | -1.059 |
| | **Total Savings** | **-26.702** | **6.095** | **-0.769** |
| | | | | |
| 4 | **Base Adjustments** | **28.704** | **19.354** | **13.898** |
| | | | | |
| 5 | **Cost Neutral Adjustments** | **7.303** | **-0.129** | **0.645** |
| | | | | |
| 6 | **Cash Limited Base Budget** | **-268.451** | **-233.020** | **-215.714** |
| | | | | |
| 7 | **Definitions** | | | |
| A | Savings which arise from reducing costs by delivering the same or more with less resources, including: changes in staffing; systems; and more cost effective ways of working. | | | |
| B | Savings delivered through procuring more cost effective agreements with suppliers, and ensuring that existing contracts are managed to deliver maximum value for money. | | | |
| C | Savings achieved by developing new and better ways of working including sharing services with partner organisations, working with voluntary groups, early intervention to reduce costs elsewhere in the system, and working on a locality basis. | | | |
| D | Savings from generating additional revenue from existing processes and operating in a more business like way, including through income generation, reducing borrowing costs, and maximising the return on our investments. | | | |
| E | Savings delivered through rationalising property, and ensuring we make best use of our assets in the most efficient way. | | | |

| Reference | Budget change forecasts for 2017-20<br>Policy and Resources | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | **OPENING BUDGET** | **-273.687** | **-268.451** | **-233.020** |
| | | | | |
| | **ADDITIONAL COSTS** | | | |
| | **Economic / Inflationary** | | | |
| | Basic Inflation - Pay (1% for 17-20) | 0.612 | 0.695 | 0.750 |
| | Basic Inflation - Prices | -0.077 | -0.098 | -0.114 |
| | | | | |
| | **Demand / Demographic** | | | |
| | School Appeals | 0.050 | | |
| | Coroners | 0.165 | | |
| | Audit Scale Fee increase | 0.011 | | |
| | **NCC Policy** | | | |
| | Increased cost of borrowing | 1.450 | 2.500 | |
| | Interest budgets | 1.004 | -0.166 | |
| | Social Care System | 0.436 | | |
| | Use of reserves: to fund social care system | -0.914 | | |
| | Transitional funding one off from 2016-17 reserve | -4.561 | 4.561 | |
| | Cost of Members ICT refresh | 0.050 | -0.050 | |
| | **Legislative Requirements** | | | |
| | Pension revaluation | 1.435 | 2.250 | 2.250 |
| | Election May 2017 | 1.000 | -1.000 | |
| | Use of reserves: to fund election | -1.000 | 1.275 | |
| | Apprenticeship Levy | 0.806 | | |
| | Investment in redesign and transforming services (one-off) | -4.561 | | |
| | National Living Wage - NCC staff | | 0.144 | 0.645 |
| | Insurance Premium Tax | 0.025 | | |
| | | **-4.069** | **10.111** | **3.532** |
| | | | | |
| | **REMOVAL OF PRIOR YEAR SAVINGS** | | | |
| | **D - Raising Revenue; commercial activities** | | | |
| P&R023 | Remove 2015-16 saving: Optimise car leasing and reduced mileage | 0.300 | | |
| P&R029 | Remove 2015-16 saving: Increased income from advertising | 0.050 | | |
| | | **0.350** | **0.000** | **0.000** |
| | | | | |
| | **SAVINGS** | | | |
| | **A - Cutting costs through efficiencies** | | | |
| P&R049 | Review of accounting treatment for notional debt repayment (MRP) | -5.216 | | |
| P&R050 | Cutting costs through efficiencies by a zero based review of our services - working with services to establish the base requirement and shape of Resources to support the future needs of the organisation | | -0.625 | |
| P&R052 | Cutting costs through efficiencies: staffing - the proposal is to work across Teams to deliver reductions in cost and headcount over two years via various work streams - delayering, critical review of all activities to ensure either we are helping to deliver council outcomes or we are working at a statutory minimum, | -0.500 | -0.500 | |

| Reference | Budget change forecasts for 2017-20<br>Policy and Resources | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | reduce failure demand, and introduce automation wherever possible | | | |
| P&R063 | Cutting costs through efficiencies by menu based pricing - the services provided by (former) Resources Department have evolved since the formation of Shared Services in 2010, services have had little visibility of costs or the ability to control them. A full review of the prices of services and equipment would offer visibility and choice to services - alternatives may include self service | -0.500 | -0.500 | |
| P&R064 | Cutting costs through efficiencies by reducing unit costs - the menu based proposition above offers the opportunity to reduce costs by reduced demand, this proposition offers the opportunity to reduce unit costs, e.g. by benchmarking and taking any appropriate resulting actions | | -0.600 | |
| P&R068 | Insurance Fund saving (reversal of 2016-17 one-off saving) | 2.000 | | |
| P&R069 | Use of Organisational Change Reserve to fund Social Care system in 2016-17 (reversal of 2016-17 one-off saving) | 0.478 | | |
| P&R070 | Use of Business Risk Reserve to fund reprofiling of COM033 Adults saving in 2016-17 (reversal of 2016-17 one-off saving) | 0.500 | | |
| P&R071 | Use of Organisational Change Reserve in 2016-17 (reversal of 2016-17 one-off saving) | 0.132 | | |
| P&R076 | Insurance Fund contribution | -1.350 | 1.350 | |
| P&R077 | Implementation of Minimum Revenue Provision policy | -6.904 | 0.136 | 0.290 |
| P&R078 | Use of capital receipts in 17-18 to fund MRP | -6.000 | 4.000 | |
| P&R080 | Capitalisation of ICT costs | -0.300 | | |
| P&R081 | One-off use of reserves to be identified in June 2017 | -5.734 | 5.734 | |
| | **B - Better value for money through procurement and contract management** | | | |
| P&R025 | Corporate Banking project - move to Barclays | -0.035 | | |
| P&R072 | Opportunity to deliver parts of the remaining DNA project more cost effectively - primarily around in-house data storage | -0.220 | | |
| P&R073 | Change the IT equipment model - renewal and upgrade of server infrastructure | -0.280 | | |
| | **D - Raising Revenue; commercial activities** | | | |
| P&R030 | Corporate Property Team approach to sponsorship & advertising | -0.100 | | |
| P&R051 | Raising revenue by an increased ESPO dividend - ESPO is a Joint Committee of which Norfolk is the largest member, buying on behalf of schools, councils and others. ESPO plans to reduce its costs and increase its market presence outside of its traditional operating area, resulting in an increased dividend | -0.100 | -0.100 | |
| P&R053 | Raising revenue: a business strategy treasury management - our average return on investments is currently 0.75%, a modest increase in risk, e.g. 0.25% on £100m of cash, would produce a saving. The breadth of organisations we lend to and for how long | -0.500 | | |

**APPENDIX C**

| Reference | Budget change forecasts for 2017-20<br>Policy and Resources | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | can be reviewed. The average cash balance in 2015-16 was £215m | | | |
| P&R059 | Raising revenue: fraud error and debt - use of data analytical tools to collect debts otherwise considered unrecoverable, largely uncollected council tax, working with district councils. The work would be performed by specialist companies | -0.050 | | |
| P&R062 | Raising revenue through recharging the full costs of our services to external customers - ensuring that ICT services to schools, and other external clients, fully reflect both the direct and indirect costs incurred | -0.500 | -0.500 | |
| P&R066 | Second Homes income | | -0.600 | |
| P&R074 | Nplaw income growth - establishment of the Alternative Business Structure | -0.100 | | |
| P&R075 | Early payment rebate project | -0.100 | | |
| | **E - Maximising property and other assets** | | | |
| P&R027 | Reduce property costs through reducing area occupied and reducing cost per square metre | -1.430 | -1.000 | -1.000 |
| P&R058 | Raising revenue: property development - to explore options for the authority regarding direct property development. The Council owns a significant land and building bank for which sale for capital receipt may not be the best option for the authority. Generating a higher capital receipt would reduce future borrowing costs | | -0.500 | |
| P&R060 | Property assets: reducing the costs of running the estate - explore what further opportunities we have for further reducing core facilities management standards across the estate, e.g. opening hours, security levels. It should be noted that there is already a significant level of property savings already included in the MTFS | | -0.200 | |
| P&R082 | Release ICT lease budget no longer required | -0.243 | | -0.059 |
| | **NET RECURRING SAVINGS** | **-27.052** | **6.095** | **-0.769** |
| | | | | |
| | **BASE ADJUSTMENTS** | | | |
| | Funding reductions | 27.822 | 15.665 | 14.511 |
| | New Homes Bonus | 0.934 | 1.295 | 0.124 |
| | Rural Services Grant | 0.762 | 0.737 | -0.737 |
| | Transition Grant | -0.056 | 1.657 | |
| | Extended Rights to Free Travel | 0.026 | | |
| | Business Rates Forecast | -0.783 | | |
| | | **28.704** | **19.354** | **13.898** |
| | | | | |
| | **COST NEUTRAL ADJUSTMENTS** | | | |
| | Transfer of HR & OD stationery budgets to Central Service | -0.001 | | |
| | Staff transfer to Corporate Property Team | 0.032 | | |
| | 2016-17 staff transfer between Customer Services and P&R | 0.125 | | |
| | 2016-17 transfer Business Support to Corporate Property Team | -0.018 | | |
| | Return of excess lease budget on lease termination | 0.000 | | |
| | Transfer of manager post from Finance Exchequer Services to Adult Mental Health | -0.054 | | |
| | Depreciation | -3.993 | | |
| | Debt Management | -0.009 | | |

| Reference | Budget change forecasts for 2017-20<br>Policy and Resources | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m |
|---|---|---|---|---|
| | REFCUS | 12.751 | | |
| | Leases | -0.427 | -0.164 | -0.234 |
| | National Consortium for Exam Results | -0.013 | | |
| | Social Care System to Adults | -0.914 | 0.035 | 0.879 |
| | Museums marketing budget | -0.054 | | |
| | Libraries marketing budget | -0.005 | | |
| | Communications budget realignment | 0.025 | | |
| | Corporate Planning and Partnerships staff transfer | -0.142 | | |
| | | **7.303** | **-0.129** | **0.645** |
| | | | | |
| | **NET BUDGET** | **-268.451** | **-233.020** | **-215.714** |

There may be small differences in the table above due to the rounding of figures.

## Council Tax Precept 2017-18 (Council Tax Increase 4.8%)

The number of properties, in each council tax band and in each district is converted into 'Band D' equivalent properties and this gives us our council tax base. The number of properties in each district is shown below.

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

| | £m |
|---|---|
| 2017-18 Council Tax Requirement | 358.812 |
| Less: | |
| Estimated Surplus on District Council Collection Funds etc. | 4.497 |
| **Precept Charge on District Councils** | **354.315** |
| Council Tax for an average Band "D" Property in 2017-18 | £1,247.94 (+4.80%) |
| Council Tax for an average Band "B" Property in 2017-18 | £970.62 (+4.80%) |

**Total payments to be collected from District Councils in 2017-18**

| District Council | Tax Base | Collection Fund Surplus / (Deficit) | Precept | Total Payments Due |
|---|---|---|---|---|
| | (a) | (b) | (c) | (d) |
| | | £ | £ | £ |
| Breckland | 41,991.10 | 197,979 | 52,402,373 | 52,600,352 |
| Broadland | 45,122.00 | 111,143 | 56,309,549 | 56,420,692 |
| Great Yarmouth | 27,342.00 | 355,953 | 34,121,175 | 34,477,128 |
| King's Lynn and West Norfolk | 48,529.70 | 644,300 | 60,562,154 | 61,206,454 |
| Norwich | 35,067.00 | 1,449,836 | 43,761,512 | 45,211,348 |
| North Norfolk | 38,748.00 | 880,599 | 48,355,179 | 49,235,778 |
| South Norfolk | 47,120.00 | 857,529 | 58,802,933 | 59,660,462 |
| **Total** | **283,919.80** | **4,497,339** | **354,314,875** | **358,812,214** |

**Council Tax Precept 2017-18 (Council Tax Increase 4.8%)**

## Council Tax Collection

The precept (column (c) above) for 2017-18 will be collected in 12 instalments from the District Council Collection Funds, as follows:

| Payment | Date | % |
|---|---|---|
| 1 | 19 April 2017 | 8% |
| 2 | 19 May | 9% |
| 3 | 19 June | 9% |
| 4 | 19 July | 9% |
| 5 | 21 August | 9% |
| 6 | 19 September | 9% |
| 7 | 19 October | 9% |
| 8 | 20 November | 9% |
| 9 | 19 December | 9% |
| 10 | 19 January 2018 | 9% |
| 11 | 19 February | 3% |
| 12 | 19 March | 8% |
| | | **100%** |

Where a surplus on collection of 2016-17 Council Tax (column (b) above) has been estimated, the District Council concerned will pay to the County Council its proportion of the sum by ten equal instalments, as an addition to the May 2017 to February 2018 precept payments.

Where a deficit on collection of 2016-17 Council Tax (column (b) above) has been estimated, the District Council concerned will receive from the County Council its proportion of the sum by ten equal instalments, as a reduction to the May 2017 to February 2018 precept payments.

## 2017-18 Council Tax Bands

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

| Band | £ |
|---|---|
| A | £831.96 |
| B | £970.62 |
| C | £1,109.28 |
| D | £1,247.94 |
| E | £1,525.26 |
| F | £1,802.58 |
| G | £2,079.90 |
| H | £2,495.88 |

**APPENDIX E**

# DRAFT Budget and Service Planning Timetable 2018-19

| Activity/Milestone | Time frame |
|---|---|
| County Council agree recommendations for 2017-20 including that further plans to meet the shortfall for 2018-19 to 2019-20 are brought back to Members during 2017-18 | 20 February 2017 |
| Spring Budget 2017 announced | 8 March 2017 |
| Consider implications of service and financial guidance and context, and review / develop service planning options for 2018-20 | March – June 2017 |
| Executive Director of Finance and Commercial Services to commission review of 2016-17 outturn and 2017-18 Period 2 monitoring to identify funding from earmarked reserves to support Children's Services budget. In the event that this is not sufficient, develop plans for implementation of in-year savings | June 2017 |
| Member review of the latest financial position on the financial planning for 2018-20 | July 2017 |
| Member review of budget planning position including early savings proposals | September – October 2017 |
| Consultation on new planning proposals and Council Tax 2018-21 | Late October to December 2017 / January 2018 |
| Service reporting to Members of service and budget planning – review of progress against three year plan and planning options | November 2017 |
| Chancellor's Autumn Budget 2017 | November / December 2017 |
| Provisional Local Government Finance Settlement | December 2017 |
| Service reporting to Members of service and financial planning and consultation feedback | January 2018 |
| Committees agree revenue budget and capital programme recommendations to Policy and Resources Committee | Late January 2018 |
| Confirmation of District council tax base and Business Rate forecasts | 31 January 2018 |
| Final Local Government Finance Settlement | February 2018 |
| Policy and Resources Committee agree revenue budget and capital programme recommendations to County Council | Early February 2018 |
| County Council agree Medium Term Financial Strategy 2018-19 to 2020-21, revenue budget, capital programme and level of Council Tax for 2018-19 | Mid-February 2018 |

**APPENDIX F**

## Budget Proposals for Policy and Resources Committee Budgets 2017-18

### 1. Summary of saving proposals by Directorates reporting to Policy and Resources Committee

The table below sets out a summary of the savings proposals by Directorates reporting to the Policy and Resources Committee.

| Committee | 2017-18 Saving £m | 2018-19 Saving £m | 2019-20 Saving £m | Total Saving £m |
|---|---|---|---|---|
| Managing Director's Department | -0.168 | -0.936 | 0.000 | -1.104 |
| Finance and Commercial Services | -26.534 | 7.031 | -0.769 | -20.272 |
| **Total Savings** | **-26.702** | **6.095** | **-0.769** | **-21.376** |

The analysis of savings between the Managing Director's Department and Finance and Commercial Services is for indicative purposes only. The split of these savings may be subject to minor adjustment as part of the preparation of the 2017-20 Budget Book.

### 2. Budget proposals for Policy and Resources Committee

The table below sets out a categorised summary of the budget proposals for Directorates reporting to the Policy and Resources Committee. The detailed list of savings within Policy and Resources budgets is shown in Appendix C.

| Policy and Resources Categorised Savings | 2017-18 | 2018-19 | 2019-20 | 2016-20 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Cutting costs through efficiencies | -23.394 | 8.995 | 0.290 | **-14.109** |
| Better value for money through procurement and contract management | -0.535 | 0.000 | 0.000 | **-0.535** |
| Service Redesign: Early help and prevention, working locally | 0.000 | 0.000 | 0.000 | **0.000** |
| Raising Revenue; commercial activities | -1.100 | -1.200 | 0.000 | **-2.300** |
| Maximising property and other assets | -1.673 | -1.700 | -1.059 | **-4.432** |
| **Total Savings** | **-26.702** | **6.095** | **-0.769** | **-21.376** |

### 3. Implications and risks for budget planning 2017-18

3.1 There are no specific implications of the settlement relevant to the Directorates reporting to the Policy and Resources Committee.

3.2 There are no specific planning assumptions relevant to the Directorates reporting to the Policy and Resources Committee beyond those set out in the Revenue Budget report.

**APPENDIX G**

**Unconfirmed Draft Service Committee Minutes**

**Due to the timing of Committee meetings, and the publication date for these papers, unconfirmed draft Service Committee minutes will be provided to follow.**

**Equality Impact Assessment:**
**Mitigating Actions for budget proposals 2017-2018**

## Mitigating Actions for budget proposals 2017-2018

**Policy & Resources Committee**

(i) Note the potential impact of an increase in Council Tax on people with protected characteristics and in rural areas, as set out in the report at Appendix H(ii);

(ii) Continue to integrate accessibility across Digital Norfolk Ambition (DNA) and ICT infrastructure programmes, officers to report six monthly on progress to the Council's Strategic Equality Group.

**Adult Social Care Committee**

- **Remodelling information, advice & advocacy services (ASC021)**
- **Building resilient lives, reshaping our work with people of all ages requiring housing related support to keep them independent (ASC016-19)**

(i) Work with providers and service users (including service users in rural areas) to develop a new service specification that addresses the issues raised in the equality and rural assessment. Providers and service users representing older and disabled people, including but not limited to Blind and visually impaired people, Deaf and Hearing impaired people, people with reduced mobility, people with learning difficulties and people with mental health issues, as well as other disabilities, must be included.

(ii) When the new service model is developed, a further equality/rural assessment should be undertaken to examine whether it will inadvertently disadvantage or exclude any disabled or older people, or people in rural areas, so that every opportunity can be taken to find ways to mitigate or address this.

(iii) In the event that the revised assessment identifies any significant detrimental impact that it is not possible to mitigate, the proposed service model should be brought back to decision-makers for consideration, so that every opportunity can be taken to address this, prior to the model being adopted.

(iv) Ensure effective transition plans are established for service users who may be affected by the proposals.

- **Remodel contracts for support to mental health recovery (ASC020)**
- **Home care commissioning (ASC024)**

(i) Work with service users (including service users in rural areas) to develop a commissioning specification that addresses the issues highlighted in the equality and rural assessment.

(ii) Ongoing review of proposals put forward by providers in the competitive dialogue process to ensure equality and rural considerations are addressed and the equality/rural assessment is updated accordingly and any mitigating actions identified and adopted.

**Equality Impact Assessment:**
**Mitigating Actions for budget proposals 2017-2018**

(iii) In the unlikely event that the revised assessment identifies any detrimental impact, it will be brought back to decision-makers for consideration before the final Invitation to Tender is issued.

(iv) Ensure equality and rural access considerations are incorporated in the final documentation issued for the tender process.

**Children's Services Committee**

**Review Early Help Services (CHL040)**

(i) If the proposal to review Early Help goes ahead, at an appropriate stage when more information is known, a further equality/rural assessment should be carried out to identify any potential impacts to (a) enable decision-makers to assess these before moving forward, and (b) enable any mitigating actions to be developed, if needed.

(ii) HR Shared Service to continue to monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action.

(iii) Where business process re-engineering across the authority impacts on staff working patterns, line managers to consult with staff about any proposed changes, prior to them being agreed. This will enable any access issues to be highlighted. Where issues are identified, appropriate solutions should be sought e.g. reasonable adjustments.

**Communities Committee**

(i) Ensure maximum possible accessibility for disabled people in the re-design of the website team.

(ii) Officers to identify potential opportunities for maximizing accessibility for disabled and older people across Communities Committee services, and bring a report to Strategic Equality Group proposing possible options. The advice of Strategic Equality Group on these potential options will be provided to Communities Committee for consideration.

(iii) HR Shared Service to continue to monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action.

(iv) Where business process re-engineering across the authority impacts on staff working patterns, line managers to consult with staff about any proposed changes, prior to them being agreed. This will enable any access issues to be highlighted. Where issues are identified, appropriate solutions should be sought e.g. reasonable adjustments.

**APPENDIX H(i)**

**Equality Impact Assessment:**
**Mitigating Actions for budget proposals 2017-2018**

**Environment, Planning & Development Committee**

(i) Officers to identify potential opportunities for maximizing accessibility for disabled and older people across EDT services, and bring a report to Strategic Equality Group proposing possible options. The advice of Strategic Equality Group on these potential options will be provided to EDT Committee for consideration.

(v) HR Shared Service to continue to monitor whether staff with protected characteristics are disproportionately represented in redundancy or redeployment figures, and if so, take appropriate action.

(vi) Where business process re-engineering across the authority impacts on staff working patterns, line managers to consult with staff about any proposed changes, prior to them being agreed. This will enable any access issues to be highlighted. Where issues are identified, appropriate solutions should be sought e.g. reasonable adjustments.

**APPENDIX H(ii)**

**Equality Impact Assessment**

The full assessment findings of all budget proposals are set out in Appendix H(ii) which is available electronically via this hyperlink. Clear reasons are provided for each proposal to show why, or why not, adverse impact has been identified, and the nature of this impact.

The findings have been made available electronically due to the size of the document.

# Norfolk County Council: Medium Term Financial Strategy 2017-20

## 1. Introduction

1.1. The Medium Term Financial Strategy (MTFS) 2017-20 replaces the Medium Term Financial Strategy 2016-20.

1.2. The four-year funding allocations announced following the Spending Review and Autumn Statement 2015 provided a clear outline of the challenging financial future for local government. In November 2016 the Government confirmed that Norfolk County Council's Efficiency Plan[4] had been accepted, providing the Council with access to the funding allocations published as part of the 2016-17 settlement for the period up to 2019-20. These allocations mean greater certainty in budget planning, but nonetheless the County Council faces significant reductions in Government funding in all three remaining years of the offer to 2019-20. At the time of preparing this Medium Term Financial Strategy, considerable uncertainty remains about the likely impact of the Government's plans for 100% retention of business rates by local government.

1.3. The MTFS sets out the latest information about national and local factors which impact upon budget planning decisions. It details funding reductions and shows how the Council intends to manage these reductions, to make transformative changes and plan new initiatives, while continuing to meet its statutory responsibilities.

1.4. As detailed more fully in the Revenue Budget report, the funding of social care remains a major issue for the County Council. Pressures in key areas such as Adult Social Care and Children's Services, alongside the ongoing impact from changes such as the National Living Wage, have given rise to significant additional costs for the organisation. These costs have contributed to a budget deficit forecast in the later years of this financial strategy, and as a result the Council will need to develop responses, including further savings plans, during future budget planning rounds.

## 2. National Factors

2.1. In the Autumn Statement 2016, the new Chancellor of the Exchequer, Philip Hammond, set out plans intended to tackle the economy's long-term weaknesses and to ensure that it is resilient as the country exits the EU[5]. The Chancellor also stated that the economy has "bounced back from the depths of recession" and is this year predicted by the IMF to be the fastest growing major advanced economy in the world. In this context, the Chancellor confirmed the government's "commitment to fiscal discipline," which will ultimately mean that funding for local authorities will remain under pressure over the life of the parliament.

[4] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/budget-and-council-tax/efficiency-plan.pdf?la=en
[5] https://www.gov.uk/government/speeches/autumn-statement-2016-philip-hammonds-speech

2.2. In its Economic and Fiscal Outlook[6] published November 2016, the Office for Budget Responsibility (OBR) reported that the government is no longer on course to balance the budget during the current Parliament. In addition public sector borrowing is expected to reduce more slowly than previously forecast, mainly as a result of weak tax receipts and a lower outlook for economic growth. The OBR forecast in the Economic and Fiscal Outlook for GDP growth for the UK is 2.1% in 2016, 1.4% in 2017, 1.7% in 2018 and 2.1% in 2019 and 2020. Average earnings growth has been revised down and alongside higher forecast inflation this means a year on year fall in real earnings is expected in the second part of 2017. As a result there will be a return of pressure on disposable income and living standards. These economic forecasts have been produced in the context of significant economic uncertainty about the implications of the UK's decision to leave the European Union.

**Impact of the referendum result on the European programmes that Norfolk County Council are involved in**

2.3. The decision taken to leave the European Union taken in June 2016 will have a long term impact on the European funding available to the county. Norfolk County Council and "Norfolk plc" has historically benefited from European programmes and we have built up substantial expertise in designing, managing and delivering European projects and programmes. However, the referendum decision also provides an opportunity to influence alternative future funding schemes to benefit our local area.

2.4. European funding in Norfolk has been spent on a variety of activity such as:

- Economic growth and regeneration (for example supporting small businesses to start and grow)
- Skills, worklessness and employment support (for example, supporting unemployed people back into work)
- Environmental protection (for example, support for landowners to create wildlife habitats)
- Research and development (for example, support for universities to
- undertake research)
- Agricultural support via the common agricultural policy (for example, subsidies for farmers; grants for rural economic growth)

2.5. In the immediate period following the EU referendum, activity across the range of EU funded programmes available to Norfolk stalled, awaiting advice from central government on how to proceed. Some development time was lost as applicants waited for further news before taking the decision to apply for EU funds.

2.6. In October 2016, the Chancellor announced that all EU funded projects contracted before we leave the EU will be honoured in full. This guarantee includes honouring funding for projects which are due to complete in the years

[6] *Economic and Fiscal Outlook*, November 2016, Office for Budget Responsibility: http://budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-november-2016/

following the UK departure from the EU. The guarantee is subject to projects meeting two criteria: 1) value for money and 2) fit with national priorities; both of which are tested when projects are assessed.

2.7. This commitment from the Chancellor has provided welcome assurance that businesses and organisations can continue to benefit from European funded schemes available in our local area until funding contracts expire. The Economic Programmes team have been promoting the EU funding opportunities to potential applicants to maximise drawdown and benefit in Norfolk before we leave the EU (’use it or lose it’).

2.8. Since the referendum, we have begun preparing our ‘ask’ for successor funding schemes, and have been asked by the LGA Brexit Sounding Board to put forward our proposals.

2.9. Our key ask for future funding schemes is:

> **“The UK government should replace EU funding with a national successor scheme delivered locally which maintains the current global value and is index linked.”**

2.10. This ask is underpinned by the following framework for any future schemes:

1) A funding scheme of the same value and index linked;
2) Simplified schemes;
3) Decision-making delegated to local areas with the ability to prioritise schemes; and
4) Schemes of economic impact and environmental support.

**Government policy and economy forecasts**

2.11. The approach to negotiations about the UK’s future relationship with Europe, alongside other policies and decisions by the Government have a significant impact on the Council’s planning, for example through reductions to local government funding. During the last Parliament, the National Audit Office estimates that Local Government’s core funding fell by 37%[7], while the 2015 Spending Review announced that the Local Government Departmental Expenditure Limit (LG DEL), which includes Revenue Support Grant from central government was planned to decrease by 56% in real terms, although this was expected to be offset in part by increased Business Rates and Council Tax. At that time the Government anticipated overall local government spending to rise by £0.2bn in cash terms (from £40.3bn in 2015-16 to £40.5bn in 2019-20), representing a total real terms decrease of 6.7%, based on original inflation forecasts. Alongside the provisional settlement, in December 2016 the Department for Communities and Local Government (DCLG) published an update to its preferred measure of illustrative core spending power, which suggests that Norfolk’s spending power will reduce by 0.5% in cash terms in

[7] The Impact of Funding Reductions on Local Authorities, November 2014, National Audit Office: https://www.nao.org.uk/report/the-impact-funding-reductions-local-authorities/

2017-18. This represents a real terms reduction of around 2.9% when the OBR's latest inflation forecasts are taken into account.

2.12. The Bank of England's Monetary Policy Committee (MPC), cut Bank Base Rate from 0.50% to 0.25% on 4th August 2016[8]. Based on current trends, it appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. Both investment earnings rates and new borrowing rates remain low by historical standards.

2.13. The Council's investment objectives remain safeguarding the timely repayment of principle and interest, whilst ensuring liquidity for cash flow and the generation of investment yield. The Council works closely with its external treasury advisors to determine the criteria for high quality institutions, including high quality banks and financial institutions, and local authorities. The Council applies a minimum acceptable credit rating criteria in order to generate a pool of highly creditworthy UK and non-UK counterparties which provides diversification and avoids concentration risk. These are detailed further in the Annual Investment and Treasury Strategy 2017-18.

2.14. The level of commissioning undertaken by the Council sees a wide range of services being delivered by partners and through private sector contracts. Contractual obligations are often linked with the Retail Price Index (RPI) or the Consumer Price Index (CPI), meaning these rates will impact on the Council's budget setting activity and medium term planning. In 2016[9], CPI was 0.7% overall, rising towards the end of the year. It reached its highest in December (1.6%) and was at its lowest in January, February, April and May (0.3%). RPI for the year was 1.7%, at its highest (2.5%) in December and at its lowest in January, February and April (1.3%). Details regarding how inflationary increases within identified cost pressures have been calculated are included within the robustness of estimates report.

2.15. The Government continues to prioritise the integration of the National Health Service and social care in order to improve services for patients and deliver efficiencies. Plans for integration are set out in local Sustainability and Transformation Programme (STP), which set out the challenges facing health and social care services over the next five years. By 2021 the Norfolk and Waveney STP[10] is intended to drive high quality care through integrated delivery, making significant progress towards financial sustainability. Further details about the STP are provided in the "Organisational Factors" section below.

2.16. During 2016-17, Norfolk County Council incurred a reduction of £7.9m in the funding allocated to social care by the Norfolk Clinical Commissioning Groups within the total Better Care Fund for Norfolk. This led to negotiations to minimise the impact on social care, with a three year Section 75 agreement put in place for the Protection of Social Care. As part of addressing this funding reduction

[8] http://www.bankofengland.co.uk/boeapps/iadb/Repo.asp
[9] https://www.ons.gov.uk/economy/inflationandpriceindices
[10] http://www.healthwatchnorfolk.co.uk/ingoodhealth/

on an ongoing basis, the Adult Social Care budget includes additional savings of £3.3m from April 2017.

2.17. From 2017-18 the Government is providing funding to Local Government via an “Improved Better Care Fund”, rising to £1.5bn by 2019-20. The Council’s budget planning makes no assumptions of additional legislative requirements related to this funding in the first year 2017-18, which amounts to £1.9m, however further requirements are assumed for future years. In the event that these do not arise, the budget pressures for 2018-19 and 2019-20 can be reduced.

2.18. The **Local Government Finance Bill** 2017[11] introduces a number of legislative changes which will have an impact on local authority finance in future years. These include:

- Providing the framework for 100% retention of business rates (discussed in further detail in the Business Rates section below);
- Replacing the annual local government settlement with a multi-year settlement (including making provision to allow council tax referendum principles to be set for multiple years);
- Various changes to Business Rates relating to arrangements for setting the multiplier, discounts, reliefs, and billing (including giving local authorities powers to reduce the multiplier and changes to rural rate relief to ensure small rural businesses have access to the same level of reliefs as those in urban areas).
- Changes to rules for supplements with powers for mayoral combined authorities to impose a levy to fund economic development projects.

## 3. The Government’s deficit reduction programme

### Deficit reduction 2010-11 to 2015-16

3.1. From October 2010, the Government implemented significant spending reductions with the aim of reducing the national deficit, which fell more heavily on local government than many other parts of the public sector. Norfolk County Council has absorbed a reduction of **£123.791m** in core funding from Government between 2010-11 and 2015-16.

### Deficit reduction plans 2016-17 to 2019-20

3.2. In November 2015 the Government announced the outcomes of the Spending Review 2015. This set out plans for departmental budgets for the following four years, up to the next general election in 2020. The most recent Autumn Statement in November 2016 confirmed that the new Government, under Theresa May, would continue to follow the spending plans set out in 2015.

3.3. The Autumn Statement 2016 confirmed that the government would continue to follow the spending plans set out in the 2015 Spending Review, but signalled a “reset” of government economic policy in that the target of a budget surplus to be achieved by 2020 was pushed back into the next parliament. The

[11] http://services.parliament.uk/bills/2016-17/localgovernmentfinance/documents.html

government's continued commitment to achieving a balanced budget means that the current period of fiscal consolidation is likely to continue well into the 2020s, so there is little prospect of an end to the financial challenges facing local government in the medium term. The government has however signalled that Departmental Expenditure Limits will increase in line with inflation from 2020-21.

3.4. The Provisional Local Government Finance Settlement 2016-17 set out an offer of a four-year funding settlement. As a pre-requisite to access these allocations, the council submitted an Efficiency Plan to Government, which has been accepted. This means that the council is now formally on the multi-year settlement and can expect to receive the allocations published as part of the 2016-17 settlement for the period to 2019-20 (subject to future events such as transfers of functions and barring exceptional circumstances). In 2016-17 these allocations saw the council lose **£37.125m** from the Settlement Funding Assessment (SFA). Over the period 2017-18 to 2019-20 they reflect further planned reductions in SFA totalling **£56.832m**.

3.5. This will mean that over the ten-year period 2010-11 to 2019-20, the council will have received reductions in core funding from Government of some **£217.748m**.

## 4. Local factors

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

4.2. The Council remains focussed on meeting the twin challenges of increasing demand and reducing central government funding, whilst minimising the impact on the front line delivery of services. The Council's ambition is for everyone in Norfolk to succeed and fulfil their potential. This is supported by four priorities, set out within the County Council Plan[12] adopted by Full Council on 25 July 2016, which are core commitments to the local community which go beyond statutory responsibilities and avoid retreating to minimum levels of service. The council aims for:

- **Excellence in education** – working for a well-educated Norfolk where people are prepared for real jobs with good wages and prospects.
- **Real jobs** – making Norfolk a place where businesses are able to grow or want to relocate to, because we are so well connected.
- **Improved infrastructure.**
- **Supporting vulnerable people** – including helping people earlier before their problems get too serious.

[12] https://www.norfolk.gov.uk/-/media/norfolk/downloads/what-we-do-and-how-we-work/policy-performance-and-partnerships/policies-and-strategies/corporate/county-council-plan.pdf?la=en

4.3. The County Council Plan 2016-19 includes a set of whole-council improvements which will be critical to the overall strategic direction of the council and delivery of the four priorities. Based on a principle of **one public service**, the council will seek to redesign its services around people's lives, achieving better outcomes by working closely with public sector partners and local communities. Delivery of these improvements will require a smaller, leaner council focussed on:

- Ruthlessly driving out costs and being more commercial;
- Getting better value for money and understanding the real cost of services; and
- Reducing demand by enabling communities, helping people earlier and improving online services.

4.4. This Medium Term Financial Strategy has been developed to support work to ensure that the Council's budget of £1.4bn is spent to best effect for Norfolk people.

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

**Demographics**

4.6. Norfolk's population is an estimated 885,000 in mid-2015 – an increase of around 7,300 on the previous year.

4.7. Over the decade from 2005, Norfolk's population has increased by 7.6%, compared with an increase of 9.2% in the East of England region and 8.3% in England.

4.8. Over the decade in terms of broad age groups, numbers of children and young people in the county (aged 0-17) increased by around 4,400; numbers of working age adults (aged 18-64) increased by around 16,500; and numbers of older people (aged 65 and over) increased by around 41,100 (24.5%).

4.9. The estimates for mid-2015 confirm that Norfolk's population has a much older age profile than England as a whole, with 23.6% of Norfolk's population aged 65 and over, compared with 17.7% in England.

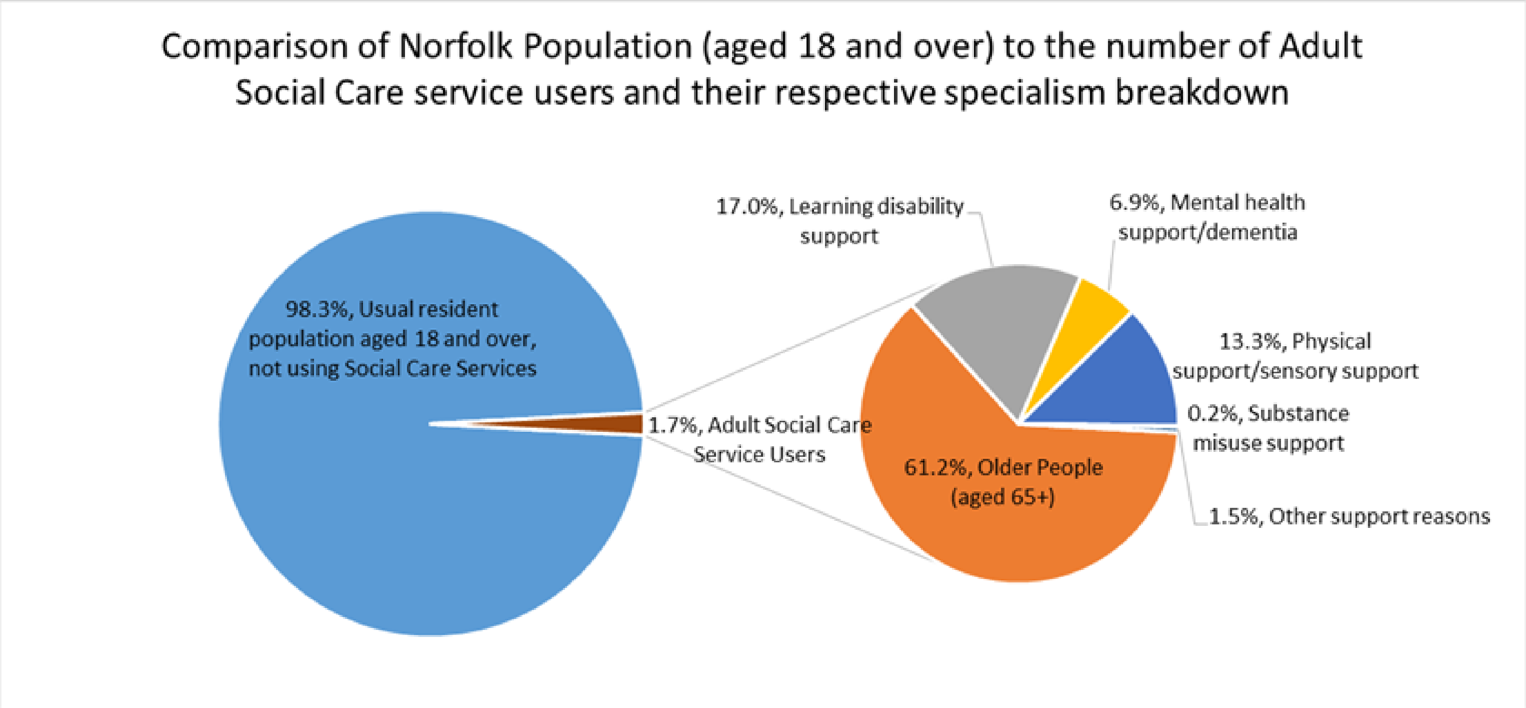
4.10. The ONS 2014-based population projections are trend-based, and on this basis over the next decade there is projected growth of around 60,800 people in Norfolk – this is an increase of 6.9% which is below both the national projected increase of 7.5% and the East of England projected increase of 8.9%. Norfolk's oldest age groups are projected to grow the quickest in the next decade – with the 75-84 year olds projected to increase by around 38% and the 85 and overs projected to increase by around 34%, which is above the England rate of 31%. This age group is the most likely to require social care, so increases in the size of this older group are likely to have a high impact on the demand for social care services. Numbers of children aged under 15 are also projected to increase, and there is variation across the other age groups. Of course, the age structure of the population varies across Norfolk's local authority areas, but in the main, Norfolk has an ageing population.

4.11. Looking further ahead to 2039, there is projected growth of around 137,700 people in Norfolk – this is an increase of 15.7% which is below both the national projected increase of 16.5% and the East of England projected increase of 20.3%.

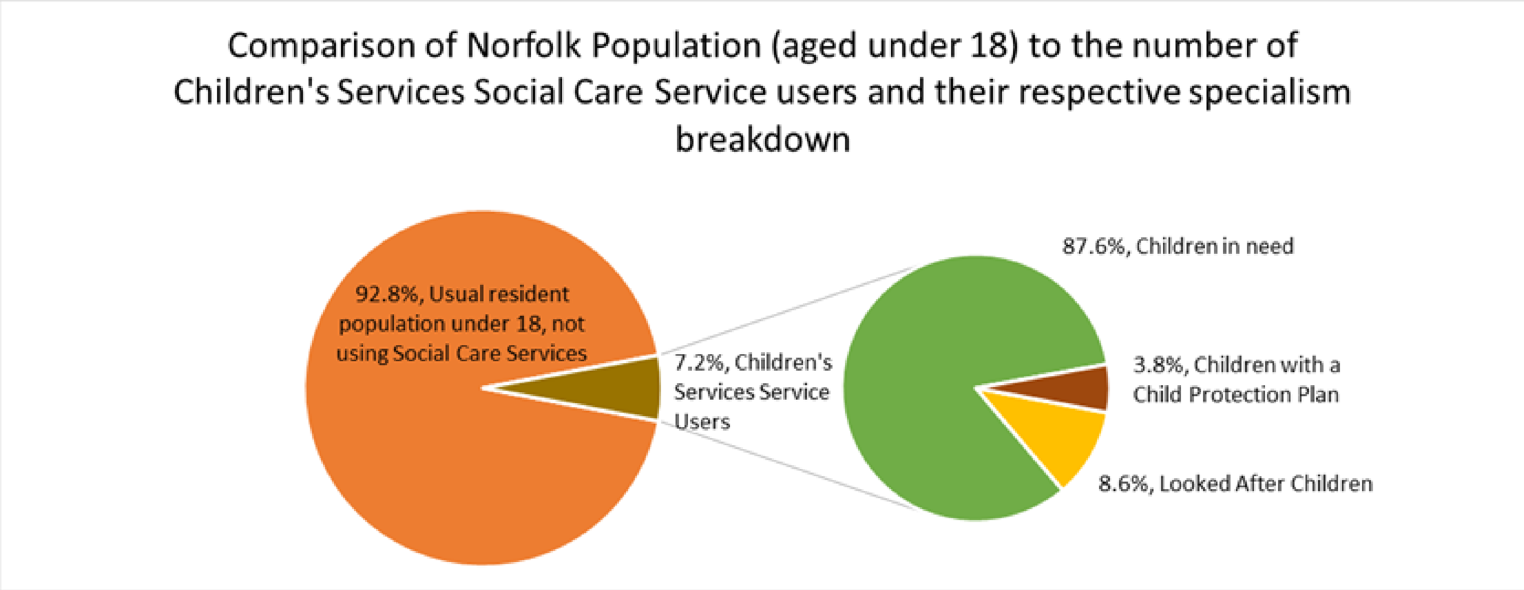
4.12. For both timescales, the largest increase in numbers is projected to be in South Norfolk, and the smallest increase in numbers is projected to be in Great Yarmouth. Norfolk's population is projected to exceed one million by 2036.

4.13. Further demographic information is provided below.

**Adults Demographic Information**



**Children's Demographic Information**




Population data from mid-2015 ONS estimates, service data all 31/03/16.

## Local Economy

4.14. Promoting the development and expansion of the local economy will become ever more significant as the Government implements plans for localisation of business rates. Already, the Council's priorities place the people of Norfolk at the forefront of our plans and investments. Through the Economic Development and Strategy team, the Council aims to promote, secure and manage funding to support Norfolk's economic growth. The County Council supports the implementation of a wide range of initiatives intended to deliver growth, including working closely with the Local Enterprise Partnership (New Anglia LEP) on a number of projects such as the development of Enterprise Zone sites across the County. The Council is part of the Greater Norwich Growth Board which oversees the delivery of the Greater Norwich City Deal and supports infrastructure improvements which will drive growth.

4.15. In spite of these interventions it is however important to recognise the potential impact of decisions outside the Council's control. For example, the decision to leave the European Union, and the decision by the Secretary of State for Communities and Local Government to withdraw the Norfolk and Suffolk devolution offer are both likely to have an impact on growth in the local economy. In addition, since the introduction of the Business Rates Retention Scheme in 2013-14, Norfolk has not seen any significant growth or decline in the amount of business rates collected. This is a significant concern for Norfolk for future years, when considering the increasing levels of demand and the reductions to Revenue Support Grant.

## Devolution

4.16. The Council's focus for the last 15 months has been to secure a devolution deal for Norfolk and Suffolk. The devolution negotiations started in September 2015, with all Norfolk Councils submitting an expression of interest, which led to the 12 participating Councils considering whether to consent to the Order before 24 November 2016. King's Lynn and West Norfolk Borough Council voted to withdraw from the process and as a result of this decision the Secretary of State wrote to the Norfolk and Suffolk authorities to take the devolution deal off the table.

4.17. The focus of the deal was to accelerate growth in the local and national economy, at the same time as improving the life chances and quality of life for every resident in Norfolk and Suffolk.

4.18. In the light of the withdrawal of the devolution deal, work has started to refocus our collective efforts to consider how we now deliver the ambitions and challenges articulated in the deal.

4.19. The economic growth agenda remains a national priority. A number of initiatives are in the pipeline nationally which the County Council will work to shape and influence:

- **the Industrial Strategy -** the process by which the Industrial strategy will be developed is unclear. Business Energy Industrial Strategy Civil servants have indicated that a "discussion note" will be published in the next few weeks covering, sectors, areas of strength, weakness and how that is reflected through"place".
- **the Infrastructure Commission**. The Commission "is a permanent body which will provide the government with impartial, expert advice on major long-term infrastructure challenges." In the Charter, the Commission commits to delivering "a National Infrastructure Assessment" (NIA) once in every Parliament, setting out the Commission's assessment of long-term infrastructure needs with recommendations to the government." The Commission proposes to formally consult on its Vision and Priorities document in summer 2017.
- **100% business rates retention**. Government see this as a key tool for local authorities to achieve financial sustainability, and an incentive for authorities to support business growth to grow the business rates pool. It is due to come into effect in 2020.

4.20. The development of the Strategic Economic Plan (SEP) led by the LEP will need to take into account the national drivers, and it will be crucial that Norfolk's priorities are well understood and articulated through the SEP.

**Ecology: Waste**

4.21. The County Council is responsible for dealing with the left over rubbish collected by all local authorities in Norfolk. Increases in households and the effects of economic growth mean that the amount of left over rubbish and the cost of dealing with it will increase significantly unless measures are put in place to reduce the amount of waste, improve recycling or reduce unit costs.

4.22. The amount of residual waste in 2016-17 is currently projected to be around 214,000 tonnes, an increase of around 2,000t from the previous year and in line with increases observed outside Norfolk. This reflects a combination of increases in household numbers, consumer confidence and an upturn in the economy which all tend to increase the amount of waste generated, along with weather patterns during the year that have led to additional garden waste.

4.23. The long term trends for household numbers in Norfolk as well as effects of the general economy, consumer confidence and weather patterns remain uncertain. These variables, as well as things such as service changes by other authorities and changes in legislation, can all have a major effect on the cost of this service, meaning that the suitable approach to managing budgets for this service is to make justifiable and evidence based allowances in medium and longer term plans that are continually subject to review.

4.24. To help mitigate these effects the aim of the waste service is to reduce the amount of waste that is left over and to reduce the cost of providing services to deal with left over rubbish. The objective is that by 2018-19:

- Residual waste will be reduced to less than 9.4kg per household per week. This can be achieved by a combination of improved recycling performance and waste reduction initiatives.

4.25. This objective requires additional measures to be put in place by all local authorities in Norfolk to reduce the amount of waste and improve recycling performance and they are actively looking at this together as the Norfolk Waste Partnership.

**Ecology: Flooding**

4.26. Norfolk is identified as the area 10th most at risk of local flooding. The county has approximately 34,000 properties at flood risk from local sources during a rainfall event with a 1 in 100 annual chance of occurring. These local sources include flooding from surface runoff, groundwater and from the 7,500 km of watercourses within Norfolk. The County Council's two core aims as Lead Local Flood Authority are to reduce the existing local flood risk for communities and to prevent new development from increasing flood risk. Whilst not directly the authority's responsibility the County also has nearly 100 miles of coastline and is vulnerable to tidal inundation and surges.

4.27. In the event of a major flooding incident, it is likely that the council would have recourse to the Bellwin scheme of emergency financial assistance to Local Authorities. This would enable the council to be reimbursed for 100% of eligible expenditure above a threshold set by the government. The threshold for Norfolk was £1.246m in 2015-16 (i.e. this is the maximum liability for the County Council in the event of a major incident eligible for support under the Bellwin rules).

4.28. The council's budget for flood water management activity has been increased in 2017-18 to reflect additional (unringfenced) funding in the Provisional Local Government Settlement. The additional budget would be used to fund 2-4 posts that would deliver drainage and flood risk statutory consultee responses to districts' planning applications and support flood investigation work following any major flooding incidents. Recruitment for posts will begin as soon as the budget is confirmed.

## 5. Organisational factors

### Organisational structure and governance changes

5.1. The County Council has implemented changes to the organisation's senior management structure as approved by the Council at its meeting 12 December 2016. The structure is based on four Executive Directors alongside the Chief Legal Officer and a Strategy Director, all reporting to the Managing Director, and includes the following departments: Children's Services; Adult's Services; Community and Environmental Services; Finance and Commercial Services; and the Managing Director's Department. The Managing Director's Department encompasses Legal and Democratic Services and Strategic Services. This structure is intended to secure improvements in both strategic and transactional services required to meet the changing needs of different customer groups across the council. Statutory officer roles report to the Managing Director in fulfilling their statutory responsibilities.

5.2. The results of the elections in May 2013 saw the Authority moving from a Conservative controlled authority to an authority where no party had overall control. Following agreement by the County Council on 25 November 2013, a Committee system of governance was implemented to replace the previous Cabinet system. The Council's senior management structure is aligned to the Committee structure. The 2017-18 budget represents the third year for which the budget has been considered under the Committee system. Full County Council elections are due to be held in May 2017.

### The Sustainability and Transformation Programme (STP)

5.3. The Sustainability and Transformation Programme (STP) covers the Norfolk and Waveney area and involves all health and social care organisations. It is a programme to collectively address the demands facing the NHS and social care system, setting out collective change to services to address the challenges from tighter financial constraints, people living longer and with more complex health and care needs, changes to the type of care people want, as well as new opportunities for treatment and workforce challenges.

5.4. The wider system has a total budget of £1.6bn to spend on health and social care each year. However spend is more than this and if no changes are made within the system over the next five years we would incur a collective £440m funding gap.

5.5. To address this the STP is focussing on three main areas of work:

- Supporting people to keep themselves healthy and well
- Enabling more people to live independently
- Reducing the pressure on hospitals

5.6. The Council's 2016-21 budget plans for adult and children's' social care and public health are reflected in the STP five year plan, which will continue to be updated to reflect new contracts across health organisations and the Council's revised budget plans. The Better Care Fund will align to the STP plans from 2017-18.

5.7. Plans within the STP include significant involvement from council services including public health, with focus on preventative work to reduce demand for services, and social care including integrated teams, with focus on out of hospital solutions and improved pathways for people with learning disability and with mental health conditions. The STP includes some funding for transformation and joint bids have been submitted, some of which will support joint programmes of work such as Transforming Care Plans.

**Children's Services response to Ofsted assessments**

5.8. Following an Ofsted report in 2015 which found Norfolk Children's services to be inadequate, a commissioner was identified to review services and report recommendations. Within the report of the commissioner, it was recommended that a strategic partnership with a voluntary agency to cover the areas of Looked After Children and Leaving Care be developed. A second Ofsted monitoring visit was undertaken in October 2016 and concluded that while there has been positive movement in some areas of Children's Services, the overall pace of change was slow. Key areas for development included edge of care and care leavers' independent living skills development. In addition there was an identified need to better develop strategic planning and performance management across the department. To this end Norfolk Children's Services are looking to put in place a strategic and operational partnership to secure service improvement for Norfolk's children and young people. Children's Services' Committee originally agreed such a strategic partnership in July 2016 and a further paper was submitted to Committee on 15 November 2016. Discussions have been held between Barnardo's and the County Council around aspects of a potential partnership in the following areas:

- Home based care and targeted adolescent support
- Edge of care commissioning
- Leaving care service
- Service user engagement and involvement team

5.9. In January 2016 Children's Services Committee approved the OFSTED Improvement Plan following the OFSTED Inspection Report of October 2015. That plan has guided the strategic direction over the course of the last year. In July 2016 Children's Services received the findings of OFSTED's first HMI Monitoring Visit. This noted progress on the issues that had led to the judgement that services for Looked After Children and Care Leavers were inadequate. In light of this Children's Services began development of a new improvement plan. The need for this was confirmed in July 2016 when the DfE issued a revised Directions Notice to Norfolk County Council, which also required the County Council to develop a new improvement plan for Children's Services.

**Consultation with citizens and equality and rural impact assessments**

5.10. The Council undertakes **public consultation** on budget proposals which have the potential to impact on service users. In 2016-17 an extensive consultation was completed and this body of evidence has been used to inform the findings of consultation in 2017-18. Only two savings proposals in 2017-18 were identified as requiring detailed consultation, and this activity was led by the Adult Social Care Committee. In addition to this targeted activity, views have been sought on the planned approach to council tax setting. Details of the consultation process, and the responses to the consultation, are set out in the Revenue Budget report.

5.11. The Council undertakes **equality and rural impact assessments** for all budget proposals. This informs the Policy and Resources Committee in making recommendations to Full Council about the budget, and ensures that due regard is given to eliminating unlawful discrimination, promoting equality of opportunity, and fostering good relations between people with protected characteristics and the rest of the population. Detailed information about the findings of equality impact assessments, and the recommended mitigating actions, are included in the Revenue Budget report.

**Resource plans, funding, service pressures and savings**

5.12. The plans and assumptions in the Council's budget and Medium Term Financial Strategy have been reviewed as part of the preparation of the 2017-18 budget to ensure that they are robust and deliverable. Experience of the implementation of savings plans, along with the findings of a review of Adult Social Care saving proposals completed in 2016-17, has identified that in some cases the cost, complexity and time required to deliver transformational change is likely to be greater than that originally allowed. As a result, the removal or delay of a significant number of previously agreed savings has been proposed over the life of the MTFS.

5.13. As set out elsewhere, the Provisional Local Government Finance Settlement has provided a greater degree of certainty about future funding levels for local authorities through the offer of four-year settlement allocations covering the period 2016-17 to 2019-20. However, the offer does not relate to all elements of the Settlement and as a result there remain some areas of uncertainty. The reductions in the Council's Settlement Funding Assessment set out in the four year settlement remain extremely challenging, with the most significant reductions occurring in the first two years (2016-17 and 2017-18), as shown in the table below. Therefore while the four-year settlement offers a degree of additional certainty for Council budget planning, the significant pressures across all budgets will mean that further savings and efficiencies need to be identified to produce a balanced budget for future years.

**MTFS Table 1: Reductions in Settlement Funding Assessment**

| | 2015-16 Adjusted | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| Settlement Funding Assessment | 287.507 | 250.382 | 222.693 | 207.459 | 193.549 |
| Percentage reduction on previous year | | -12.91% | -11.06% | -6.84% | -6.70% |

5.14. Savings are being delivered through a range of approaches. The table below categorises the savings by type. Efficiency related savings continue to be targeted as a priority.

**MTFS Table 2: Categorisation of savings**

| | 2017-18 | 2018-19 | 2019-20 | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Cutting costs through efficiencies | -32.834 | 8.988 | -0.245 | -24.091 |
| Better value for money through procurement and contract management | -1.194 | -1.011 | 0.000 | -2.205 |
| Service Redesign: Early help and prevention, working locally | -8.978 | -18.411 | -10.000 | -37.389 |
| Raising Revenue; commercial activities | -3.059 | -1.561 | 0.000 | -4.620 |
| Maximising property and other assets | -1.763 | -1.610 | -1.059 | -4.432 |
| **Total** | **-47.828** | **-13.605** | **-11.304** | **-72.737** |

**General and Earmarked Reserves and provisions**

5.15. General reserves are an essential part of good financial management and are held to ensure that the Council can meet unforeseen expenditure and respond to risks and opportunities. The level of reserves held has been set at a limit consistent with the Council's risk profile and with the aim that Council Tax payer's contributions are not unnecessarily held in provisions or reserves.

5.16. Earmarked Reserves support the Council's planning for future spending commitments. In the current climate of limited resources, the planned use of Earmarked Reserves allows the Council to smooth the impact of funding reductions and provides time for the implementation of savings plans. The 2017-18 budget recommends that a detailed review of the reserves and provisions held by the Council is undertaken as part of the year-end closure of accounts and the 2017-18 budget is supported by plans to identify additional contributions from reserves during the year. The Medium Term Financial Strategy assumes an overall reduction in the level of Earmarked Reserves. Further details of the anticipated use of Earmarked Reserves are included in the Statement on the adequacy of Provisions and Reserves 2016-20.

5.17. When taking decisions on utilising reserves, it is important to acknowledge that reserves are a one-off source of funding. Once spent, reserves can only be replenished from other sources of funding or reductions in spending. Therefore reserves do not represent a long term solution to the continued funding reductions facing the Council.

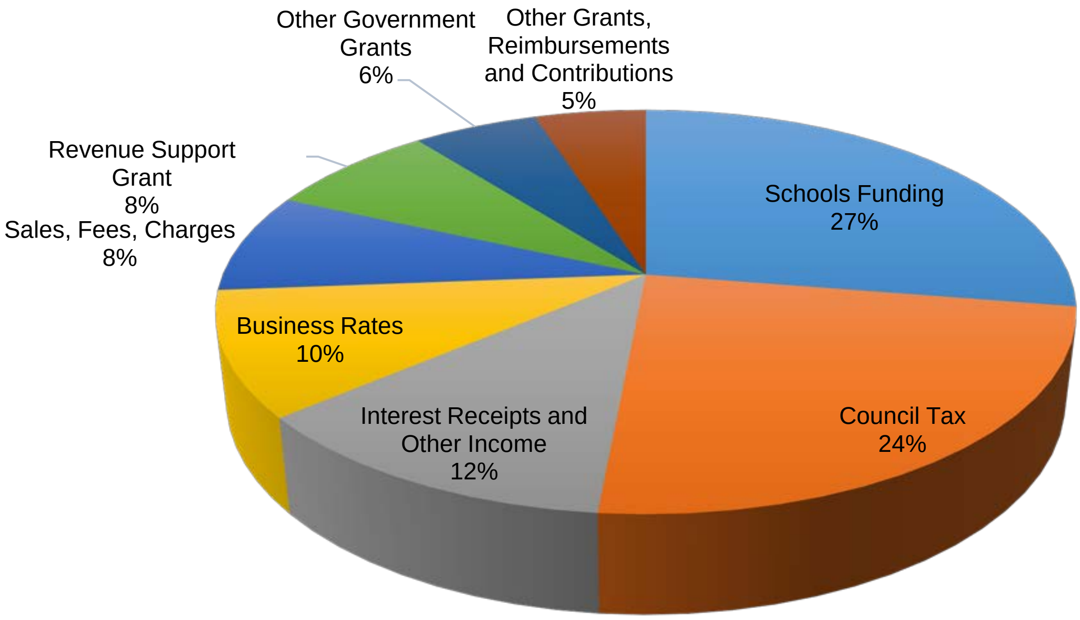
## 6. Local Government Funding

6.1. Local Government funding has three major components:

- money received through Council Tax;
- money received through partial retention of locally generated Business Rates; and
- money redistributed by Government in the form of Revenue Support Grant (RSG) and specific grants.

6.2. Councils also generate income through sales, fees and charges. The breakdown of this funding in 2016-17 is shown in the pie chart below.

**Where the money comes from 2016-17: £1.415bn**




**Business Rates (10%)**

6.3. The business rates retention scheme was introduced in April 2013. This means a direct link between local business rates growth and the amount of money councils have to spend on local people and local services. To provide an element of stability, business rates baselines are fixed to inflationary rises until 2020 and the scheme uses a system of tariffs and top ups that protects upper tier authorities somewhat, as a large proportion of income comes from an indexed linked top up.

6.4. Local authorities benefit from 50% of business rates growth (or indeed suffer the consequences of business rates decline) in their area. The rates retention scheme is designed to incentivise local authorities into stimulating growth. It is complex, involving a system of tariffs, top-ups and levies, however, at its simplest, for every £100 change in rates in Norfolk, £50 would go to central government, £40 to the district councils and £10 to Norfolk County Council.

6.5. To maximise investment in Norfolk through retention of business rate growth, Norfolk County Council participates in a pooling agreement with Breckland District Council, Broadland District Council, the Borough Council of King's Lynn and West Norfolk, Norwich City Council, North Norfolk District Council and South Norfolk District Council.

6.6. These authorities have agreed to establish a Business Rates Pool for Norfolk for the purpose of using pooled resources (retained levies) to make strategic investments designed to support Norfolk priorities within the LEP Strategic Economic Plan and to support Norfolk's economic growth strategy. The Pool does not include all Norfolk councils (Great Yarmouth are not currently members but have indicated an interest in joining at the next opportunity), but it is committed to a Norfolk wide approach.

6.7. The Pool supports the wider economic plan for Norfolk and represents a countywide commitment to make use of the opportunity to provide real financial investment to support economic growth projects including projects that will lead to:

- Job creation
- Further business rates growth
- Housing growth
- Improved skills and qualifications
- New business creation and expansion

6.8. If a member of the Pool decided it no longer wished to be designated as part of the Pool for 2016-17 it was required to notify DCLG by 13 January 2017. If any council in the Pool requested a revocation of the designation before this date, the rest of the Pool cannot continue. The Secretary of State would then revoke the designation and all local authorities identified as part of the Pool would revert to their individual settlement figures.

6.9. The primary challenge within the current Business Rates scheme is the level of financial risk that councils face due to appeals and business rate avoidance, with little scope for these risks to be managed under the current arrangements. Some Councils are of the view that the risks outweigh the rewards available to councils through incentives to grow the local economy. The Government is currently implementing a new three-stage approach to business rates appeals: "Check, Challenge, Appeal," aimed at providing a system which is easier to navigate, with an emphasis on early engagement to reach a swift resolution of cases. The new system is intended to come into force from 1 April 2017, to coincide with the national revaluation of rateable values. In addition the Local Government Finance Bill 2017 proposes changes to ensure that local authorities are insulated from significant reductions in income as it proposes that the Secretary of State will be able to make "loss payments" to authorities which incur losses as a result of changes to rating lists.

6.10. In respect of the 2017-18 budget, District Council forecasts are being collated and the level of income the council will receive is not yet known. Potential business rate appeals and requests for relief such those submitted by as NHS Trusts continue to add uncertainty to future rates income. The business rates revaluation in 2017 also may impact on rates income in 2017-18. Historically, the level of business rates appeals increase following a revaluation.

6.11. In September 2016 the Government proposed the multiplier would reduce in 2017-18 to ensure the revaluation does not raise any more in rates nationally. The provisional small business non-domestic multiplier will reduce for 2017-18 from 48.4p to 46.6p. The provisional national non-domestic multiplier will fall from 49.7p to 47.9p. The multipliers will be confirmed after either the Local Government Finance Report for 2017-18 has been approved by Parliament or 1 March 2017, whichever is earlier.

6.12. The Government is moving towards significant changes to the Business Rates system including the implementation of 100% retention of business rates by local authorities by the end of the parliament through the **Local Government Finance Bill 2017**. The Government intends to make changes as part of a move towards financial self-sufficiency for local government whereby local government retains 100% of locally raised taxes. The localisation of rates will see the phasing out of other Government grants, including Revenue Support Grant, and the Government has also signalled that new responsibilities will transfer to local authorities to make up the balance of funding within the business rates system (estimated as approximately £12.5bn). This will ensure that the changes are cost neutral for Government. The precise functions to be transferred are subject to consultation with local government and have not yet been fully specified.

6.13. It is expected that the new system will continue to incorporate an element of redistribution of rates nationally to ensure that all authorities are funded to deliver their statutory duties and to mitigate the impact of variation in the level of business rates income across the country. However, the incentive to grow business rates locally will be strengthened as it is anticipated that the system will allow for all growth to be retained locally (it is proposed that the levy on growth will be scrapped).

6.14. The Council has previously responded to the Government's consultation on the localisation of business rates and to the call for evidence on a fair funding review of relative needs and resources, which is being undertaken in parallel. Further consultations on the changes are anticipated, and there remains considerable uncertainty at this point about the detailed plans for implementation of the proposals. A key issue for the County Council will be to ensure that the review of funding needs, which will inform the setting of new baseline funding for the 100% system, accurately captures the pressures faced by Norfolk, particularly in respect of social care, demographic issues, and the specific local pressures arising from sparsity and rurality.

**Revenue Support Grant (RSG) (8%)**

6.15. As the local share of business rates has been fixed until 2020, in order to manage reduction in the overall Local Government Departmental Expenditure Limits, any changes to the Settlement Funding Assessment are addressed through changes to the RSG amount.

6.16. The amount of funding the Council receives is published as the Settlement Funding Assessment. As shown in the table below, the Council remains heavily reliant on RSG and therefore cuts to this funding stream have a significant impact on the budget. To put this reduction into context, the cut in RSG between 2016-17 and 2017-18, amounting to £30.585m, is equivalent to 9.24% of the 2016-17 council tax. The proportion of funding received through RSG is forecast to reduce rapidly over the next few years, however the allocations shown in the table do not reflect the Government's planned move to full retention of Business Rates, which will incorporate the ending of funding via RSG. The Government is expected to announce further details of these changes in due course.

6.17. The table below shows Norfolk's Settlement Funding Assessment, which reflects the four-year funding allocations as confirmed in the Provisional Settlement 2016 and includes RSG.

**MTFS Table 3: Settlement Funding Assessment**

| | 2016-17 | | 2017-18 | | 2018-19 | | 2019-20 | |
|---|---|---|---|---|---|---|---|---|
| | £m | % | £m | % | £m | % | £m | % |
| Settlement Funding Assessment | 250.382 | 100.0% | 222.693 | 100.0% | 207.459 | 100.0% | 193.549 | 100.0% |
| *Received through:* | | | | | | | | |
| Revenue Support Grant | 108.511 | 43.3% | 77.926 | 35.0% | 58.035 | 28.0% | 38.810 | 20.1% |
| Baseline Funding Level | 141.870 | 56.7% | 144.767 | 65.0% | 149.424 | 72.0% | 154.739 | 79.9% |
| *Via Top-Up* | *115.685* | | *119.351* | | *123.191* | | *127.573* | |
| *Retained Rates* | *26.185* | | *25.416* | | *26.233* | | *27.166* | |

**Specific grants (6%) and schools funding (27%)**

6.18. The table below summarises the amount of specific grants expected to be received in 2017-18, along with indicative figures for 2018-19 and 2019-20. In most cases the allocations for the years beyond 2017-18 have not yet been confirmed by the Government. Ring-fenced funding below includes funding to schools.

**MTFS Table 4: Grants and Council Tax**

| | 2017-18 Provisional £m | 2018-19 Indicative £m | 2019-20 Indicative £m |
|---|---|---|---|
| Un-ring-fenced | 227.472 | 218.878 | 217.197 |
| Ring-fenced | 625.537 | 620.297 | 620.297 |
| Council tax (assuming Council Tax increased annually in line with OBR forecast of CPI and 3% Adult Social Care precept in 2017-18 and 2018-19) | 358.812 | 373.535 | 382.873 |

6.19. Details of significant specific grants are set out below:

Ring-fenced grants

6.20. **Public Health** – Public Health grant continues to be ring-fenced grant in 2017-18 for public health services. The Government has indicated that Public Health funding may be included within the Business Rates Retention Scheme in future. Public Health covers a wide range of services that may be provided directly to communities or to other organisations that deliver services supporting the health and wellbeing of our population.

6.21. Public Health grant allocations for 2017-18 have been announced with Norfolk due to receive £40.093m in 2017-18. The Department of Health has confirmed that the Autumn Statement 2016 anticipates that local authority funding for public health would be reduced by an average of 3.9% in real terms per annum over the five years to 2020. This equates to a reduction in cash terms of 9.6% over the same period.

6.22. **Dedicated Schools Grant (DSG)** – The DSG for 2017-18 was announced in December and has been based on the funding model introduced in 2013-14. 2018-19 will see the introduction of a National Funding Formula for schools, as a result there are only minimal changes planned in 2017-18. Further details about the funding model are included within the 2017-18 Revenue Budget report.

6.23. The Government has announced DSG for 2017-18 totalling £581.247m, this compares to a total DSG allocation of £560.260m in 2016-17. The DSG is before academy recoupment.

6.24. **Pupil Premium Grant (PPG)**[13] – In 2017-18, primary Free School Meals (FSM) 'Ever 6' pupils will attract £1,320, which is aimed to help primary schools raise attainment and ensure that every child is ready for the move to secondary school. £935 will be allocated for secondary FSM 'Ever 6' pupils. FSM 'Ever 6' allocations remain unchanged from 2016-17. FSM 'Ever 6' pupils are those who have been registered for free school meals at any point in the last six years.

[13] https://www.gov.uk/government/speeches/school-revenue-funding-settlement-for-2017-to-2018

6.25. The pupil premium plus (for looked after children) will remain at £1,900 per pupil in 2017-18. The eligibility for this includes those who have been looked after for one day or more, and (from 2015-16) children who have been adopted from care or have left care under a special guardianship or child arrangement order. Schools will receive £1,900 for each eligible pupil adopted from care who has been registered on the school census and the additional funding will enable schools to offer pastoral care as well as raising pupil attainment.

6.26. Children with parents in the armed forces will continue to be supported through the service child premium. In 2017-18, the service child premium will continue to be set at £300 per pupil.

6.27. **Adult Social Care Support Grant** – Alongside the main settlement figures, the Government announced additional funding for social care in 2017-18. This was in the form of a new Adult Social Care Support Grant worth £4.197m for Norfolk (one off) which has been funded by bringing forward reductions in New Homes Bonus (reduction in grant of £0.934m compared to 2016-17).

Un-ring-fenced grants

6.28. **NHS funding (Better Care Fund)** – During 2016-17 the County Council and CCGs undertook negotiations to mitigate the risk to social care services as a result of a reduction in the funding allocated from health via the Better Care Fund (BCF) amounting to £7.9m. This has resulted in a separate three year agreement to the BCF covering 2016-17 to 2018-19. In 2017-18 the Council will make ongoing savings of £3.3m to offset the agreed reduction, while CCGs will contribute through savings of £5.1m. In 2016-17 the County Council absorbed £6.53m of this pressure (of which £5m was a one-off contribution). The savings of £3.3m have been reported to the Adult Social Care Committee and are included in this report. Robust plans to deliver these savings are under development and it is considered that the savings can be made.

6.29. The BCF funding through the NHS is distinct from the improved Better Care Fund which is detailed below.

6.30. Integration is a priority for Norfolk where it is recognised that current health and social care services will become unsustainable given increasing demand and financial imperatives. The BCF programme is a key mechanism for the delivery of integration in Norfolk. Funding has been pooled for Health and Social Care services to promote closer joint working in local areas in line with Better Care Fund plans agreed between the NHS and local authorities, which are intended to align to and support the large scale change required by the local Sustainability and Transformation Plan. This funding is used to commission services for local health and social care needs, as determined by the Health and Wellbeing Boards.

6.31. Disabled Facilities Grant (DFG) allocations are passported to District Councils through the BCF. This enables Housing Authorities to meet their statutory duty to provide adaptations to the homes of people with disabilities to help them live independently for longer. From 2016-17 the DFG allocations have included amounts to offset the discontinuation of the Social Care Capital Grant.

6.32. **Improved Better Care Fund** – From 2017-18 the County Council will receive additional funding for Adult Social Care via Improved Better Care Fund allocations. Nationally this will be worth £1.5bn by 2019-20, and has been funded from changes to the New Homes Bonus grant. For 2017-18 no assumptions have been made of additional legislative requirements related to this element of the BCF, however further requirements are assumed for future years. In the event that these do not emerge, the pressure on the 2018-19 and 2019-20 budgets will be reduced.

6.33. **Local Reform and Community Voices grant** – allocations for this grant, which consists of three funding streams (Deprivation of Liberty Safeguards in Hospitals; local Healthwatch funding; and funding for the transfer of Independent NHS Complaints Advocacy Service to local authorities) have not been announced. It may be that the grant has been reduced or removed, but in the past allocations have not been published until after the start of the financial year and it is therefore assumed that this funding continues in 2017-18.

6.34. **Independent Living Fund (ILF)** – the ILF provides support for disabled people with high support needs, to enable them to live in the community rather than in residential care settings. From 1 July 2015 responsibility for supporting ILF users in England passed to local authorities, with associated grant funding being provided. Allocations of this grant have previously been published after the start of the financial year and it is assumed that the funding continues in 2017-18.

6.35. **Social Care in Prisons grant** – the Social Care Act establishes that local authorities are responsible for assessing and meeting the care and support needs of offenders residing in any prison, approved premise or bail accommodation within its area. This grant is to provide additional funding to undertake this new burden. Allocations have not yet been announced for 2017-18 but it is assumed that the funding continues.

6.36. **Education Services Grant** – ESG is paid to local authorities and academies based on the number of pupils they are responsible for, to buy services previously provided by the local authority. For the first six months of 2017-18 the amount per pupil for mainstream schools has reduced from £77 to £66, and for special schools from £327.25 to £280.50. The grant is then due to cease at the end of August 2017, with the retained duties grant being transferred to the schools block of the Dedicated Schools Grant.

6.37. **New Homes Bonus Funding** – New Homes Bonus (NHB) is a grant paid by central government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid for each new home, linked to the national average of the council tax band, originally for a period of six years. As part of the Provisional Settlement, the Government has confirmed that from 2017 a national baseline for housing growth will be introduced at 0.4%, effectively reducing the number of eligible properties in the calculation of the grant. In addition in 2017-18 NHB payments will be made for five, rather than six years, with the payment period being reduced again to four years from 2018-19.

6.38. 2016-17 saw the Council receive a full six years in payment for the first time for the houses built in 2011-12. The impact of the changes to the grant scheme outlined above have been included in the Council's budget planning.

**Council Tax (24%)**

6.39. Council Tax is a key source of locally raised income for many local authorities. This helps make up the difference between the amount a local authority needs to spend and the amount it receives from other sources, such as business rates, government grants and fees and charges.

6.40. In 2016-17 the Government introduced a new discretion for local authorities providing adult social care to raise additional council tax as an Adult Social Care precept. This gave authorities the option to raise an additional precept of 2%, on top of their existing discretion to raise Council Tax within the referendum limit, currently also 2%. In 2017-18, the Government has further extended the flexibility around the Adult Social Care precept, allowing councils to raise it by 3% in 2017-18 and 2018-19, but in this event having no rise permitted in 2019-20. The Council's Medium Term Financial Strategy is based on the following council tax assumptions (subject to Member decisions in each year).

**MTFS Table 5: Council Tax assumptions**

| | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|
| Assumed increase in general council tax | 1.80% | 1.90% | 1.99% |
| Assumed increase in Adult Social Care precept | 3.00% | 3.00% | 0.00% |
| **Total assumed council tax increase** | **4.80%** | **4.90%** | **1.99%** |

6.41. Further background information about council tax is provided below.

**Council Tax Freeze Grants 2011-12 to 2015-16**

6.42. Between 2011-12 and 2015-16, the Government offered Council Tax Freeze Grant (CTFG) to encourage councils not to increase council tax. The arrangements for CTFG differed from year to year (in 2012-13 for example CTFG allocations were not ongoing) but generally amounts have been added into the Local Government Departmental Expenditure Limit (LG DEL). Whilst this provides some certainty about the continuity of this level of funding, once specific grants are transferred into the LG DEL, there is no guarantee that we will receive the same amount, as the grants are no longer ring-fenced and we are no longer able to identify the funding as a separate amount. In reality, once RSG is removed as part of the localization of business rates, any notional amounts of CTFG will also cease to be received. From 2016-17, the Government stopped offering Council Tax Freeze Grant.

**Council Tax assumptions within Core Spending Power for 2016-17 onwards**

6.43. In 2016-17 the Government introduced a measure of "core spending power", which was amended in 2017-18 to consist of:

- Settlement Funding Assessment (Business Rates Baseline Funding and RSG);
- New Homes Bonus;
- The local government element of the Improved Better Care Fund;
- Rural Services Delivery Grant
- Transition Grant
- The 2017-18 Adult Social Care Support Grant; and
- Council Tax Requirement

6.44. Core spending power is thus intended to reflect the resources over which councils have discretion.

6.45. The assessment of core spending power was used in 2016-17 as a mechanism to distribute reductions in Revenue Support Grant for the period up to 2019-20 to ensure that within each tier of Local Government (upper-tier, lower-tier, fire and rescue, and GLA other services), authorities of the same type received the same percentage change in settlement core funding. The inclusion of council tax in this calculation represents a significant change in Government policy. The Spending Review document stated that this was intended to "*rebalance support including to those authorities with social care responsibilities by taking into account the main resources available to councils, including council tax and business rates.*"[14]

6.46. Analysis by the Society of County Treasurers identified that amongst authorities with social care responsibilities, shire counties experienced the greatest loss of funding in the 2016 settlement as a result of the inclusion of the council tax requirement in the funding distribution calculation. This was due to the fact that shire counties tend to derive a higher proportion of their funding from Council Tax. Following criticism of the approach, the Government announced Transitional Grant funding allocations in the Final Settlement 2016-17 which were intended to *"ease the pace of reductions during the most difficult first 2 years of the settlement."*[15]

6.47. Nonetheless, by using core funding as a mechanism for the distribution of funding in the four year settlement, the Government has effectively assumed that:

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[14] *Spending Review and Autumn Statement 2015*, para 1.242, p59, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

[15] Secretary of State for Communities and Local Government's speech announcing the 2016-17 local government finance settlement: https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2016-to-2017

- Councils will raise council tax at least in line with the Office for Budget Responsibility's (OBR) November 2015 forecast for CPI inflation (an annual average of 1.75% over the period)
- Relevant councils will raise the Adult Social Care precept in each year.
- Average annual growth rates in the Council Tax base between 2013-14 and 2015-16 will recur for the period to 2019-20.

6.48. As a result, any decision to raise council tax by less than the Government's inflation assumptions, or a decision not to exercise the full discretion to raise a social care precept, will lead to an underfunding of councils through the Spending Review period, when compared to the Government's expectations. Within the 2016-17 provisional settlement, for Norfolk County Council, an increase in Council Tax of £83.667m is forecast in the Government's assumptions by 2019-20 compared to the 2015-16 baseline – amounting to an overall 26.9% increase in the funding from council tax across the period. The achievability of such significant increases is not certain.

## 7. Revenue strategy and budget

7.1. The primary objective of the Medium Term Financial Strategy 2017-20 is to show a balanced three year budget. At present further savings or additional revenue funding need to be identified to meet the shortfall shown in 2018-19 and 2019-20 below:

**MTFS Table 6: Budget surplus / deficit**

| | 2017-18 £m | 2018-19 £m | 2019-20 £m |
|---|---|---|---|
| Additional cost pressures and forecast reduction in Government grant funding | 74.265 | 58.167 | 52.508 |
| Council Tax base increase | -19.853 | -14.723 | -9.338 |
| Identified saving proposals and funding increases | -54.412 | -27.818 | -24.590 |
| **Budget gap (Surplus) / Deficit** | **0.000** | **15.626** | **18.580** |

7.2. The Council's revenue budget plans deliver a balanced budget for 2017-18, but a deficit remains of £15.626m in 2018-19 and £18.580m in 2019-20 (an **overall deficit in the Medium Term Financial Strategy of £34.206m**). The Medium Term Financial Strategy is intended to aid forward planning and help mitigate financial risk. The detailed timetable for the identification of the required savings and future year budget setting is set out in the Revenue Budget report.

7.3. The four-year funding allocations announced in 2016-17 provide a degree of additional certainty for local councils' medium-term financial planning. However, the first two years of the settlement include the most significant reductions for the council and increased funding from the Improved Better Care Fund does not have a significant impact until 2018-19. The additional funding via the Adult Social Care Support Grant, although welcome, relates to 2017-18 only and therefore does not contribute to solving long-term funding issues within social care. Similarly, the increased flexibility in the Adult Social Care precept simply brings forward existing funding and increases the burden on local council tax payers. Developments in 2016-17 have provided some clarity around previous uncertainties and risks within the Medium Term Financial Strategy, for example in the withdrawal of the devolution offer for Norfolk and Suffolk, agreement of local BCF shares, and clarity around changes to New Homes Bonus grant. Nonetheless, uncertainty remains around a number of key areas:

- further development of local plans for the further integration of health and social care via the Sustainability and Transformation Programme;
- the impact of the decision to leave the EU on local government funding and the wider local economy;
- the potential impact of any transfer of responsibilities for the Fire Service to the Police and Crime Commissioner;
- the achievability of growth assumptions for Council Tax included in the Government's methodology for the distribution of funding reductions;
- whether the financial demands of ongoing austerity will necessitate changes in the way local services are delivered and organisations are configured as demonstrated by the wider debates about reorganisation taking place across local government;
- the new responsibilities to be transferred to local government as part of plans for the full retention of Business Rates by the end of the parliament; and
- whether or not there will be new burdens and responsibilities associated with the improved BCF allocations in future years.

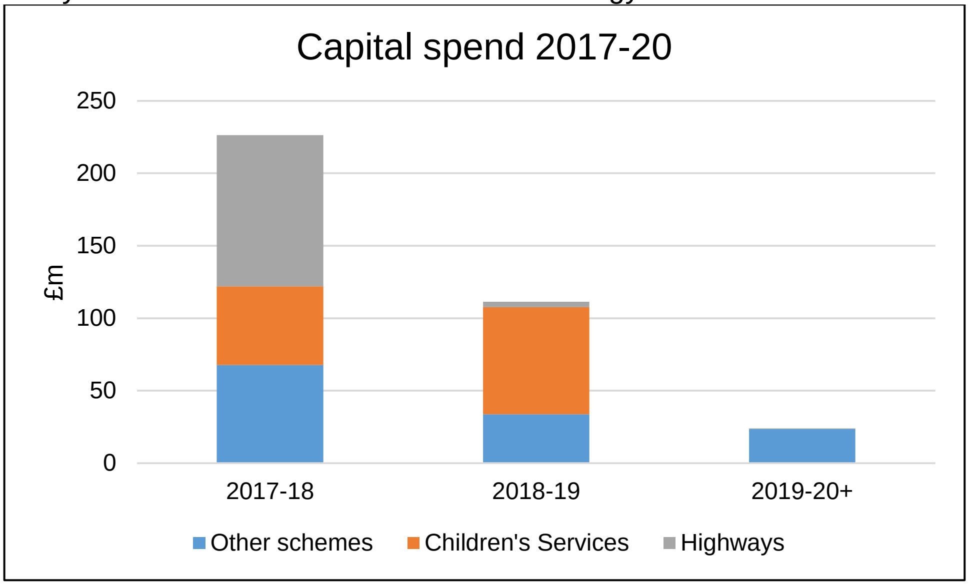
## 8. Capital strategy and budget

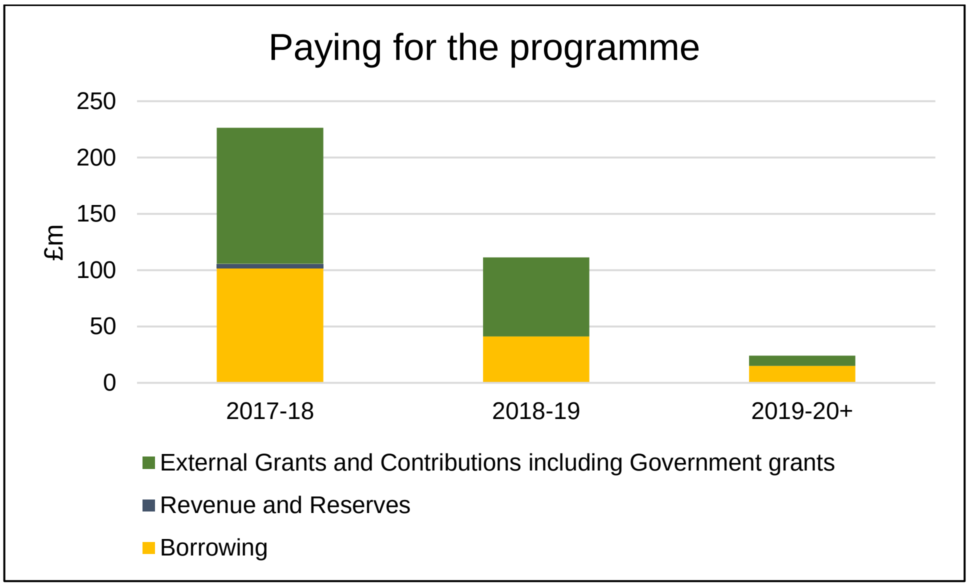
8.1. The Capital Strategy provides a framework for the allocation of resources to support the Council's objectives. The key aims of the Capital Strategy are to:

- provide a framework for identifying and prioritising capital requirements and proposals;
- provide a clear context within which proposals are evaluated to ensure that all capital investment is targeted at meeting the Council's priorities;
- consider options available to maximise funding for capital expenditure whilst minimising the impact on future revenue budgets; and
- identify the resources available for capital investment over the medium term.

8.2. A proposed capital programme of £361.888m is included elsewhere on the agenda.

8.3. The bar charts below show the split of capital spend and how it is funded.




8.4. The main use of capital receipts over the next three years will be to apply them directly to the re-payment of debt as it falls due, and to support the costs of maintaining the farms estate, with any surplus retained to support the capital programme including the Northern Distributor Road. The amount and timing of capital receipts is subject to a great deal of uncertainty, particularly in respect of development land. The programme of potential sales is regularly updated and the latest forecasts suggest capital receipts of over £15m are anticipated over the next three years, of which £10m is forecast to be directly applied to debt repayments.

**County Farms**

8.5. The County Farms Estate is managed in accordance with the policy approved by Full Council in October 2014. The size of the estate has been maintained in excess of 16,000 acres. The Farms Estate generates circa £1.800m annual rent income for the Council and this is projected to rise to £2.000m. After deducting direct landlord's expenditure in maintaining and improving the Estate, and the cost of management, a net contribution of £0.500m is made to the Council's revenue budgets.

8.6. A programme of planned improvements is continuing to be implemented, funded both from the Capital Programme for larger schemes and from the trading account for revenue improvement schemes. In the 2016-17 the estimated expenditure of capital and revenue improvements amounts to just over £1.000m.

## 9. Summary

9.1. The Medium Term Financial Strategy sets out details of the high level national and local factors which are likely to impact upon the Council's budget planning over the next three years. It provides information about how the Council's intends to respond to these challenges and needs to be considered when the County Council makes decisions about the Budget. The Medium Term Financial Strategy in particular provides an overview of the likely implications of 2017-18 budget decisions for the future years 2018-19 to 2019-20, and outlines the potential longer term issues facing the Council, such as (for example) the localisation of business rates.

9.2. The overarching purpose of the Medium Term Financial Strategy is to support the Council in developing balanced budget plans over the three year period, and to support this objective a proposed planning timetable for setting a balanced budget for 2018-19 is included within the 2017-18 Revenue Budget report.

# Policy and Resources Committee

**Item No 8ii**

| | |
|---|---|
| **Report title:** | **County Council Budget 2017-18 to 2019-20: Statement on the Adequacy of Provisions and Reserves 2017-20** |
| **Date of meeting:** | **06 February 2016** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services – Simon George** |

## Strategic impact

This report sets out the Executive Director of Finance and Commercial Services' statement on the adequacy of provisions and reserves used in the preparation of the County Council's budget, which is reported elsewhere on this agenda. As part of budget reporting to Policy and Resources Committee and the County Council, the Executive Director of Finance and Commercial Services is required under the Local Government Act 2003 to comment on the adequacy of the proposed financial reserves. Members must consider the level and use of reserves and balances to inform decisions when recommending the revenue budget and capital programme. This paper is one of a suite of reports that support Policy and Resources Committee's recommendations to County Council about the budget.

## Executive summary

This report details the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2017-20. It includes an assessment of the Council's financial risks that should be taken into consideration in agreeing the minimum level of General Balances held by the Council.

This paper is one of a suite of reports that support Policy and Resources Committee in making recommendations to the County Council about 2017-18 budget decisions.

**Recommendations:**

1. Policy and Resources Committee is asked to agree to recommend to County Council:

   a) Note the planned reduction in non-schools earmarked and general reserves of 46.8% over three years, from £87.569m (March 2016) to £46.606m (March 2020) (paragraph 5.2);

   b) Note the policy on reserves and provisions in Appendix C;

   c) Agree, based on current planning assumptions and risk forecasts set out in Appendix D:

      i. for 2017-18, a minimum level of General Balances of £19.252m, and
      ii. a forecast minimum level for planning purposes of

- 2018-19, £22.978m; and
- 2019-20, £23.568m.

as part of the consideration of the budget plans for 2017-20, reflecting the transfer of risk from Central to Local Government, and supporting recommendations;

d) Agree the use of non-school Earmarked Reserves, as set out in Appendix E;

e) Agree that the Executive Director of Finance and Commercial Services further reviews the level of the Council's Reserves and Provisions as part of closing the 2016-17 accounts in June 2017. This review will seek to identify £5.734m of earmarked reserves that can be released in 2017-18 to support the Children's Services budget. In the event that sufficient funding from reserves cannot be found, the Executive Director of Finance and Commercial Services will consider the need for additional in-year savings to be sought across the organisation to support the Children's budget.

## 1. Introduction

1.1. As part of budget reporting to Policy and Resources Committee and the County Council, the Executive Director of Finance and Commercial Services is required under the Local Government Act 2003 to comment on the adequacy of the proposed financial reserves.

1.2. Reserves are an essential part of good financial management and are held to ensure the Council can meet unforeseen expenditure and to smooth expenditure across financial years. They enable councils to manage unexpected financial pressures and plan for their future spending commitments. While there is no universally defined level for councils' reserves, the reserves a Council holds should be proportionate to the scale of its future spending plans and the risks it faces as a consequence of these. Norfolk County Council's policy has been to set limits consistent with the Council's risk profile and with the aim that Council Taxpayer's contributions are not unnecessarily held in provisions or reserves.

1.3. This paper sets out the County Council policy for reserves and balances and details the approach for setting a risk assessed framework for reaching a recommended level of general balances. Appendices A and B explicitly identify the risks, over ten categories, and the quantification of those risks, in arriving at the recommended level.

1.4. Taking into account the overall position, it is considered that the current level of General Balances is adequate and the minimum level is therefore proposed at £19.252m.

## 2. Purpose of holding provisions and reserves

2.1. The Council holds both provisions and reserves.

2.2. Provisions are made for liabilities or losses that are likely or certain to be incurred, but where it is uncertain as to the amounts or the dates on which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

2.3. Reserves (or Earmarked Reserves) are held in one of three main categories:

- Reserves for special purposes or to fund expenditure that has been delayed – reserves can be held for a specific purpose, for example where money is set aside to replace equipment or undertake repairs on a rolling cycle, which can help smooth the impact of funding.

- Local Management of Schools (LMS) reserves that are held on behalf of schools – the LMS reserve is only for schools and reflects balances held by individual schools. The balances are not available to support other County Council expenditure.

- General Balances – reserves that are not earmarked for a specific purpose. The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance and Commercial Services is required to form a judgement on the level of the reserve and to advise Policy and Resources Committee accordingly.

2.4. Reserves are held for revenue and capital purposes. However some are specific e.g. Usable Capital Receipts can only be used for capital purposes.

## 3. Current Context

3.1. In respect of General Balances, their minimum level is presently recommended at £19.252m for 2017-18. The projected actual level at 31 March 2017 is £19.252m, prior to allowing for the revenue budget year end position, which is currently forecasting an overspend of £5.512m (as per the monitoring report elsewhere on this agenda). However, Chief Officers are taking action to reduce the level of overspend and it is anticipated that a balanced outturn position will be achieved as a result. The budget proposals reported on this agenda do not include any use of General Balances. The level of minimum balance is informed by an assessment of the financial risk to which the Council is exposed, whilst also taking account of the level of financial controls within the Council. Financial management and reporting arrangements are considered to be effective and this has been commented on by the external auditors.

3.2. Norfolk County Council's provisions and reserves are reported to Policy and Resources Committee on a monthly basis and are subject to continual review. They are also reported to the relevant Service Committee. In comparison with other County Councils, the Council holds a lower than average percentage of general balances. Latest Revenue Account Budget information from the Department for Communities and Local Government indicates that as a proportion of the 2016-17 net budget the Council's general reserves are presently 5.8%, while the average for shire counties is 7.5%.

3.3. In setting the annual budget, a further review of the level of reserves is undertaken, alongside any under or overspend in the current year, as to whether it is possible to release funding to support the following year's budget or whether additional funding is required to increase the level of reserves. That review is informed principally by an assessment of the level of financial risk to which the council is exposed and an assessment of the role of reserves in supporting future spending plans.

3.4. The overall level of General Balances needs to be seen also in the context of the earmarked amounts set aside and the Council's risk profile. Whilst it is recognised that all County Councils carry different financial risk profiles, the position in Norfolk is that the level of its General Balances is below that of most other Counties.

## 4. Assessment of the level of General Balances

4.1. The framework for assessing the level of General Balances, detailed at Appendix A, is based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council. It takes into consideration the most significant risks and issues including the following:

- Level of savings and transformation. One of the most significant risks continues to be the level of transformation that has to take place across the Council to deliver the required budget savings. Risk has been considered as part of our assessment of the robustness of the budget proposals, and reflected in the reprofiling and removal of some savings. The remaining risks will be monitored within and across services as part of the Council's ongoing risk management process and mitigating actions will be identified and monitored. Robust financial monitoring controls are in place and additional monitoring of the transformation programme is being undertaken.

- Managing the cost of change. The Council will need to budget for the cost of any redundancies necessary to achieve the required budget savings and service restructuring to the extent they are not contained in the budget proposals. The Council has a separate redundancy reserve for this purpose.

- The effect of economic and demand changes. There is always some degree of uncertainty over whether the full effects of any economy measures and / or service reductions will be achieved. Whilst the budget process has been prudent in these assumptions and those assumptions, particularly about demand led budgets, should hold true in changing circumstances, an adequate level of general contingency provides extra reassurance the budget will be delivered on target. Changes in the economic climate may also influence certain levels of income to be received at a lower level than previous years.

- Cost of disasters. The Bellwin Scheme of Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. In a disaster situation, the Council can claim assistance from the Government using the Bellwin rules. Thresholds were set in 2015-16 and the threshold below which the Council would have to fund emergency costs was set at £1.246m. Central Government would then provide 100% grant funding for any expenditure incurred above this amount. Examples of natural disasters eligible for the scheme would include severe flooding and hurricane damage.

- Uncertainty arising from the introduction of new legislation or funding arrangements such as the full retention of Business Rates.

- Risk of changes to the levels of grant funding and factors affecting key income streams such as Council Tax and Business Rates.

- Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.

- The risk of major litigation, both currently and in the future.

- The need to retain a general contingency to provide for any unforeseen circumstances which may arise.

- The need to retain reserves for general day to day cash flow needs.

4.2. The ten areas of risk considered in the general contingency are detailed in Appendix A with an explanation of the potential risks faced by the Council. Appendix B details the calculation of the General Balances.

**Table 1: Recommended and forecast level of General Balances 2016-20**

| **2016-17 (31/03/2017 Forecast)** | | **2017-18** | **2018-19** | **2019-20** |
|---|---|---|---|---|
| **£m** | | **£m** | **£m** | **£m** |
| 19.252 | Assessment of the level of General Balances | 19.252 | 22.978 | 23.568 |

4.3. It is essential in setting a balanced budget that the Council has money available in the event of unexpected spending pressures. The "balances" need to reflect spending experience and risks to which the Council is exposed.

4.4. The latest budget monitoring position reported to Policy and Resources Committee forecasts general balances at 31 March 2017 of £19.252m, prior to allowing for the revenue budget end of year position, which is currently forecasting an overspend of £5.512m.

4.5. The increase in the minimum level of risk-based balances needed in the following three years reflects the increased level of risk around budget assumptions, such as pay awards, where the longer forecasting horizon increases the level of uncertainty.

## 5. Review of Earmarked Reserves and Provisions

5.1. As part of the 2017-18 budget planning process, a detailed review has been undertaken in respect of each of the reserves and provisions held by the Council. In general, the earmarked reserves and provisions are considered by the Executive Director of Finance and Commercial Services to be adequate and appropriate to reflect the risks they are intended to cover. However, it is considered that changes could be made to some reserves, due to changing circumstances. Table 2 summarises the earmarked reserves for each Committee and where it is recommended that the Medium Term Financial Strategy includes movement from or to reserves, these are detailed at the foot of the table. The detailed balances for individual reserves are shown at Appendix C.

**Table 2: Summary of Earmarked Reserves and Provisions 2016-20**

| Committee | Balance at 31/03/16 £m | Forecast at 31/03/17 £m | Forecast at 31/03/18 £m | Forecast at 31/03/19 £m | Forecast at 31/03/20 £m |
|---|---|---|---|---|---|
| Adult Social Care | 5.975 | 4.136 | 3.577 | 3.121 | 3.121 |
| Children's Services | 3.797 | 1.773 | 0.923 | 0.923 | 0.923 |
| Communities | 12.600 | 8.308 | 6.715 | 5.912 | 5.797 |
| Environment Development and Transport | 29.817 | 22.751 | 21.164 | 20.395 | 19.730 |
| Policy and Resources | 32.454 | 31.676 | 25.183 | 25.183 | 25.183 |
| Business Risk Reserve | 10.678 | 0.000 | 0.000 | 0.000 | 0.000 |
| Election | 0.000 | 0.000 | 0.000 | 0.275 | 0.550 |
| Use of Reserves to be identified | 0.000 | 0.000 | -6.734 | -6.734 | -6.734 |
| **Total (excluding schools)** | **95.320** | **68.643** | **50.828** | **49.076** | **48.571** |
| Reserves for capital use | 1.576 | 0.755 | 2.295 | 2.975 | 1.625 |
| Schools | 13.473 | 5.930 | 5.198 | 4.763 | 4.513 |
| School - LMS | 21.333 | 14.000 | 12.000 | 10.000 | 8.000 |

| **Key Use of Reserves to support the Medium Term Financial Strategy** | | | | | |
|---|---|---|---|---|---|
| Insurance Fund | | | -1.350 | | |
| Use of Reserves to be identified | | | -5.734 | | |
| Better Broadband Reserve | | | -0.500 | | |
| Transitional Funding Reserve | | | -4.561 | | |
| Reserves to fund Elections | | | -1.000 | | |
| Organisational Change Reserve for Social Care System Replacement | | | -0.914 | | |
| **Total** | | | **-14.059** | | |

There may be small differences in the table above due to the rounding of figures.

5.2. The planned change in total non-schools reserves is **a reduction of 46.8%** over three years:

**Table 3: Change in Reserves 2016-20**

| | **March 31, 2016** | **March 31, 2020** | **Reduction %** |
|---|---|---|---|
| | **£m** | **£m** | |
| General Balances | 19.252 | 23.568 | |
| Earmarked Reserves | 68.317 | 23.038 | |
| **Total** | **87.569** | **46.606** | **46.8%** |
| *The comparative figures for last year were:* | | | |
| | **March 31, 2015** | **March 31, 2020** | **Reduction %** |
| General Balances | 19.200 | 26.263 | |
| Earmarked Reserves | 68.474 | 33.718 | |
| Total | 87.674 | 59.981 | 31.6% |

5.3. When taking decisions on utilising reserves or not it is important that it is acknowledged that reserves are a one-off source of funding and once spent, can only be replenished from other sources of funding or reductions in spending. The practice has been to replenish reserves as part of the closure of accounts, however this can be difficult to predict, and these contributions are therefore not reflected in the figures shown.

5.4. It is proposed to utilise the reductions in reserves outlined above to support the overall 2017-18 budget and this funding source will need to be replaced in the 2018-19 budget. This is reflected in the Medium Term Financial Strategy.

5.5. In view of the need to keep all financial risks under ongoing review and given the scale of change facing the Council, it is proposed that a further full risk assessment of earmarked reserves also be undertaken as part of the closure of the accounts, alongside the review of Council balances in the summer 2017.

5.6. Attached at Appendix C is the policy on reserves and provisions used to provide guidance in assessing their level. Attached at Appendix D and E is a full list of the reserves and provisions held by the Council including their purpose, and the expected usage over the medium term period. The forecast year end position of all reserves and provisions is reported to each meeting of the Policy and Resources Committee.

## 6. Equality Impact Assessment

6.1. In making decisions about the budget, the County Council must give due regard to eliminating unlawful discrimination, promoting equality of opportunity and fostering good relations between people with protected characteristics and the rest of the population. Details of the equality and rural impact assessment of the budget proposals are included in the Revenue Budget report.

## 7. Issues, risks and innovation

7.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2017. Legal requirements in relation to setting the budget and level of Council Tax have been set out within this and other reports on the agenda and are considered to be met.

7.2. **Risks** – The risks associated with the budget proposals were reported to Service Committees in January 2017 and to Council in the separate report on the Robustness of Estimates. Reports on the Robustness of Estimates and the Statement on the Adequacy of Provisions and Reserves also set out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

## 8. Summary

8.1. Members could choose to agree different levels of reserves and balances, which could increase or decrease the level of risk in setting the revenue and capital budget. This would change both the risk assessment for the budget and the recommended level of balances.

8.2. The proposed level of reserves and balances set out in this report is considered to provide a prudent and robust basis for the Revenue Budget 2017-18, and will ensure the Council has adequate financial reserves to manage the delivery of services and the proposed savings in the financial years covered by the associated Medium Term Financial Strategy.

## Background Papers

Provisional Local Government Finance Settlement 2017-18 and future years: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018

## Officer Contact

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

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**APPENDIX A**

**Key financial risks for Norfolk County Council for General Balances calculation**

| Area of risk | Explanation of risk |
|---|---|
| 1) Legislative changes | Key government policy and legislative changes will impact on the Council's budget plans. Forecasts have been based on the latest information available but there is risk of variation and there is greater risk in future years, where estimates cannot be fully based on firm government announcements. Key elements include:<br><br>- Government grant – based on provisional government funding announcements. Although Settlement Funding Allocations for four years have been announced, future changes in grant level may still occur.<br>- Business Rates. Councils' funding is affected by the level of business rates collected. NCC is affected by the combined rates across all Norfolk councils, which helps smooth out any specific peaks and troughs, however significant appeals and applications for relief such as Power Stations, GPs surgeries and NHS Foundation Trusts can result in significant volatility. There is also considerable uncertainty about the Government's plans for full localisation of Business Rates, intended to be completed during the life of the current parliament. This may result in a further transfer of risk to Local Authorities, and is likely to see a transfer of responsibilities.<br>- Council Tax base and collection fund. The council funding is affected if there is a reduction in the tax base or in the amount collected by the billing authorities. The budget is based on a prudent forecast, which minimises the financial risk to budgeted income.<br>- NHS/Social Care Funding – Agreement has been reached around how much additional social care funding will be available to NCC from CCGs up to 2018-19, but there is uncertainty about future amounts. There is also uncertainty about the responsibilities attached to funding through the improved BCF. The budget forecasts include an assumption about additional responsibilities from 2018-19 onwards.<br>- The National Living Wage was introduced from 2016-17, starting at £7.20 and expected to rise to over £9 by 2020. The exact level at which the National Living Wage will be set in future years has not be confirmed. |
| 2) Inflation | Pay inflation has been assumed at 1% for 2017-18, 2018-19, and 2019-20 in line with the Chancellor's planning assumptions for public sector pay. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. However the County Council is part of the national agreement and therefore pay awards for 2017-18 onwards will be subject to any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period. |

**Key financial risks for Norfolk County Council for General Balances calculation**

| Area of risk | Explanation of risk |
|---|---|
| | Price inflation has been included based on contractual need. There is a risk that inflation will be required during the planning period, even where there is no current contractual element. In addition many contracts are negotiated post budget agreement and therefore forecast inflation levels may be different in practice.<br><br>Inflation on fees and charges is set by NCC – a 1.7% increase has been assumed for 2017-18 and 2% in the following years. However, there is a risk that market forces may require this to be varied during the planning period. |
| 3) Interest rates on borrowing and investment | Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by our Treasury Advisors. Reference is also made to the London Intra Bank Bid rate for money market trades. The current rates are low and are likely to remain so until UK base rates are increased, which is not anticipated until June 2019.<br><br>The revenue cost of borrowing is based on the rates of interest payable on the Council's existing debt and assumptions in respect of capital expenditure to be funded from borrowing which has yet to be borrowed. |
| 4) Government funding | In 2016-17, the Government provided indicative long term funding allocations up to 2019-20. While the grant announcements remain subject to Government changes, which can also arise 'in-year', the Council has a much higher degree of certainty than has historically been the case. However, there remain a number of issues which may impact on future funding levels:<br><br>• The drive to deliver deficit reduction targets means that the Government may place further reductions on government departments that may affect local government, particularly if there are changes in the wider economy.<br>• On occasions general issues arise on funding which place the Council at risk of clawback.<br>• Key funding for integrated health and social care is via the Department of Health and is dependent on the agreement of plans and further information regarding payment by results.<br>• There is considerable uncertainty about the Government's plans to reform local government funding including the full retention of Business Rates (which will mean the phasing out of Revenue Support Grant). |
| 5) Employee related risks | Staffing implications of budget planning proposals have been evaluated and reflected within the financial plans, including the |

**Key financial risks for Norfolk County Council for General Balances calculation**

| Area of risk | Explanation of risk |
|---|---|
| | cost of redundancy. However, variations could occur as detailed implementation plans are developed. |
| 6) Volume and demand changes | Many of our largest budgets are demand led and these present long standing areas of risk. Forecasts for social care are based on current outturn predictions and applied to population forecasts. Costs could vary if the population varies or if the proportion of people either requiring or eligible for care is different to the forecast.<br><br>Budgets for Looked After Children take into account the County Council's strategy for minimising the number of children in care. Financial risks include delivery of the strategy and external factors that can lead to an increase in the number of looked after children.<br><br>Waste forecasts are based on the latest available information. If tonnage levels increase, this will lead to an increased pressure. |
| 7) Budget savings | The Medium Term Financial Strategy includes £72.737m budget savings to be delivered across three years. A full assessment of all proposals has tested the robustness of each saving to minimise the financial risk, however a risk remains that the programme is delivered at a slower rate, or that some savings are not achievable at the planned level.<br><br>In addition, further savings need to be identified to close the funding shortfall in 2018-19 and 2019-20. The shortfall in 2017-18 is £15.626m and in 2019-20 is £18.580m. |
| 8) Insurance and emergency planning provision | Unforeseen events and natural disasters can increase the level of insurance claims faced by the Council.<br><br>The council's insurance arrangements, including actuarial review of the fund, additional provisions for unforeseen and unreported claims, service risk management and emergency planning procedures minimise this risk. |
| 9) Energy, security and resilience | Were a disaster to occur, we must have a reserve in place to pick up costs that will fall to the Council.<br><br>Norfolk includes flood risk areas and emergency procedures are in place to manage this.<br><br>Resilience of ICT can create a risk that might have financial implications for the Council. |
| 10) Financial guarantees /legal exposure | The contracts containing obligations that, if not fulfilled, would attract a penalty.<br>The Council has PFI Schemes for street lighting, salt barns and schools. However there is no risk to the financing of these schemes at present. |

**APPENDIX B**

## Balances Calculation

| Area of Risk | 2016-17 Original | | | 2017-18 | | | 2018-19 | | | 2019-20 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Risk Level | Value | Budget | Risk Level | Value | Budget | Risk Level | Value | Budget | Risk Level | Value |
| | £m | % | £m | £m | % | £m | £m | % | £m | £m | % | £m |
| **Legislative Changes** | | | | | | | | | | | | |
| Government Grant / Localised Business Rates | 224.197 | 0.00% | 0.000 | 197.277 | 0.00% | 0.000 | 181.226 | 0.50% | 0.906 | 166.383 | 0.50% | 0.832 |
| Business Rates | 25.385 | 0.00% | 0.000 | 25.396 | 1.00% | 0.254 | 26.213 | 1.50% | 0.393 | 27.145 | 2.00% | 0.543 |
| Council Tax Variation to Base/Collection | 338.960 | 0.00% | 0.000 | 358.812 | 0.00% | 0.000 | 373.535 | 0.50% | 1.868 | 382.873 | 0.50% | 1.914 |
| NHS/Social Care Funding | 56.381 | 3.00% | 1.691 | 60.120 | 0.00% | 0.000 | 75.286 | 0.00% | 0.000 | 87.830 | 0.00% | 0.000 |
| Apprenticeship Levy | 0.000 | 0.00% | 0.000 | 0.806 | 1.00% | 0.008 | 0.806 | 1.00% | 0.008 | 0.806 | 1.00% | 0.008 |
| Landfill Tax - waste recycling (price) | 22.397 | 0.00% | 0.000 | 22.748 | 1.00% | 0.227 | 21.545 | 1.00% | 0.215 | 22.062 | 1.00% | 0.221 |
| | **667.320** | | **1.691** | **665.159** | | **0.489** | **678.611** | | **3.391** | **687.099** | | **3.518** |
| **Inflation** | | | | | | | | | | | | |
| Employees | 226.384 | 0.00% | 0.000 | 231.940 | 0.00% | 0.000 | 234.570 | 0.50% | 1.173 | 238.560 | 0.50% | 1.193 |
| Premises | 25.781 | 1.00% | 0.258 | 20.793 | 0.50% | 0.103 | 20.707 | 0.75% | 0.155 | 20.809 | 0.75% | 0.156 |
| Transport | 55.875 | 0.50% | 0.279 | 57.110 | 0.50% | 0.286 | 57.999 | 0.75% | 0.435 | 58.988 | 0.75% | 0.442 |
| Supplies and Services | 123.555 | 0.75% | 0.927 | 134.922 | 0.50% | 0.675 | 150.127 | 0.75% | 1.126 | 158.924 | 0.75% | 1.192 |
| Agency and Contracted | 387.253 | 0.25% | 0.968 | 412.567 | 0.50% | 2.050 | 392.772 | 0.75% | 2.946 | 399.859 | 0.75% | 2.999 |
| Income (Fees and Charges) | 116.024 | 0.00% | 0.000 | 109.698 | 0.00% | 0.000 | 111.099 | 0.00% | 0.000 | 112.117 | 0.00% | 0.000 |
| | **934.871** | | **2.432** | **967.029** | | **3.114** | **967.274** | | **5.835** | **989.256** | | **5.982** |
| **Interest Rates** | | | | | | | | | | | | |
| Borrowing | 26.579 | 0.50% | 0.133 | 25.308 | 0.25% | 0.063 | 27.142 | 0.25% | 0.068 | 27.142 | 0.50% | 0.136 |
| Investment | 1.705 | 0.50% | 0.009 | 0.999 | 0.25% | 0.002 | 0.498 | 0.25% | 0.001 | 0.498 | 0.50% | 0.002 |
| | **28.284** | | **0.141** | **26.307** | | **0.066** | **27.640** | | **0.069** | **27.640** | | **0.138** |
| **Grants** | | | | | | | | | | | | |
| Education Services Grant | 6.855 | 1.00% | 0.069 | 3.067 | 0.00% | 0.000 | 0.000 | 0.00% | 0.000 | 0.000 | 0.00% | 0.000 |

## Balances Calculation

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Public Health Grant funding | 27.341 | 0.00% | 0.000 | 26.879 | 0.00% | 0.000 | 25.836 | 1.00% | 0.258 | 25.836 | 2.00% | 0.517 |
| Public Health Funding (0-5 year olds) | 13.214 | 0.00% | 0.000 | 13.214 | 0.00% | 0.000 | 13.214 | 1.00% | 0.132 | 13.214 | 2.00% | 0.264 |
| Other General Fund Grants | 24.945 | 0.50% | 0.125 | 25.241 | 0.50% | 0.126 | 21.823 | 0.50% | 0.109 | 22.441 | 0.50% | 0.112 |
| | **72.355** | | **0.193** | **68.401** | | **0.126** | **60.873** | | **0.500** | **61.491** | | **0.893** |
| **Employee Related Risks** | | | | | | | | | | | | |
| Pensions actuarial evaluation | 10.696 | 0.00% | 0.000 | 11.442 | 0.00% | 0.000 | 12.360 | 0.00% | 0.000 | 13.338 | 0.00% | 0.000 |
| | **10.696** | | **0.000** | **11.442** | | **0.000** | **12.360** | | **0.000** | **13.338** | | **0.000** |
| **Volume / Demand Changes** | | | | | | | | | | | | |
| Capital Receipts | 6.978 | 0.00% | 0.000 | 9.140 | 8.00% | 0.731 | 4.280 | 8.00% | 0.342 | 2.250 | 8.00% | 0.180 |
| Customer and Client Receipts | 116.024 | 0.75% | 0.870 | 109.698 | 0.75% | 0.823 | 111.099 | 0.75% | 0.833 | 112.117 | 0.75% | 0.841 |
| Demand Led Budgets (Adult Social Care third party and transfer payments) | 294.837 | 1.00% | 2.948 | 284.923 | 0.75% | 2.137 | 271.877 | 1.00% | 2.719 | 277.311 | 1.00% | 2.773 |
| Demand Led Budgets (Looked after Children) | 70.913 | 1.00% | 0.709 | 80.702 | 0.75% | 0.605 | 73.689 | 1.00% | 0.737 | 74.261 | 1.00% | 0.743 |
| Winter Pressures | 3.181 | 25.00% | 0.795 | 3.323 | 25.00% | 0.831 | 3.323 | 25.00% | 0.831 | 3.323 | 25.00% | 0.831 |
| Landfill Tax - waste recycling (volume) | 22.397 | 1.20% | 0.269 | 22.748 | 1.20% | 0.273 | 21.545 | 1.20% | 0.259 | 22.062 | 1.20% | 0.265 |
| Public Health third party spend | 37.796 | 2.00% | 0.756 | 37.278 | 1.00% | 0.373 | 36.236 | 1.00% | 0.362 | 36.238 | 1.00% | 0.362 |
| Better Care Fund Spend | 56.381 | 0.00% | 0.000 | 60.120 | 1.00% | 0.601 | 75.286 | 1.00% | 0.753 | 87.830 | 1.00% | 0.878 |
| | **608.507** | | **6.348** | **607.932** | | **6.373** | **597.336** | | **6.836** | **615.392** | | **6.873** |
| **Budget Savings** | | | | | | | | | | | | |
| Budget Reductions | 41.419 | 7.50% | 3.106 | 47.828 | 8.00% | 3.824 | 13.605 | 8.00% | 1.088 | 11.304 | 8.00% | 0.904 |
| | **41.419** | | **3.106** | **47.828** | | **3.824** | **13.605** | | **1.088** | **11.304** | | **0.904** |
| **Insurance/Public Liability Third Party Claims** | | | | | | | | | | | | |
| Uninsured Liabilities | 0.000 | 0.00% | 4.000 | 0.000 | 0.00% | 4.000 | 0.000 | 0.00% | 4.000 | 0.000 | 0.00% | 4.000 |
| Belwin rules | 1,245.534 | 0.10% | 1.246 | 1,245.534 | 0.10% | 1.246 | 1,245.534 | 0.10% | 1.246 | 1,245.534 | 0.10% | 1.246 |
| | **1,245.534** | | **5.246** | **1,245.534** | | **5.246** | **1,245.534** | | **5.246** | **1,245.534** | | **5.246** |

APPENDIX B

## Balances Calculation

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Energy Security and Resilience** | | | | | | | | | | | | |
| Carbon Tax Legislation | 0.348 | 10.00% | 0.035 | 0.286 | 5.00% | 0.014 | 0.286 | 5.00% | 0.014 | 0.286 | 5.00% | 0.014 |
| | **0.348** | | **0.035** | **0.286** | | **0.014** | **0.286** | | **0.014** | **0.286** | | **0.014** |
| | | | | | | | | | | | | |
| **TOTAL** | | | **19.192** | | | **19.252** | | | **22.978** | | | **23.568** |

# Norfolk County Council policy on Provisions and Reserves

## Objective

The objective of holding provisions and reserves is to ensure the Council can meet unforeseen expenditure and to smooth expenditure across financial years

The level of provisions and reserves are continually reviewed to ensure that the amounts held are within reasonable limits. Those limits should be consistent with the Council's risk profile and should ensure that Council Taxpayers' contributions are not unnecessarily held in provisions or reserves.

## Provisions

Provisions are made for liabilities or losses that are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

The provision amounts are reported to Service Committees and Policy and Resources Committee on a regular basis and are continually reviewed to ensure that they are still needed and that they are at the appropriate amount. If necessary, the amount is increased or decreased as circumstances change to ensure that the provisions are not over or understated.

## Reserves

The Council's reserves consist of the following main categories:

- Reserves for special purposes or to fund expenditure that has been delayed
- Local Management of Schools (LMS) reserve
- General Balances (Reserves that are not earmarked for a specific purpose)

Further details of these categories is set out below. The Council complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

Similar to provisions, reserves are reported to Policy and Resources Committee on a regular basis and are continually reviewed in the context of service specific issues and the Council's financing strategy. Reserves are held for revenue and capital purposes. Some reserves, such as General Balances, could be used for either capital or revenue purposes, whilst others may be specific e.g. Usable Capital Receipts can only be used for capital purposes.

**Reserves for special purposes or to fund expenditure that has been delayed.**
Reserves can be held for a specific purpose. An example of a reserve is repairs and renewals. Money is set aside to replace equipment on a rolling cycle. This effectively spreads the impact of funding the replacement equipment when the existing equipment is no longer fit for purpose.

**LMS reserve**
The LMS reserve is only for schools and reflects balances held by individual schools. These balances are not available to support other County Council expenditure.

# Norfolk County Council policy on Provisions and Reserves

## General Balances

The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Executive Director of Finance and Commercial Services is required to form a judgment on the level of this reserve and to advise the Policy and Resources Committee and County Council accordingly.

In forming a view on the level of General Balances, the Executive Director of Finance and Commercial Services takes into account the following:

- Provision for Unforeseen Expenditure
- Uninsured risks
- Comparisons with other similar organisations
- Level of financial control within the Council

*Provision for Unforeseen Expenditure*

Unforeseen expenditure can be divided into two categories:

- Disasters
- Departmental Overspends

In a disaster situation, the Council can have recourse to the Government using the Bellwin rules under which the Council would have to fund the first £1.246m of costs (2015-16 threshold). Central government would provide grant funding of 100% for expenditure incurred above this amount. Examples of natural disasters are severe flooding and hurricane damage.

The Council also needs to be able to fund a Departmental overspend, should one occur.

*Uninsured risks*

A combination of external insurance cover and the Council's insurance provision provides adequate cover for most of the Council's needs. Considerable emphasis has been placed upon risk management arrangements within the Council in order to minimise financial risks.

However, there are some potential liabilities, such as closed landfill sites, some terrorism cover, and some asbestos cover, where it is not economical or practical to purchase external insurance cover. The County Council needs to have some provision in the event of such a liability arising.

*Comparisons with similar organisations*

As part of assessing the minimum level of General Balances to be held, comparisons are made with other County Councils. Based on the latest Policy and Resources Committee monitoring report, the forecast level of General Balances at 31 March 2017 is £19.252m, prior to allowing for the revenue budget year end position. The County Council holds balances of 5.8% as a percentage of its net 2016-17 budget (Council

Tax Requirement). This percentage can only be used as a guide as each Council's circumstances are different. However, the percentage of General Balances compared to the net revenue expenditure is below average in comparison to other County Councils, which is 7.5%.

*Level of financial control within the Council*

Factors that are taken into account in assessing the level of financial control are:

- The state of financial control of the Revenue Budget and the Capital Programme;
- The adequacy of financial reporting arrangements within the Council;
- Adequate financial staffing support within the Council, including internal audit coverage;
- Working relationships with Members and Chief Officers;
- The state of financial control of partnerships with other bodies; and
- Any financial risks associated with Companies where the Council is a shareholder.

In evaluating the level of General Balances, as part of producing the 2017-18 Budget, the Executive Director of Finance and Commercial Services has used a framework based on considering all risk areas and then quantifying the risk using the related budget and applying a percentage factor, which will vary according to the assessed level of risk. The total value against each risk provides an estimate of the level of balances required to cover the identified risk and overall provides an assessment of the level of general balances for the County Council.

The ten areas of risk considered in the general contingency are set out in a report to the Policy and Resources Committee budget meeting, including an explanation of the potential risks faced by the Council. The report also details the calculation of the General Balances. The balances reflect spending experience and risks to which the Council is exposed.

*Minimum Level of General Balances*

Taking all of the above factors into account the Executive Director of Finance and Commercial Services currently advises that the Council holds the following minimum level of General Balances for 2017-18 and indicative minimum levels for planning purposes for 2018-19 and 2019-20.

| | **2017-18 £m** | **2018-19 £m** | **2019-20 £m** |
|---|---|---|---|
| Assessment of the level of General Balances | 19.252 | 22.978 | 23.568 |

Chief Officers are expected to comply with financial regulations and deliver their services within the budget approved by the County Council and therefore departments are not expected to draw upon the £19.252m above.

**Norfolk County Council policy on Provisions and Reserves**

If the level of General Balances is reduced to below the minimum balance, currently £19.252m, the shortfall will be replenished as soon as possible or as part of the following year's budget.

**Narrative of purpose and future use of all Reserves and Provisions**

| Purpose | Future use |
|---|---|
| **PROVISIONS** | |
| **Adult Social Services Doubtful Debts** | |
| A provision to cover bad debts. | This provision will decrease as bad debts are written off during the year, although the timing of this use cannot be predicted. A significant proportion is for specific debts with an element for general service-user related debts. |
| **ETD Doubtful Debts** | |
| A provision to cover bad debts. | No current specific requirement, the provision will be used in the event of bad debts being written off. The timing of this use cannot be predicted. |
| **Insurance** | |
| Provision for insurance claims. | Contractual commitment based on reported claims and provision for incurred but unreported claims. |
| **Pension liability re: Norfolk and Waveney Mental Health Trust** | |
| Provision for the potential pension liability arising from the transfer of staff to the Norfolk and Waveney Mental Health NHS Foundation Trust. | A £670k liability exists that it its expected will be settled shortly, although the timing for this is not known. |
| **Redundancy** | |
| A provision to meet redundancy and pension strain costs. | This provision is forecast to be used in full in 2016-17. |
| **Fire Service Level Salaries** | |
| This provision is held to meet variations on Fire Service staffing costs. | Most of the reduction in the level of this provision relates to a transfer of funds to Finance General. |
| **Closed landfill long term impairment provision** | |
| Provision created to fund long term impairment costs arising from Closed Landfill sites, as per Government legislation and External Audit recommendation. | This is required to cover the legal requirements, but there is currently no specific call on the provision identified. A fixed amount from revenue is released each year to cover impairment costs. |
| **EARMARKED RESERVES** | |
| **Adult Education Income Reserve** | |
| The County Council is required to approve a budget for the Adult Education service five to six months in advance of the funding announcement by the Skills Funding Agency. In addition, the Skills Funding Agency can also impose penalties on the service in the event that targets are not met and these are dependent on results assessed at year end. | The reserve is forecast to be used in full in 2016-17. |

**Narrative of purpose and future use of all Reserves and Provisions**

| Purpose | Future use |
|---|---|
| This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency working. | |
| **Archive Centre Sinking Fund** | |
| This reserve is to maintain the Archive Centre in accordance with a lease agreement between the County Council and the University of East Anglia. | The Archive Centre is required to provide environmental conditions that comply with BS 5454 and there is significant cooling and air conditioning plant to maintain satisfactory levels. Forward provision is required for the replacement of plant, boilers and lifts. |
| **Building Maintenance** | |
| This reserve is to ensure that the capital value of the Council's building stock is maintained and facilitates the rolling programme of building maintenance. It also allows NPS Property Consultants Ltd to respond to emergencies by carrying out repairs from day to day and as the need arises. | A rolling programme of work and annual budget contribution. The underlying reserve is to meet the risk of unidentified and emergency repairs. |
| **Business Risk Reserve** | |
| Members will considered the Council's Minimum Revenue Provision (MRP) Policy at Full Council 22 February 2016. The agreed changes to the MRP policy enabled the delivery of an underspend on the Council's 2015-16 provision amounting to £10.157m. This was used to establish a Business Risk Reserve to manage the key risks in the 2016-17 adults' and children's social care budgets. | This reserve was used in full in 2016-17. |
| **Car Leasing Scheme Surplus** | |
| This is the accumulated trading surplus on the car leasing scheme. | Current levels of this reserve are minimal. |
| **Economic Development and Tourism** | |
| This is primarily the Apprenticeship Scheme balance and committed EU project funding | Funding for apprenticeships and EU Projects are mainly committed. |
| **Fire Operational/PPE Clothing** | |
| This reserve is to meet variable demands for new operational equipment and personal protective equipment. | The reserve is for items such as hazmat suits and training in dealing with chemicals. |
| **Fire Retained Turnout Payments** | |
| This reserve is to meet variable demands from larger incidents and higher than expected turnouts. | Reserve is held for larger than anticipated actions during the year due to unforeseen circumstances such as the impact of the Downham Market rebuild. |
| **Fire Pensions Reserve** | |

**Narrative of purpose and future use of all Reserves and Provisions**

| Purpose | Future use |
|---|---|
| This reserve is to smooth higher than anticipated costs due in respect of ill health retirements, injury retirements and retained fire fighters who qualify for the Whole Time Uniformed scheme. | Incidence of ill health and injury retirements are not planned and when they occur can carry a high financial cost. This reserve is to allow for those possible financial variances. |
| **Highways Maintenance** | |
| This reserve enables a wide range of maintenance schemes to be undertaken. An annual amount is transferred to the works budget. The reserve is also used to carry forward balances on the Highways Maintenance Fund. | The balance mainly relates to commuted sums to meet future liabilities. These sums are paid by Developers to cover the additional maintenance work arising from their developments. The profile of use of the reserves reflects the future liabilities and planned general Highways expenditure. |
| **Historic Buildings** | |
| This is used to buy and restore historic buildings at risk of being demolished and to make grants towards the restoration of buildings. | There is no specific call on the reserve identified, but it will be drawn upon as required during the period. |
| **Icelandic Banks Reserve** | |
| This is to provide for potential additional Icelandic Bank losses. | Not forecast to be used but will be monitored during 2017-18. |
| **Industrial Estate Dilapidations** | |
| This is to cover potential dilapidation costs that may be incurred as a result of the expiration of the North Walsham industrial estate headlease in 2009. | There is currently no identified call on the reserve. |
| **Information Technology Reserve** | |
| The reserve is used by multiple services to set aside money for specific IT projects. | New funding towards the reserve is not planned. |
| **Insurance** | |
| This reserve reflects monies set aside for future potential insurance liabilities that are in excess of those provided for in the Insurance Provision. | There is currently no identified call on the reserve, and the reserve is to be used to support delivery of the 2017-18 budget. |
| **Museums Income Reserve** | |
| This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations. | There is currently no planned future use of the reserve. It is intended that the reserve is replenished with any surpluses over the next three years to ensure that the service can manage fluctuations in income as per the original purpose. |
| **Norfolk Infrastructure Fund** | |
| This reserve is to support infrastructure projects across the county. | Additional funding is received from second homes council tax and income from investments and repayments. |
| **Nplaw Operational Reserve** | |

**APPENDIX D**

## Narrative of purpose and future use of all Reserves and Provisions

| Purpose | Future use |
|---|---|
| This reserve has been created to support the development and increased activities of the business and smooth variations in trading. | The reserve has been built up from Nplaw Trading and as such belongs to the Partners of the scheme. |
| **Organisational Change and Redundancy Reserve** | |
| This reserve was created to provide one-off funding to support and invest in transformational change e.g. change initiatives such as Workstyle and to fund redundancy costs. | The timing of when the reserve is used is dependent upon future events and it is expected it will be mainly used to fund redundancy costs. |
| **ETD Bus De-registration** | |
| This is funding to meet costs associated with the commercial deregistration of bus services. | There is no planned usage of the reserve, but will be drawn upon as required over the period. |
| **ETD Park & Ride** | |
| The reserve is for future site works. | There is currently no planned usage of the fund, but it is retained to meet potential necessary site works. |
| **ETD Road Safety Reserve** | |
| This reserve reflects the surplus resulting from Speed Awareness Courses run by the council on behalf of the Police, to be reinvested within Road Safety. | Currently there are no plans for the use of this reserve. |
| **ETD Street Lighting Sinking Fund** | |
| This reserve has been created as a result of the Street Lighting PFI scheme and reflects receipt of government PFI grant which will be needed in future financial years to meet contract payments. | The expected usage is in line with the contract payments. |
| **Prevention Fund** | |
| This includes the Living Well in the Community Fund, Prevention Fund and Strong and Well revenue funding as agreed by Members to support prevention work, mitigate the risks in delivering prevention savings and to help build capacity in the independent sector. | £84k in relation to Strong and Well is committed in 2016-17 for the purposes as agreed by Members previously. The remaining amount of the Prevention Fund is expected to be fully utilised by the end of 2017-18. |
| **Public Transport Commuted Sums** | |
| This includes a commuted sum from Developers to cover new bus routes and lump sums received from the Government for improvements to bus services. | This is held for a specified use, although there is currently no planned draw on the funding. |
| **Repairs and Renewals Fund** | |
| This fund is to meet the cost of purchasing and repairing specific equipment. | The need for the reserve has changed over time as more equipment is procured via leases. Use of the reserve over the next three years is |

**Narrative of purpose and future use of all Reserves and Provisions**

| Purpose | Future use |
|---|---|
| | expected on projects such as Open Library technology. |
| **Residual Insurance and Lottery Bids** | |
| When a cash settlement was agreed with our insurers in respect of the library fire the proceeds were paid into an earmarked reserve. Subsequent costs have been funded from this source, and outstanding costs for buildings and books have been transferred to earmarked reserves. A few issues remain outstanding (e.g. Records conservation). | The reserve incorporates externally funded grants earmarked towards projects. Included within this are sums required to complete the conservation of damaged documents. The timings for use of this reserve are not yet known. |
| **Strategic Ambitions Reserve** | |
| This reserve supports the Council in achieving its aspirations and strategic ambitions for Norfolk. | This reserve is used to support the Corporate Programme Office and this element of the reserve will be utilised fully during 2017-18. The remainder relates to transport strategy and the sustainable strategy team. The level of this element of the reserve is expected to vary. |
| **Unspent Grants and Contributions** | |
| This reserve contains the balances on the Council's unconditional grants and contributions. | Mostly grants and contributions which will be used to fund spend during the next three years. |
| **Usable Capital Receipts** | |
| This reserve is for capital receipts to help support the capital programme and reduce borrowing requirement. | The reserve includes general capital receipts and receipts in relation to the County Farms estate – the use of an element of which is ring-fenced for county farm purposes. The balance of the reserve will be used to minimise borrowing for unfunded capital schemes. |
| **Waste Management Fund** | |
| This reserve is for waste management initiatives. | Fund will be largely utilised during 2016-17. |
| **Elections Reserve** | |
| This reserve is built up annually to fund the costs of holding elections | An annual contribution of £0.275m will be made each year from 2018-19. |
| **Transitional Funding Reserve** | |
| A reserve holding transitional funding provided by Government in the 2016-17 Settlement to manage the impact of changes in funding levels | This reserve will be used in full in 2017-18 to help in the delivery of a balanced budget. |
| **Use of Reserves to be identified** | |
| The 2017-18 budget includes the planned use of reserves to support a balanced budget | A review will take place in June 2017 to identify which reserves are to be used. |

**Narrative of purpose and future use of all Reserves and Provisions**

| Purpose | Future use |
|---|---|
| **SCHOOLS' PROVISIONS** | |
| **Children's Services Provision for Holiday Pay** | |
| The provision is held for the payment of frozen holiday pay to former education staff that are now part of NORSE, on their retirement. | Currently there are no payments already identified for the three year period. However, the balance of the provision reduces reflecting the expected conversion of schools to Academy status. |
| **SCHOOLS' RESERVES** | |
| **Building Maintenance** | |
| This is money put aside to spend on building maintenance of schools | The future usage will be part of individual school's financial plans. |
| **Children's Services Equalisation** | |
| To fund the variance in the number of Home to School/College Transport and School Catering days in a financial year as a result of the varying dates of Easter holidays. | Most of this reserve is expected to be used in 2016-17. |
| **LMS Balances** | |
| This reserve represents estimated surpluses and deficits against delegated budgets for locally managed schools. These funds are retained for schools in accordance with the LMS arrangements approved by the DfES and are not available to the Council for general use. | The future usage will be part of individual school's financial plans. |
| **Norwich Schools PFI Sinking Fund** | |
| This reserve has been created as a result of the Norwich Schools PFI scheme and reflects receipt of government PFI grant and schools contributions which will be needed in future financial years to meet contract payments. | This will be used to fund the 25 year Norwich Schools PFI contract and profiled in line with contract payments. |
| **Schools Contingency** | |
| Part of the School's LMS budget, this fund is used to reimburse schools for unforeseen and special circumstances. | The future usage will be part of individual school's financial plans. |
| **Schools non-teaching activities** | |
| This reserve reflects trading surpluses of schools sports centre activities, as per section 458(1) of the Education Act 1996. | Trading position of school run children's centres and sports centres. |
| **Schools Playing Field Surface Sinking Fund** | |

**Narrative of purpose and future use of all Reserves and Provisions**

| Purpose | Future use |
|---|---|
| This reserve is to maintain and replace the astro turf playing surface at schools in accordance with a lease agreement between the schools' governing body and the County Council. | In line with lease agreement. |
| **Schools Sickness Insurance Reserve** | |
| This reserve is a mutual insurance scheme operated on behalf of schools. | This reserve is expected to be used in full in 2016-17. |

## Reserves and Provisions
## Year End Projections

| | Opening Balances 01/04/2016 | Forecast Balances 31/03/2017 | Forecast Balances 31/03/2018 | Forecast Balances 31/03/2019 | Forecast Balances 31/03/2020 |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| ***Earmarked Reserves*** | | | | | |
| **All Services** | | | | | |
| Building Maintenance | 1.221 | 1.056 | 1.056 | 1.056 | 1.056 |
| Information Technology Reserve | 5.856 | 3.262 | 2.685 | 2.685 | 2.685 |
| Repairs and Renewals Fund | 3.450 | 2.787 | 2.334 | 2.262 | 2.102 |
| Unspent Grants and Contributions | 14.519 | 8.862 | 6.986 | 5.814 | 5.814 |
| | **25.047** | **15.967** | **13.070** | **11.815** | **11.656** |
| **Children's Services** | | | | | |
| Ofsted Improvement Fund | 0.490 | 0.258 | 0.000 | 0.000 | 0.000 |
| | **0.490** | **0.258** | **0.000** | **0.000** | **0.000** |
| **Adult Social Care** | | | | | |
| Prevention Fund | 0.323 | 0.107 | 0.034 | 0.000 | 0.000 |
| | **0.323** | **0.107** | **0.034** | **0.000** | **0.000** |
| **Communities** | | | | | |
| Adult Education Income Reserve | 0.116 | 0.000 | 0.000 | 0.000 | 0.000 |
| Museums Income Reserve | 0.130 | 0.130 | 0.130 | 0.130 | 0.130 |
| Residual Insurance and Lottery Bids | 0.205 | 0.205 | 0.205 | 0.205 | 0.205 |
| Fire Pensions Reserve | 0.248 | 0.198 | 0.198 | 0.198 | 0.198 |
| Fire Retained Turnout Payments | 0.481 | 0.366 | 0.110 | 0.110 | 0.110 |
| Fire Operational/PPE/Clothing | 0.558 | 0.304 | 0.225 | 0.195 | 0.195 |
| | **1.738** | **1.203** | **0.868** | **0.838** | **0.838** |
| | | | | | |
| **Environment Development and Transport** | | | | | |
| Demand Responsive Transport | 0.154 | 0.004 | 0.004 | 0.004 | 0.004 |
| Public Transport Commuted Sums | 0.051 | 0.051 | 0.051 | 0.051 | 0.051 |
| Road Safety Reserve | 0.150 | 0.150 | 0.150 | 0.150 | 0.150 |
| Highways Maintenance | 5.871 | 5.258 | 4.966 | 4.733 | 4.489 |
| Economic Development and Tourism | 2.827 | 1.262 | 0.778 | 0.555 | 0.435 |
| Historic Buildings | 0.135 | 0.072 | 0.072 | 0.072 | 0.072 |
| Waste Management Partnership Fund | 1.058 | 0.693 | 0.693 | 0.693 | 0.693 |
| P&T Park and Ride | 0.012 | 0.012 | 0.012 | 0.012 | 0.012 |
| P&T Bus De-registration | 0.059 | 0.059 | 0.059 | 0.059 | 0.059 |
| Environment Income Reserve | 0.098 | 0.117 | 0.117 | 0.117 | 0.117 |
| Street Lighting PFI Sinking Fund | 6.945 | 2.661 | 2.476 | 2.291 | 2.106 |
| | **17.360** | **10.338** | **9.378** | **8.737** | **8.188** |
| | | | | | |
| **Policy and Resources / Corporate** | | | | | |
| Archive Centre Sinking Fund | 0.286 | 0.276 | 0.276 | 0.276 | 0.276 |
| Norfolk Infrastructure Fund | 1.104 | 1.712 | 1.712 | 1.712 | 1.712 |
| NPLaw | 0.178 | 0.303 | 0.303 | 0.303 | 0.303 |
| Insurance Reserve | 3.083 | 1.350 | 0.000 | 0.000 | 0.000 |
| Car Leasing Scheme | 0.029 | 0.029 | 0.029 | 0.029 | 0.029 |
| Industrial Estate Dilapidations | 0.010 | 0.010 | 0.010 | 0.010 | 0.010 |
| Icelandic Banks Reserve | 0.178 | 0.178 | 0.178 | 0.178 | 0.178 |
| Business Risk Reserve | 10.678 | 0.000 | 0.000 | 0.000 | 0.000 |

## Reserves and Provisions
## Year End Projections

| | Opening Balances 01/04/2016 | Forecast Balances 31/03/2017 | Forecast Balances 31/03/2018 | Forecast Balances 31/03/2019 | Forecast Balances 31/03/2020 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Organisational Change and Redundancy Reserve | 6.844 | 5.712 | 5.568 | 5.568 | 5.568 |
| Strategic Ambitions Reserve | 0.971 | 0.903 | 0.465 | 0.465 | 0.465 |
| Elections Reserve | 0.000 | 0.000 | 0.000 | 0.275 | 0.550 |
| Transitions Reserve | 0.000 | 4.561 | 0.000 | 0.000 | 0.000 |
| Use of Reserves to be identified | 0.000 | 0.000 | -6.734 | -6.734 | -6.734 |
| | **23.360** | **15.033** | **1.807** | **2.082** | **2.357** |
| | | | | | |
| **Non – Schools Total** | **68.317** | **42.907** | **25.157** | **23.472** | **23.038** |
| | | | | | |
| **Reserves for Capital Use** | | | | | |
| Usable Capital Receipts | 1.576 | 0.755 | 2.295 | 2.975 | 1.625 |
| | | | | | |
| **Schools Reserves** | | | | | |
| LMS Balances | 21.333 | 14.000 | 12.000 | 10.000 | 8.000 |
| Schools Contingency | 5.547 | 0.354 | 0.000 | 0.000 | 0.000 |
| Children's Services Education Equalisation | 0.757 | 0.101 | 0.101 | 0.101 | 0.101 |
| Norwich Schools PFI Sinking Fund | 2.349 | 2.476 | 2.574 | 2.641 | 2.641 |
| School Sickness Insurance | 1.273 | 0.000 | 0.000 | 0.000 | 0.000 |
| Schools Playing Field Surface Sinking Fund | 0.273 | 0.273 | 0.273 | 0.273 | 0.273 |
| Building Maintenance | 2.326 | 1.780 | 1.306 | 0.806 | 0.556 |
| Schools non-teaching activities | 0.933 | 0.933 | 0.933 | 0.933 | 0.933 |
| **Schools Total** | **34.790** | **19.917** | **17.187** | **14.754** | **12.504** |
| | | | | | |
| ***Provisions*** | | | | | |
| **Adult Social Care** | | | | | |
| Provision for doubtful debts | 3.121 | 3.121 | 3.121 | 3.121 | 3.121 |
| **Communities** | | | | | |
| Fire Service | 0.850 | 0.048 | 0.048 | 0.048 | 0.048 |
| **Environment Development and Transport** | | | | | |
| Provision for doubtful debts | 0.042 | 0.042 | 0.042 | 0.042 | 0.042 |
| Closed landfill long term impairment provision | 9.073 | 9.010 | 8.946 | 8.878 | 8.807 |
| **Policy and Resources / Corporate** | | | | | |
| Insurance | 12.845 | 12.845 | 12.845 | 12.845 | 12.845 |
| Pensions | 0.670 | 0.670 | 0.670 | 0.670 | 0.670 |
| Redundancy | 0.403 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Schools Provisions** | | | | | |
| Children’s Services Provision for Holiday Pay | 0.015 | 0.013 | 0.011 | 0.009 | 0.009 |

# Policy and Resources Committee

**Item No 8iii**

| | |
|---|---|
| **Report title:** | **County Council Budget 2017-18 to 2019-20: Robustness of Estimates** |
| **Date of meeting:** | **06 February 2017** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services – Simon George** |

**Strategic impact**

This report sets out the Executive Director of Finance and Commercial Services' statement on the robustness of the estimates used in the preparation of the County Council's budget, which is reported elsewhere on this agenda. This paper is one of a suite of reports to this Policy and Resources Committee meeting that supports decisions for the budget recommendations to County Council.


**Executive summary**

The level of risk and budget assumptions underpin decisions when setting the revenue budget and capital decisions, and affect the recommended level of general balances held. Members must consider the level of risk and the assumptions set out in this report when recommending the revenue budget and capital programme.

This report sets out the formal statement and provides more detailed information on risk, robustness of revenue estimates, and capital estimates.


**Recommendations:**

1) **Policy and Resources Committee is asked to agree to recommend to County Council the level of risk and set of assumptions set out in this report, which underpin the revenue and capital budget decisions and planning for 2017-20.**

## 1. Introduction

1.1. As part of the budget setting process the Executive Director of Finance and Commercial Services (Section 151 Officer) is required under Section 25 of the Local Government Act 2003, to report on the robustness of the estimates made for the purposes of the calculation of the precept and therefore in agreeing the County Council's budget.

## 2. Approach to providing assurance on robustness of estimates

2.1. The budget estimates are estimates of spending and income made at a point in time prior to the start of the next financial year. As such, this statement about the robustness of estimates does not provide a guaranteed assurance but does provide Members with reasonable assurances that the draft budget, which supports the budget recommendations to Policy and Resources Committee, has been based on the best available information and assumptions and has been subject to scrutiny by relevant staff, Executive Directors, and Members.

2.2. The requirement to report on the robustness of estimates has been met through key budget planning processes during 2016-17, including:

- Departmental reviews of budgets including consideration of the deliverability of planned savings to inform decision making, which has led to the **removal or delay of a significant number of savings** to ensure that the planned budget is robust;
- Review by finance staff of all cost pressures and regular reports to Executive Directors to provide challenge and inform approach;
- Issue of guidance to all services on budget preparation;
- Routine monitoring of current year budgets to inform future year planning, with the result that **substantial investment into social care budgets** is planned for 2017-18 to meet 2016-17 overspend and other pressures;
- An organisational approach to planning with Policy and Resources Committee providing guidance early on and throughout the process;
- Executive Director review and scrutiny of developing proposals through a “Budget Challenge” session which considered all services in September 2016.
- **Member review and challenge** via Policy and Resources Committee in the May, July, October, November and January meetings, and via detailed consideration by Service Committees in October 2016 and January 2017;
- Public review and challenge through **budget consultation for specific proposals** where required via the Council’s consultation hub Citizen Space, including impact assessment of proposals;
- Assurance from fellow Executive Directors that final budget proposals considered by County Council are robust and are as certain as possible of being delivered;
- Member and Executive Director peer review of all service growth and savings throughout the budget planning process.

2.3. In addition, and as set out in the Scheme of Authority and Financial Responsibility, Executive Directors are responsible for the overall management of the approved budget and the appointment of Responsible Budget Officers (RBOs) who are responsible for ensuring that authorised budgets are managed in the most effective and efficient manner in accordance with agreed plans and financial controls. Therefore managers with RBO responsibilities also play a key part in monitoring the financial position, identifying variances and financial risks and planning for service changes including forecast contractual, demographic, legislative and policy changes. In preparing estimates considerable reliance is placed on Executive Directors and RBOs carrying out these responsibilities effectively.

## 3. Risk Assessment of Estimates

3.1. The organisation manages risk registers corporately, for each service and for key projects. These incorporate all types of risk, including financial. In addition, a formal risk assessment has been undertaken of the revenue budget estimates in order to support the recommendation of the level of General Balances. This risk assessment is detailed in the Statement on the Adequacy of Provisions and Reserves 2017-20 report to Policy and Resources Committee elsewhere on this agenda.

3.2. Detailed budget planning estimates have been reported to Service Committees in October and January, along with key risks associated with the budget proposals identified. This enables Members to assess the risk associated with achievability of the savings identified and the robustness of the budget plans.

3.3. Early identification of risks enables Executive Directors to take mitigating action and to enable higher risk budgets to be more closely monitored during the year. The key corporate budget risks that will require ongoing attention are:

- **Income:** Continuing reductions to key government grant funding. Some risks around key funding streams affected by further integrated health and social care reforms have been mitigated for 2017-18 through the local agreement relating to the Better Care Fund. A list of revenue grants is included within the Revenue Budget 2017-18 report found elsewhere on the agenda;
- **General pay and prices:** Inflationary pressures affecting the Council's contracted spend and uncertainty about the level of future pay awards;
- **Adult Social Care:** Managing increased demand for services and complexity of need, and facilitating adequate investment to deliver financially sustainable service provision;
- **Looked after Children:** Meeting the challenge of delivering improvements within Children's Services to deliver improvement to both outcomes and financial sustainability within the service, whilst also dealing with increased numbers of looked after children;
- **Norwich Northern Distributor Route:** Significant capital project required to be met within planned capital funding; and
- **Organisational Change:** Managing significant transformation and staffing changes.

3.4. The budget estimates span a three year period 2017-20 and whilst forecast using the best available information, the planning assumptions and forecasts for future years will necessarily be based on less robust data and known factors. As part of the ongoing budget planning and monitoring cycle, these assumptions and emerging state of affairs are reviewed allowing the development of more detailed planning for the next financial years and revised medium term financial plans.

## 4. Robustness of Revenue Estimates

4.1. Within the framework set by Moving Norfolk Forward, the service and budget planning process has focussed on the key priorities for services, including those services that we are required to do by law, and involves a continuous review of the way that services are provided. Cost pressures to manage unavoidable inflationary, legislative and demand pressures have been included in the revenue budget estimates.

4.2. During September, Executive Directors have undertaken a budget challenge session to consider budget plans and spending proposals. This provided an opportunity to evaluate initial proposals, risks arising from savings proposals and emerging planning issues for services. The most significant spending implications affecting the Council continue to relate to Adults and Children's Services, and in particular:

- Embedding new strategies for Adults service delivery, further developing integrated arrangements with Health (Better Care Fund), including plans for the integration of health and social care services by 2020, implementing major legislative change (Care Act duties relating to wellbeing and prevention), whilst dealing with rising demographic pressures and the impact of the National Living Wage; and
- Implementing the Children's Services social care improvement plan, working towards being rated 'good' (with outstanding features) as defined by Ofsted and developing more permanence options for children in our care. Demand continues to be high and effective management will be key to managing within the budget.

4.3. As part of the budget process, Policy and Resources Committee, Service Committees, and Executive Directors have considered all the budget reductions and growth pressures and these are reflected in the proposed budget. In addition, some of the key risks identified, including risks relating to the achievability of savings, have been taken into consideration in the Policy and Resources Committee's budget recommendations, which will enable some budget risks to be managed down and this is reflected in the risk assessment of the recommended level of general balances.

4.4. Budget planning for 2017-18 has included extensive work to review the deliverability of savings and understand service pressures. As a result, the 2017-18 Budget sees a significant investment in Service Committee budgets through both the removal of previously planned savings and recognition of budget overspend pressures, to provide assurance about the robustness of the revenue budget and the deliverability of savings. This represents the removal or delay of £7.000m of savings relating to 2016-17 and prior years, and £13.325m of savings planned for 2017-18, a total of £20.325m being removed or delayed from next year's budget

4.5. The Council's budget planning assumes that any undeliverable savings have been removed in the exercise detailed above and therefore that all the remaining savings included for 2017-18 are deliverable.

4.6. The table below shows the current budget position for the following three years based on the Policy and Resources Committee recommendations set out in the Revenue Budget report elsewhere on this agenda and the current budget forecast for 2016-17. The medium term financial strategy does not set out plans to fully meet the funding shortfall in 2018-19 to 2019-20. As part of delivering the Council's Moving Norfolk Forward strategy, and in developing the budget process for future years, work will continue to identify further proposals for service provision in order to identify additional opportunities to address these deficits in future years.

**Table 1: Forecast Budget (Surplus) / Deficit 2017-18 to 2020-21**

| | **2016-17 (Period 8 forecast)** | **2017-18 Budget** | **2018-19 Budget** | **2019-20 Budget** |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Forecast outturn budget (surplus)/deficit | 5.512 | 0.000 | 15.626 | 18.580 |

4.7. Work is being undertaken by Executive Directors to reduce the overspend position reported in period 8 where it is forecast that the outturn position will be an overspend of £5.512m at year-end. It is expected that these actions will enable a balanced outturn position to be achieved for 2016-17. The non-delivery of savings in 2016-17 has been addressed as part of the 2017-18 budget process.

4.8. The factors and budget assumptions used in developing the 2017-20 budget estimates are detailed over sixteen headings, including drivers of growth, savings and other planning assumptions and set out at Appendix A.

## 5. Robustness of capital estimates

5.1. As with the revenue budget, the capital programme is designed to address the authority's key priorities, including schemes which will help transform the way in which services are provided. To this end, the programme is prepared on the basis of a number of factors, including previously agreed projects, spend to save proposals, and infrastructure and property requirements.

5.2. Projects are costed using professional advice relative to the size and nature of the scheme. Where appropriate, a contingency allowance is included in cost estimates to cover unavoidable and unforeseeable costs. The programme is guided by a simple prioritisation model: schemes that score less than that achieved by the repayment of debt represent bad value for money. In this way, the Council will achieve the most economic use of its scarce capital resources.

5.3. The largest on-going capital programmes relate to transport infrastructure and schools. In both cases there is significant member involvement through Service Committees. For other large projects, appropriate oversight is put in place.

5.4. An estimate of potential capital receipts is made each year. The actual level of receipt in any one financial year can never be forecast in advance with any degree of certainty due to market conditions and interest from purchasers and reduced receipts may result in fewer capital projects going ahead or additional future revenue costs.

5.5. The risks associated with having to fund large unforeseen programme variations are addressed mainly as a result of the Council being able to amend the timing of projects between years. The ability to re-profile projects between years does not result in a significant funding risk because the vast majority of funding is not time-bound, although there are inflationary risks which have to be considered.

## 6. Equality Impact Assessment

6.1. In making recommendations to Full Council about the budget, Policy and Resources Committee must give due regard to eliminating unlawful discrimination, promoting equality of opportunity and fostering good relations between people with protected characteristics and the rest of the population. The assessment of equality impact of the budget proposals is included in the Revenue Budget report to this Committee.

6.2. Equality impact assessment of all relevant budget proposals has been set out in both the public consultation documentation and reports to service committees and Policy and Resources Committee. There is no further impact on equality arising from the statements within this report.

## 7. Issues and risks

7.1. **Legal implications** – Statutory requirements relating to individual proposals have been reported to Service Committees in January 2017. Legal requirements in relation to setting the budget and level of council tax have been set out within this report and are considered to be met.

7.2. **Risks** – The risks associated with the budget proposals were reported to Service Committees in January 2017 and are reported to Policy and Resources Committee in this report. The Statement on the Adequacy of Provisions and Reserves also sets out financial risks that have been identified as part of the assessment of the level of reserves and provisions in order to evaluate the minimum level of General Balances.

7.3. In setting the budget the Council can accept different level of risks, for example, minimising risk through investment in services, reducing higher risk savings, or putting in place additional reserves for specific risks. The robustness of the budget estimates is evaluated, setting out budget assumptions and areas of risk, to enable Members to consider the assumptions and risks that will underpin further decisions for agreeing the budget and level of general balances. The assumptions set out in the report directly impact on the risk assessment of the level of general balances.

## 8. Summary

8.1. The paper sets out details of the assessment of the robustness of the estimates used in preparing the proposed revenue and capital budget. There are no direct resource implications arising from this report, but it provides information and details of the assumptions used to support the Statement of the Executive Director of Finance and Commercial Services on the Robustness of the Estimates and provides assurances to Members prior to recommending and agreeing the revenue and capital budgets and plans for 2017-20.

8.2. The information included in both this report and other reports to Policy and Resources Committee needs to be considered when Policy and Resources Committee recommends a budget to County Council. Issues that need to be considered and where decisions are required are:

- Additional Costs and Savings Options
- Level of General Balances
- Level of Reserves and Provisions
- Robustness of Estimates
- Overall level of the 2017-18 Revenue Budget and proposals for 2018-19 to 2019-20
- Overall level of the 2017-18 to 2019-20 Capital Programme
- Prudential Code Indicators for 2017-18
- Level of the Council Tax / Precept for 2017-18 and for the period 2018-19 to 2019-20
- Implications of the Revenue Budget for 2018-19 to 2019-20
- Responses to savings proposals from the Budget Consultation
- Outcome of equality and rural impact assessment

8.3. Members could choose to agree different assumptions and therefore increase or reduce the level of financial risk in setting the revenue and capital budgets. This would potentially change the risk assessment for the budget and the recommended level of general balances held.

## Background Papers

Provisional Local Government Finance Settlement 2017-18 and future years: https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018

## Officer Contact

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IN TRAN communication for all

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

## Analysis of Robustness of Revenue Estimates

| **Budget Assumption** | **Explanation of financial forecast and approach** |
|---|---|
| **Growth Pressures** | |
| 1) Inflation | Pay inflation has been assumed at 1% for 2017-18, 2018-19 and 2019-20 in line with the Chancellor's planning assumptions for public sector pay set out in the Spending Review 2015. Allowances have been made for differential increases for those staff affected by the implementation of the National Living Wage. The pay award for 2017-18 has been set at 1%. However the County Council is part of the national agreement and therefore pay awards for 2018-19 onwards will be subject to any agreements reached. There is a risk that pay awards could vary from this assumption over the planning period.<br><br>Pensions – The 2016 Actuarial Evaluation has set the employer contribution rates from 1 April 2017 at 15.5% for each of the three years 2017-20. Compared to the previous forecast (based on the 2013 valuation) there has been a reduction to the amount budgeted for the lump sum contribution.<br><br>Price Inflation is provided where a contractual increase is required. This is at the contractual rate where appropriate or at the forecast rate for CPI, 1.7% for 2017-18, and 2% in each of the following years based on the Office for Budget Responsibilities March 2016 Economic and Fiscal Outlook forecasts.<br><br>Inflation on income where appropriate has been included. |
| 2) Demand and Demographics | There are two key areas where demand and demographic pressures have a significant impact on the council's budget planning:<br><br>• Increases in adults contacting us with regard to adult social care – this includes older people and adults with learning difficulties, physical disabilities or mental health needs. Projections of a 2.4% increase in the number of adults over 65 and 0.4% increase in younger adults equate to a growth pressure of £6.134m<br><br>• Increases in the number of looked after children – however for 2017-18 planning purposes it is assumed that any increase in looked after children numbers will be offset by the removal of savings in this area, and the £9.000m pressure allowed to address the 2016-17 overspend position. |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| 3) Legislative changes | The budget estimates include the following assumptions with regard to current and future legislative changes<br><br>• The Government implemented a National Living Wage from 2016-17, starting at £7.20. In April 2017 it will go up to £7.50 and is planned to rise to over £9 by 2020. The costs of the National Living Wage have been included in budgets in respect of the Council's directly employed staff.<br><br>• Cost pressures assuming an increase above the core price inflation have been included following the cost of care exercise.<br><br>• An Apprenticeship Levy is to be introduced from April 2017, set at 0.5% of an employer's paybill. This will result in a cost pressure of £0.806m (excluding schools) based on the Council's current payroll, which has been included in the 2017-18 budget.<br><br>• Additional cost pressures have been assumed associated with the increased income received in 2018-19 and 2019-20 for the Improved Better Care Fund.<br><br>• Education Services Grant (ESG) is ceasing at the end of August 2017, with the retained duties grant being transferred to the schools block of the Dedicated Schools Grant. |
| 4) Policy decisions | The 2017-18 budget includes the financial impact of previous year's budget decisions, including use of one-off funding within the 2016-17 budget, and the removal of a number of savings which have been re-profiled to later years. It also includes the impact of in-year 2016-17 decisions such as the costs relating to the Vulnerable Persons Resettlement scheme. |
| 5) Interest Rates | Budgeted interest earnings on investments are based on guaranteed fixed deposit returns, available instant liquidity rates and market forecasts provided by the Council's Treasury Advisors. |
| **Savings** | |
| 6) Income | Inflationary increases to fees and charges have been included within the budget proposals. Changes to income either through expected reductions in income or initiatives to increase income generation are reported as individual budget proposals. |
| 7) Savings | Savings have been identified across all services and range from productivity efficiency savings to reductions in |

**Analysis of Robustness of Revenue Estimates**

| **Budget Assumption** | **Explanation of financial forecast and approach** |
|---|---|
| | service provision. All managers are responsible for ensuring that proposed savings are robust and delivered in accordance with plans. Measures throughout the planning process have reviewed and challenged the deliverability of savings and where appropriate a number of savings have been removed and some have been re-profiled to later years.<br><br>Changes or delays in delivering savings will result in variance to the budget and as such savings will be closely tracked throughout the year as part of the budget monitoring process and reported to Policy and Resources Committee, with management actions identified as necessary. |
| **Other Planning assumptions** | |
| 8) Grant | The budget reflects funding up to 2019-20 as announced within the 2017-18 Provisional Local Government Finance Settlement and plans for future years are based on the four-year settlement figures provided. The Council has been informed that its efficiency plan has been accepted, providing access to the four-year allocations of funding announced by the government in 2016-17. Uncertainty remains about the cessation of Revenue Support Grant as part of business rates localisation planned for implementation by the end of the parliament.<br><br>The Revenue Budget report sets out the detail of key grants and states where any key areas of funding are yet to be announced. In relation to schools, funding is provided through the Dedicated Schools Grant (DSG) and Pupil Premium, which is paid to the County Council and passed on to schools in accordance with the agreed formula allocation. It is assumed that all school pay and prices inflationary pressures will be absorbed within the DSG allocation.<br><br>Education Services Grant (ESG) is ceasing at the end of August 2017, for the first six months of 2017-18 the amount per pupil for mainstream schools has reduced from £77 to £66, and for special schools from £327.25 to £280.50.<br><br>Public Health grant has been reduced causing pressures in relation to activity based contracts with GPs and pharmacists. |
| 9) Financial risks inherent in any significant new | Financial risks are included within the assessment of the level of general balances. The financial risks arising from the Norwich Northern Distributor Road continue to be |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| funding partnerships; major contracts or major capital developments | closely monitored and reflected within the County Council's capital budget proposals. |
| 10) Availability of funds to deal with major contingencies | All provisions and earmarked reserves have been reviewed to test their adequacy and continued need. A risk assessment of the level of general balances has been undertaken and the budget reflects the assessed level of balances required. The 2017-18 Budget assumes that additional funding from reserves can be identified during 2017-18 to support investment in the Children's Services budget. Further details are set out in the other budget reports to Policy and Resources Committee. |
| 11) Overall financial standing of the authority | The Council's treasury management activity manages both short term cash to provide security, liquidity and yield and the Council's longer term borrowing needs to fund capital expenditure through either long term borrowing or the utilisation of temporary cash resources pending long term borrowing. In accordance with the approved strategy, the Council continues to postpone any new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term.<br><br>At 31 December 2016, the Council's outstanding debt totalled £499.758m. The Council continues to maintain its total gross borrowing level within its Authorised Limit of £757.097m (prudential indicators) for 2016-17. The Authorised Limit being the affordable borrowing limit required by section 3 of the Local Government Act 2003.<br><br>There are four treasury related indicators to restrict treasury activity within certain limits and manage risk. These are; variable interest rate exposure; fixed interest rate exposure; maturity profile of debt and investments greater than 364 days. Monitoring is reported regularly to Policy and Resources Committee on an exception basis.<br><br>The Council's treasury management activities are regularly benchmarked against those of other local authorities. The County Council has upper quartile investment performance; is cost effective, pays comparable rates of interest on its debt and is effective at managing risk.<br><br>At the end of December 2016 (2016-17 Period 9), the Council's cash balances stood at £150.847m. |

**Analysis of Robustness of Revenue Estimates**

| Budget Assumption | Explanation of financial forecast and approach |
|---|---|
| 12) The authority's track record in budget and financial management | As at the end of November 2016 (Period 8) the 2016-17 revenue budget is forecast to overspend by £5.512m on a net budget of £338.960m (gross £1.415bn). Executive Directors are undertaking further work to reduce the overspend in order to deliver a balanced outturn at year-end.<br><br>Ernst and Young, the Council's external auditor has issued an unqualified opinion on the 2015-16 accounts and concluded that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources. |
| 13) The authority's capacity to manage in-year budget pressures | The level of general balances are assessed as part of the budget setting process and reviewed monthly and reported to Policy and Resources Committee as part of the monthly monitoring process. Review and challenge improves the accuracy of budget estimates, which aims to support management and the early identification of budget issues. The regular reporting of risk and monitoring of mitigating actions supports in-year budget management. |
| 14) The strength of the financial information and reporting arrangements | Information on budget and actual spend is reported publicly and monitoring reports are published monthly through the year. The reports are on a risk basis, so that attention is concentrated on what is most important. |
| 15) The end of year procedures in relation to budget under/overspends at authority and departmental level | Guidance on end of year procedures is reported annually and arrangements are monitored. Detailed year-end financial information is reported alongside services' performance monitoring. The proposed year end arrangements will be reported to Policy and Resources Committee for approval. |
| 16) The authority's insurance arrangements to cover major unforeseen risks | The County Council has a mix of self-insurance and tendered insurance arrangements. Premiums are set on an annual basis and reflected within the budget planning. Premiums are subject to annual variance due to external factors and internal performance, risk and claims management.<br><br>General balances include assessment of financial risk from uninsured liabilities. |

# Policy and Resources Committee

**Item No 8 iv**

| | |
|---|---|
| **Report title:** | **Capital strategy and programme 2017-20** |
| **Date of meeting:** | **6 February 2017** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services** |
| **Strategic impact**<br>This report presents the proposed capital strategy and programme 2017-20 and includes information on the funding available to support the programme. | |

## Executive summary


Summary

The attached report presents the proposed capital strategy and programme for 2017-20 and includes information on the funding available to support the programme.

**Members are recommended to:**

- **agree the proposed 2017-20 capital programme of £361.888m**
- **refer the programme to the County Council for approval, including the new and extended capital schemes outlined in Appendix B;**
- **agree the Capital Strategy at Appendix D as a framework for the prioritisation and continued development of the Council's capital programme;**
- **agree to recommend to the County Council the Minimum Revenue Provision statement attached at Appendix E;**
- **agree to recommend to the County Council the Prudential Indicators in Appendix F;**
- **note capital grant settlements summarised in Section 4;**
- **note the estimated capital receipts to be generated over the next three years and beyond to support those schemes not funded from other sources, as set out in Table 6.**


## 1. Introduction

1.1 The attached report introduces the proposed capital programme for 2017-20.

1.2 The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts or grants and other anticipated contributions from third parties.

1.3 The programme is supported by a prioritisation model to guide the best use of resources.

1.4 The size of the capital programme reflects capital grant settlements, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out in the attached Annex.

1.5 The Council's ability to prudentially borrow to fund future schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing is provided in Section 6.

## 2. Evidence

The attached Annex summarises the development of the proposed capital programme, including proposed new schemes, and a summary of forecast capital receipts.

## 3. Financial Implications

3.1. The financial impacts of the proposed capital programme including expenditure, funding, financing and the impact on future revenue budgets are dealt with in detail in Sections 3 to 6 of the attached Annex.

## 4. Issues, risks and innovation

**Risk implications**

4.1 There is a long term risk to the Council's ability to deliver services without sufficient investment in maintaining its assets. To mitigate this, the capital programme is aligned to the Council's asset management plans and property client function ensuring that assets are well-maintained or disposed of if surplus to requirements.

4.2 The programme requires regular monitoring, management and budgetary control to deliver schemes on time and within budget. This is addressed through regular capital finance monitoring reports which are reported to Policy and Resources Committee.

4.3 The capital programme is set on the basis of best estimates of cost. Through good procurement practice, the Council will continue where possible to manage down the costs of capital schemes, and to minimise the need to borrow.

4.5 There is a risk that anticipated grants and other third party contributions will not be received for reasons out of the authority's control. In these circumstances, the programme will be amended to reflect the reduced funding.

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

## 5. Background

5.1 The Council needs to set a capital programme prior to the beginning of each financial year and to commit the revenue and capital resources required to deliver the programme.

5.2 Most schemes are prioritised within the two major capital programme areas of transport and schools, with corporate property, IT and loans to subsidiary companies also important themes.

5.3 Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within CES and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Property schemes are co-ordinated through the Council's Corporate Property team.

5.4 Schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

5.5 The Council's overall year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

5.6 This report sets out the proposed capital programme for 2017-20. It is supported by a strategy aimed at securing a structured, affordable and prioritised approach for the development of future years' capital programmes.

## Officer Contact

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


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**Annex A**

# Norfolk County Council

## Capital strategy and programme 2017-20

Report by the Executive Director of Finance and Commercial Services

### 1. Introduction

1.1. This report introduces the proposed overall capital programme for 2017-20 for consideration by Policy and Resources Committee and, subject to resulting recommendations or amendments, for approval to the County Council.

1.2. The proposed programme consists of two elements – schemes included in the current programme and new schemes funded through borrowing, capital receipts when available, or grants and contributions from third parties.

1.3. The size of the capital programme reflects capital grant settlements that have been announced by central government, forecast capital receipts, other external and internal funding sources and proposed borrowing as set out below.

1.4 The Council pays from future revenue budgets the interest and repayment costs of the borrowing. The Council's ability to prudentially borrow to fund future schemes is limited by budgetary pressures. Information regarding the revenue implications of prudential borrowing is provided in Sections 6.

### 2. National and local context

2.1. **Autumn Statement**

The 2016 Autumn Statement contained relatively little in terms of specific capital funding for Norfolk. The Pothole Action Fund was announced in the 2015 Budget and £2.476m funding for Norfolk has been confirmed for 2017-18. A new National Productivity Investment Fund totalling £185 million in 2017-18 was announced in the Autumn Statement, with an announcement in January 2017 that Norfolk will receive £5.123m in 2017-18. Indirectly, Norfolk could potentially benefit from a new Digital Infrastructure Investment Fund, and investment in flood defence and resilience schemes.

2.2. **National Infrastructure Delivery Plan 2016 to 2021**

A National Infrastructure Delivery Plan was published in March 2016. The specific reference to Norfolk is the Northern Distributor Road which is currently under construction. Norfolk residents may also benefit from a new river crossing in Lowestoft, and improved roads around Cambridge, including an "expressway" to Oxford, and improvements to the A14 between Cambridge and Huntingdon.

2.3. **Government Spending Reviews**

The most recent Government spending review was in 2015. This review referred to a number of trunk road schemes (including dualling of stretches of the A47, Thickthorn junction and the Vauxhall roundabout, Great Yarmouth). As these schemes are on roads maintained by the Highways Agency, they are not included in this programme.

2.4. **Flood alleviation**

The Flood and coastal erosion risk management investment programme 2015 to 2021 - republished in August 2015 by the Environment Agency, listed a number of projects in Norfolk, primarily in North and North West Norfolk. This is in the context of a £2.3bn 6 year nationwide plan entitled “Reducing the risks of flooding and coastal erosion: an investment plan” published by DEFRA on 2 December 2014.

2.5. **Local joint working**

Norfolk County Council works with a number of other authorities and bodies in the development of capital and infrastructure projects and investments. This will increase further with the development of the “**One Public Estate**” programme. Examples of current joint working include:

The Council works closely with the **New Anglia LEP**, which has resulted in the LEPs direct financial support for current projects including the NDR and the Norwich International Aviation Academy.

The **Norfolk Joint Museums Committee** consists of representatives from district councils and the County Council. The Norfolk Museums Service is run by Norfolk County Council with capital schemes managed and reported as part of the Council’s financial monitoring. As a result, Museums capital projects, even if fully funded from external sources or on properties not owned by the Council (such as the Norwich Castle Keep), are included in the capital programme as and when funding is secured.

2.6. **Capital receipts**

The government is keen for the public sector, including local government, to dispose of potentially surplus assets. The One Public Estate programme supports local authorities to work with other local public sector property owners to design more efficient asset management strategies, and the government is keen to encourage local authorities to release sites which could be used for housing.

Estimates of the capital receipts which will be generated over the medium term are shown in section 5 to this report.

2.7. **Flexible use of capital receipts**

Under the 2015 Spending Review the government has allowed local authorities to spend fixed asset receipts on the revenue costs of reform projects. This freedom is particularly useful to debt free authorities.

Norfolk County Council has traditionally used its capital receipts to 1) pay for capital investment or 2) to re-pay debt. Given the requirement to fund capital projects and re-pay debt, and the large degree of uncertainty surrounding the exact timing of disposals, there are not likely to be sufficient guaranteed unallocated capital receipts available to make use of the new freedoms.

## 3. The Proposed Capital Programme 2017-20

3.1. Background

3.1.1. A four year capital programme for 2016-20 was agreed by the County Council in February 2016. This was prepared using information from the Government on known and forecast funding levels available at that time.

3.1.2. This proposed capital programme has been updated to include the latest estimates of funding available to the Council. Further information on these sources of funding is included in Section 4.

3.1.3. The proposed capital programme includes all funding currently re-profiled from 2016-17 to future years, as regularly reported to Policy and Resources Committee. The

2017-20 programme reflects all amounts re-profiled up to and including month 8 (November).

3.1.4. The new capital programme reflects known government grant settlements for 2016-17 and beyond. The programme also sets out borrowing to be approved.

3.1.5. A schedule of existing schemes included in the on-going capital programme is attached at Appendix A to this Annex, with new schemes listed in Appendix B.

3.1.6. Particular attention should be drawn to those schemes which are to be funded from borrowing and capital receipts. An analysis of receipts and their proposed use is included in Section 5.

3.2. **The Existing Programme**

The value of existing schemes brought forward into the new programme are shown in the table below. These figures are based on period 8 financial monitoring (December monitoring based on the position as at 30 November 2016) and will vary through to 1 April 2017 as schemes are accelerated or delayed.

**Table 1: Existing programme, excluding proposed new schemes**

| **Service** | 2017-18 £m | 2018-19 £m | 2019-20+ £m | **Total £m** |
|---|---|---|---|---|
| Adult Social Care | 12.014 | 0.995 | 0.000 | **13.009** |
| Children's Services | 53.375 | 69.816 | 0.000 | **123.191** |
| CES Highways | 80.664 | 3.933 | 0.602 | **85.199** |
| CES Other | 16.196 | 1.010 | 19.352 | **36.558** |
| Finance and Commercial Services | 18.502 | 22.600 | 1.600 | **42.702** |
| **Total** | **180.750** | **98.354** | **21.554** | **300.659** |

3.3. **New schemes**

Schemes not included in previous capital programmes will result in the following additions to the capital programme subject to approval:

**Table 2: Proposed investment in new schemes**

| **Service** | 2017-18 £m | 2018-19 £m | 2019-20+ £m | **Total £m** |
|---|---|---|---|---|
| Adult Social Care | | | | |
| Children's Services | 1.000 | 4.000 | - | **5.000** |
| CES Highways | 23.724 | - | - | **23.724** |
| CES Other | 6.685 | 7.650 | 1.950 | **16.285** |
| Finance and Commercial Services | 14.220 | 1.450 | 0.550 | **16.220** |
| **Total** | **45.629** | **13.100** | **2.500** | **61.229** |

3.4. **The Total Proposed Capital Programme (existing and new)**

The full Capital Programme for 2017-20, combining existing and proposed schemes, is summarised in the following table.

**Table 3: Proposed Total Capital Programme**

| **Service** | 2017-18 £m | 2018-19 £m | 2019-20+ £m | **Total £m** |
|---|---|---|---|---|
| Adult Social Care | 12.014 | 0.995 | - | **13.009** |
| Children's Services | 54.375 | 73.816 | - | **128.191** |
| CES Highways | 104.388 | 3.933 | 0.602 | **108.923** |
| CES Other | 22.881 | 8.660 | 21.302 | **52.843** |
| Finance and Commercial Services | 32.722 | 24.050 | 2.150 | **58.922** |
| **Total** | **226.379** | **111.454** | **24.054** | **361.888** |

**Note: tables on this page may be subject to small rounding differences**

3.5. The existing programme includes:

**Major programmes and schemes, for example**

- Schools basic need and capital maintenance
- Transport new schemes and capital maintenance
- Completion of the Norwich Northern Distributor Road
- Better Broadband for Norfolk

Where additional funding for existing capital programmes have been received during the current financial year, they have been added to the programme, with all changes reported to Policy and Resources Committee through the year.

**Schemes approved during 2016-17 include**

- ICT - new Voice & Data, server infrastructure and other improvements £3m.
- Library books capitalisation - £1.300m
- Capital project and procurement support - capitalisation £0.410m.

The full summary of schemes in the existing programme can be found in Appendix A.

3.6. The major new schemes proposed for addition to the capital programmes comprise:

**Spend to save and projects, which will release internal efficiencies and savings:**

- Delivery of CS Sufficiency Strategy – new in-county residential accommodation which will result in significant revenue savings

**Examples of new projects requiring borrowing or unallocated capital receipts:**

- Norwich Castle Keep development match funding of £2m, which will help bring in significantly more in external grant funding towards the £13m project, including c £9.2m HLF grant funding.
- Capitalisation of library books and ICT licences, which will have a significant and immediate positive impact on the Council's revenue budgets
- Further improvements to County Hall totalling £7m will further enable the rationalisation of the Council's property estate.
- IT server infrastructure and other IT transformation investment to enable the efficient operation of the authority's services
- NDR additional risks – an additional £6.8m required to address additional risks associated with the construction of the Northern Distributor Route.

**New schemes (grant funded) not requiring additional borrowing**

- Highways new DfT grants of £13m not already included in the programme

.

Details of all the new schemes above are given in Appendix B.

3.7. **Prioritisation**: The prioritisation system used to rank schemes in accordance with good practice, and to provide a firm basis for including unfunded/unsupported schemes, is summarised in Appendix C. All schemes have exceeded a default threshold score associated with the repayment of debt

## 4. Financing The Programme

4.1. The capital programme is financed through a number of sources – grants and contributions from third parties; contributions from revenue budgets and reserves; and external borrowing and capital receipts.

4.2. For the purpose of the table below, it is assumed that future capital receipts will be applied to the direct re-payment of debt, rather than funding the capital programme.

4.3. Proposed new schemes will result in an additional £48m of new borrowing over 3 years, subject to alternative sources of funding becoming available. This amounts to a considerable investment, and is a reflection on the decreasing levels of central government capital grant, combined with increasing pressures on the revenue budget.

4.4. The funding of the proposed programme is set out in the table below:

**Table 4: Funding of the Proposed Capital Programme £m**

| **Funding Source** | 2017-18 £m | 2018-19 £m | 2019-20 £m | **Total £m** |
|---|---|---|---|---|
| **Internal Funding** | | | | |
| Borrowing | 101.663 | 41.296 | 15.194 | **158.152** |
| Revenue and Reserves | 4.196 | | | **4.196** |
| External Grants and Contributions including Government grants | 120.521 | 70.158 | 8.860 | **199.539** |
| **Total** | **226.379** | **111.454** | **24.054** | **361.888** |

**Note: this table may be subject to small rounding differences**

4.5. Grants and contributions funding the 2017-20 programme include grants received or announced in previous years, not yet spent. Non-government external funding is primarily from developer contributions relating to highways and schools schemes around new developments. Most external grants are received from the government Departments for Transport and Education.

4.6. The provisional 2017-18 local government finance settlement published in December 2016 made no direct reference to capital funding.

4.7. The Department for Education have provided forward notice of the Basic Need capital grant settlement used by Children's Services to invest in schools. The latest announcement was in March 2016 which confirmed capital funding up to 2018-19. These allocations are already included within the capital programme. Any further Capital Maintenance grant announcement will be added to the programme to support schemes in the programme for which specific funding has not yet been secured.

4.8. The Department for Transport announced in March 2014 highways maintenance block allocations for three years from 2015-18, with indicative allocations through to 2021. For all six years the Norfolk Integrated transport block allocation is £4.141m. The Highways Maintenance Block allocation for 2017-18 is £25.459m. On 28 November 2016 the Department for Transport announced a Pothole Fund allocation of £2.476m for Norfolk. More recently, in January 2017, the DfT announced that the National Productivity Investment Fund allocated to Norfolk is £5.123m, which will be added to the programme. Nationally, £175m is being made available for road safety, with proposals being invited from local highway authorities to upgrade the most dangerous local roads. At present, none of the eligible road sections are in Norfolk.

4.9. DCLG no longer provide an annual settlement for the Fire and Rescue Service. The service continues to have the opportunity to bid for further capital funding for specific projects.

4.10. Since 2016-17, DoH no longer provide any Social Care Capital Grant. A Disabled Facilities Grant (DFG) is received as part of the Better Care Fund. This grant is then forwarded to district housing authorities to administer.

## 5. Capital Receipts forecast

5.1. Where capital receipts are generated through the sale of assets or repayments of loans by third parties, these may be: (a) used to reduce the borrowing requirement of the Council's capital programme in that year, (b) held to offset against future capital borrowing requirements or (c) used to repay existing borrowing.

5.2. The Council continues to review its assets seeking to ensure that their ongoing use supports the Council's future priorities. Assets that do not meet this need have been identified and form the basis of a continually updated disposal schedule.

5.3. The figures included in the schedule are currently the best estimate of the value of properties available for disposal, pending formal valuations, planning decisions, timing of sales and delivery options, particularly in relation to housing schemes. More detailed valuations will become available as the properties are prepared for market.

5.4. The schedule is also only an indication of the phasing of disposals. Some sales will take place later than forecast, for example when planning or legal issues arise, whereas others may be accelerated as alternative sales and development opportunities are identified. These movements are tracked in capital monitoring reports reported to Policy and Resources Committee.

**Table 5: Draft property disposal schedule estimates £m**

| | 2017-18 | 2018-19 | 2019-20+ | | Total yrs |
|---|---|---|---|---|---|
| **Sales estimates** | £m | £m | £m | | **£m** |
| Forward Sales Summary exc farms | 2.465 | 1.750 | 0.250 | | 4.465 |
| Farms Sales forecast | 6.675 | 2.530 | 2.000 | | 11.205 |
| **Total projected sales** | **9.140** | **4.280** | **2.250** | | **15.670** |
| | | | | | |
| Estimate of farms development gain to be allocated to general receipts | 3.180 | 1.470 | 1.200 | | 5.850 |
| **Use of receipts estimates** | | | | | |
| Useable receipts - general | 5.645 | 3.220 | 1.450 | | 10.315 |
| Useable receipts - farms | 3.495 | 1.060 | 0.800 | | 5.355 |
| Total receipts | **9.140** | **4.280** | **2.250** | | **15.670** |

5.5. Forecast farms disposals are allocated separately, and this total is highly dependent on the sale of development land in Acle and a number of other development sites which comprise the majority of total potential sales by value. A broad estimate has been made of the element of potential planning gain on farm land designated for housing development, which may be made available for general purposes. Due to the uncertainties involved as to the arrangements, values and timing, the figures above are a guide and the outcomes will be reported as properties are sold.

## 6. Revenue Impact of the Proposed Capital Programme

6.1. Where the Council uses borrowing to support the capital programme, it must set aside revenue funds on an annual basis to repay the capital borrowed. This is required by statute and is known as Minimum Revenue Provision (MRP). The cost of MRP depends on the life of the underlying asset. Further information can be found in the MRP policy.

6.2. In addition to MRP, the Council will need to fund any additional interest costs through future revenue budgets. The Council has the capacity to borrow from the Public Works Loan Board (PWLB) with interest rates currently in the order of 2.5-3%. However, apart from recent borrowing in respect of the NDR, since 2008 the Council funded capital expenditure using its cash balances. Where borrowing is not undertaken the interest cost to the revenue budget is the interest foregone.

6.3. The cumulative revenue impact of schemes funded from borrowing is set out below, assuming spend mid-year. For the purpose of calculating the impact of MRP, an average asset life of 25 years has been assumed, based on a weighted average.

**Table 6: estimated revenue costs of new schemes**

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| MRP impact of new schemes | - | 1.290 | 1.814 | 1.914 |
| Interest foregone - estimate | 0.081 | 0.194 | 0.350 | 0.479 |
| **Cumulative revenue impact** | 0.081 | 1.484 | 2.164 | 2.393 |
| | | | | |
| Assumed interest rate on cash balances | 0.50% | 0.50% | 0.75% | 1.00% |

Note: The assumed interest rate is based on interest assumptions for new in-year deposits. Expenditure assumed mid-year.

6.4. Schemes have been included in the table above where they are either supported, or “spend to save” schemes. Spend to save schemes will generate income or savings which will help mitigate the additional revenue costs shown above.

**Officer Contact**

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## Appendices

**Appendix A: Capital programme 2017-20 – existing schemes**

**Appendix B: New and extended capital schemes**

**Appendix C: Capital bids prioritisation**

**Appendix D: Capital strategy 2017-20**

**Appendix E: Minimum Revenue Provision Statement 2017-18**

**Appendix F: Prudential Code Indicators 2017-18**

**Appendix A: Capital programme 2017-20 – existing schemes**

- **see following pages (all figures £m)**

# Capital Programme 2017-20: Existing schemes

Capital on going schemes

| | | | | 2017-18 | | | 2017-18 Total | 2018-19 | | 2018-19 Total | 2019-20 | | 2019-20 Total | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Directorate | Service | Programme area | Project Description | Borrowing and Capital Receipts | External Funding | Revenue and Reserves | | Borrowing and Capital Receipts | External Funding | | Borrowing and Capital Receipts | External Funding | | |
| | | | | £m | £m | £m | £m | £m | | £m | £m | £m | £m | £m |
| **Adult Social Care** | Adult Social Care | Adult Social Care | SUPP LIVG-PEOPLE WITH L/D | | 0.014 | | **0.014** | | | | | | | 0.014 |
| | | | SOCIAL CARE IT INFRA GRNT | 0.141 | | | **0.141** | | | | | | | 0.141 |
| | | | Doh Social Care Grnt13/14 | 0.040 | 4.424 | 0.090 | **4.554** | | | | | | | 4.554 |
| | | | Winterbourne Project | | 0.050 | | **0.050** | | | | | | | 0.050 |
| | | | Care Act Implemeentation | | 0.871 | | **0.871** | | | | | | | 0.871 |
| | | | Elm Road Community Hub | | 1.350 | | **1.350** | | | | | | | 1.350 |
| | | | Social Care Information System Reproc | 5.034 | | | **5.034** | 0.995 | | **0.995** | | | | 6.029 |
| | | **Adult Social Care Total** | | **5.215** | **6.709** | **0.090** | **12.014** | **0.995** | | **0.995** | | | | **13.009** |
| | **Adult Social Care Total** | | | **5.215** | **6.709** | **0.090** | **12.014** | **0.995** | | **0.995** | | | | **13.009** |
| **Adult Social Care Total** | | | | **5.215** | **6.709** | **0.090** | **12.014** | **0.995** | | **0.995** | | | | **13.009** |
| **Children's services** | Children's services | A1 - Major Growth | | 0.751 | 16.423 | | **17.174** | | 34.131 | **34.131** | | | | 51.304 |
| | | A2 - Master Planning | | | 1.704 | | **1.704** | | 1.100 | **1.100** | | | | 2.804 |
| | | A3 - Area Growth & Reorganisation | | | 9.236 | | **9.236** | | 8.000 | **8.000** | | | | 17.236 |
| | | A4 - Growth - Minor Adjustments | | | 4.158 | | **4.158** | | 3.512 | **3.512** | | | | 7.670 |
| | | A4 – Minor Adjustments | | | 0.340 | | **0.340** | | | | | | | 0.340 |
| | | B1 - Special Educational Needs (SEN) | | | 7.746 | | **7.746** | | 0.238 | **0.238** | | | | 7.984 |
| | | B2 - Additional Needs | | 1.394 | 0.014 | | **1.408** | 0.353 | 4.975 | **5.328** | | | | 6.736 |
| | | B4 - Early years | | 0.044 | 0.178 | | **0.222** | 0.198 | 0.999 | **1.197** | | | | 1.419 |
| | | C1 - Efficiency | | 0.030 | 0.915 | | **0.945** | | 1.000 | **1.000** | | | | 1.945 |
| | | C2 - Major Capital Maintenance | | 0.764 | 4.706 | | **5.470** | | 10.800 | **10.800** | | | | 16.270 |
| | | D - Other schemes | | 0.691 | 4.282 | 0.000 | **4.973** | | 4.511 | **4.511** | | | | 9.483 |
| | **Children's services Total** | | | **3.674** | **49.701** | **0.000** | **53.375** | **0.551** | **69.265** | **69.816** | | | | **123.191** |
| **Children's services Total** | | | | **3.674** | **49.701** | **0.000** | **53.375** | **0.551** | **69.265** | **69.816** | | | | **123.191** |

| | | | | 2017-18 | | | 2017-18 Total | 2018-19 | | 2018-19 Total | 2019-20 | | 2019-20 Total | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directorate** | **Service** | **Programme area** | **Project Description** | **Borrowing and Capital Receipts** | **External Funding** | **Revenue and Reserves** | | **Borrowing and Capital Receipts** | **External Funding** | | **Borrowing and Capital Receipts** | **External Funding** | | |
| | | | | £m | £m | £m | £m | £m | | £m | £m | £m | £m | £m |
| **CES** | Highways | Northern Distributor Road | | 33.482 | 23.213 | | **56.695** | 3.050 | 0.883 | **3.933** | -1.098 | 1.700 | **0.602** | 61.230 |
| | | Schemes including Street Lighting | | | | 3.510 | **3.510** | | | | | | | 3.510 |
| | | Structural Maintenance | | | 20.459 | | **20.459** | | | | | | | 20.459 |
| | **Highways Total** | | | **33.482** | **43.672** | **3.510** | **80.664** | **3.050** | **0.883** | **3.933** | **-1.098** | **1.700** | **0.602** | **85.199** |
| | Edt Other | Edt Other | Esco Investment Fund Nfk | 6.150 | | | **6.150** | | | | | | | 6.150 |
| | | | KINGS LYNN HWRC IMPROVE | | 0.067 | | **0.067** | | | | | | | 0.067 |
| | | | DRAINAGE ASSESSMENT | 0.193 | | | **0.193** | | | | | | | 0.193 |
| | | **Edt Other Total** | | **6.343** | **0.067** | | **6.410** | | | | | | | **6.410** |
| | Edt Other Total | | | 6.343 | 0.067 | | **6.410** | | | | | | | 6.410 |
| | **Edt Other - Transport Total** | | | | | | | | | | | | | **0.000** |
| | Economic Development | Economic Development | SEP Capital General | 1.272 | | | **1.272** | | | | | | | 1.272 |
| | | Economic Development Total | | 1.272 | | | **1.272** | | | | | | | 1.272 |
| | **Economic Development Total** | | | **1.272** | | | **1.272** | | | | | | | **1.272** |
| **CES** | Fire | Fire | REACT RETAINED STN REFURB | | 0.041 | | **0.041** | | | | | | | 0.041 |
| | | | Flood Rescue VPE (Lightweights) | 0.068 | | | **0.068** | | | | | | | 0.068 |
| | | | WATER RESCUE - DEFRA | | 0.093 | | **0.093** | | | | | | | 0.093 |
| | | | Portable Generators | 0.023 | 0.192 | | **0.216** | | | | | | | 0.216 |
| | | | N Lynn Improvements | 0.217 | | | **0.217** | | | | | | | 0.217 |
| | | | D Market Station Rebuild | | | 0.589 | **0.589** | | | | | | | 0.589 |
| | | | Forward Command system and vehicles | 0.095 | 0.111 | | **0.206** | | | | | | | 0.206 |
| | | | Unallocated CLG grant 2014-15 | | 0.900 | | **0.900** | | | | | | | 0.900 |
| | | Fire Total | | 0.404 | 1.337 | 0.589 | **2.330** | | | | | | | 2.330 |
| | **Fire Total** | | | **0.404** | **1.337** | **0.589** | **2.330** | | | | | | | **2.330** |
| | Library | Librarys S106 Schemes | | | 0.205 | | **0.205** | | 0.010 | **0.010** | | | | 0.215 |
| | **Library Total** | | | | **0.205** | | **0.205** | | **0.010** | **0.010** | | | | **0.215** |
| | Museum | Museum | Norwich Museums Capital Works | 0.017 | | | **0.017** | | | | | | | 0.017 |
| | | | SEAHENGE | | | 0.007 | **0.007** | | | | | | | 0.007 |
| | | | Castle Keep Improvements | | 0.539 | | **0.539** | | | | | | | 0.539 |
| | | Museum Total | | 0.017 | 0.539 | 0.007 | **0.563** | | | | | | | 0.563 |
| | **Museum Total** | | | **0.017** | **0.539** | **0.007** | **0.563** | | | | | | | **0.563** |
| | Better Broadband For Norfolk | Better Broadband For N | Better Broadband Scheme 2 | 0.500 | 4.915 | | **5.415** | 1.000 | | **1.000** | 12.192 | 7.160 | **19.352** | 25.767 |
| | | Better Broadband For Norfolk Total | | 0.500 | 4.915 | | **5.415** | 1.000 | | **1.000** | 12.192 | 7.160 | **19.352** | 25.767 |
| | Better Broadband For Norfolk Total | | | 0.500 | 4.915 | | **5.415** | 1.000 | | **1.000** | 12.192 | 7.160 | **19.352** | **25.767** |
| **Community & Environmental Services Total** | | | | **42.018** | **50.736** | **4.106** | **96.860** | **4.050** | **0.893** | **4.943** | **11.094** | **8.860** | **19.954** | **121.757** |

| | | | | 2017-18 | | | 2017-18 Total | 2018-19 | | 2018-19 Total | 2019-20 | | 2019-20 Total | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Directorate | Service | Programme area | Project Description | Borrowing and Capital Receipts | External Funding | Revenue and Reserves | | Borrowing and Capital Receipts | External Funding | | Borrowing and Capital Receipts | External Funding | | |
| | | | | £m | £m | £m | £m | £m | | £m | £m | £m | £m | £m |
| Finance & Com Servs | Farms | Farms | Hall Fm, Mautby: Bdg Conv | 0.120 | | | 0.120 | | | | | | | 0.120 |
| | | | Roads Programme | 0.020 | | | 0.020 | | | | | | | 0.020 |
| | | | Land Drainage Schemes | 0.100 | | | 0.100 | | | | | | | 0.100 |
| | | | Hilgay Pleasant House Farm | 0.070 | | | 0.070 | | | | | | | 0.070 |
| | | | Crimplesham - Cattle Shed | 0.200 | | | 0.200 | | | | | | | 0.200 |
| | | | Unallocated funding | 0.600 | | | 0.600 | 0.600 | | 0.600 | 0.600 | | 0.600 | 1.800 |
| | | Farms Total | | 1.110 | | | 1.110 | 0.600 | | 0.600 | 0.600 | | 0.600 | 2.310 |
| | Farms Total | | | 1.110 | | | 1.110 | 0.600 | | 0.600 | 0.600 | | 0.600 | 2.310 |
| | Offices | Offices | DSBLD DISCRM ACT 00 | 0.254 | 0.001 | | 0.255 | | | | | | | 0.255 |
| | | | VARIOUS:FIRE SFTY REQUIRE | 0.022 | | | 0.022 | | | | | | | 0.022 |
| | | | ASBESTOS SURVEY & REMOVAL | 1.554 | | | 1.554 | | | | | | | 1.554 |
| | | | Corporate Offices Capital Maintenance | 1.359 | | | 1.359 | 1.000 | | 1.000 | 1.000 | | 1.000 | 3.359 |
| | | Offices Total | | 3.190 | 0.001 | | 3.191 | 1.000 | | 1.000 | 1.000 | | 1.000 | 5.191 |
| | Offices Total | | | 3.190 | 0.001 | | 3.191 | 1.000 | | 1.000 | 1.000 | | 1.000 | 5.191 |
| | Offices - C.Hall | Offices - C.Hall | County Hall North/South Wings Refurbishm | 1.668 | | | 1.668 | | | | | | | 1.668 |
| | | Offices - C.Hall Total | | 1.668 | | | 1.668 | | | | | | | 1.668 |
| | Offices - C.Hall Total | | | 1.668 | | | 1.668 | | | | | | | 1.668 |
| | Norfolk Workstyle | Norfolk Workstyle | Workstyle Capital | 0.005 | | | 0.005 | | | | | | | 0.005 |
| | | | Audio & Visual Equipment | 0.029 | | | 0.029 | | | | | | | 0.029 |
| | | Norfolk Workstyle Total | | 0.034 | | | 0.034 | | | | | | | 0.034 |
| | Norfolk Workstyle Total | | | 0.034 | | | 0.034 | | | | | | | 0.034 |
| | GNGB supported borrowing | GNGB supported borrowing facility | | 7.500 | | | 7.500 | 11.000 | | 11.000 | | | | 18.500 |
| | | GNGB supported borrowing facility Total | | 7.500 | | | 7.500 | 11.000 | | 11.000 | | | | 18.500 |
| | GNGB supported borrowing facility Total | | | 7.500 | | | 7.500 | 11.000 | | 11.000 | | | | 18.500 |
| | NCC subsidiary companies | NCC subsidiaries | NORSE ENERGY LOAN | | | | | 5.000 | | 5.000 | | | | 5.000 |
| | | NCC subsidiaries | NCC subsidiary companies capital facility | 5.000 | | | 5.000 | 5.000 | | 5.000 | | | | 10.000 |
| | | NCC subsidiary companies Total | | 5.000 | | | 5.000 | 10.000 | | 10.000 | | | | 15.000 |
| | NCC subsidiary companies Total | | | 5.000 | | | 5.000 | 10.000 | | 10.000 | | | | 15.000 |
| Finance & Commercial Services Total | | | | 18.501 | 0.001 | | 18.502 | 22.600 | | 22.600 | 1.600 | | 1.600 | 42.702 |
| Grand Total - existing schemes | | | | 69.408 | 107.147 | 4.196 | 180.750 | 28.196 | 70.158 | 98.354 | 12.694 | 8.860 | 21.554 | 300.659 |

## Appendix B: New and extended capital schemes

Proposed new schemes added to the capital programme are listed below:

| Children's Services Committee | | | | | |
|---|---|---|---|---|---|
| **Service** | **Title** | **2017-18** | **2018-19** | **2019-20** | **Summary of Bid** |
| | | **£m** | **£m** | **£m** | |
| Children's Services | Delivery of CS Sufficiency Strategy | 1.000 | 4.000 | | Development of between 16-24 operational beds in 8-10 units to be used as both residential provision and self-contained move-on beds for young people leaving care. Since Service Committee reports, the proposed timing of expenditure has been updated, with the overall expenditure remaining unchanged. |
| **Total Children's Services** | | **1.000** | **4.000** | | |

| EDT Committee | | | | | |
|---|---|---|---|---|---|
| **Service** | **Title** | **2017-18** | **2018-19** | **2019-20** | **Summary of Bid** |
| | | **£m** | **£m** | **£m** | |
| Highways | Development of Ketteringham Site | 1.000 | | | Potential development of a joint base as part of the OPE. |
| Highways | Flood Mitigation measures | 1.500 | | | Market town drainage improvements and flood alleviation |
| Highways | DfT Challenge Fund | 1.000 | | | Match funding – Outline bids to be submitted Jan 2017. |
| Highways | North Area – new depot | 0.050 | | | Development of a new site |
| Highways | NDR – additional risks | 6.800 | | | As reported to 16 September 2016 EDT Committee, there are a number of risks costed at £6.8m that could impact on the cost of delivery. The cost risks set out in the report relate to additional costs of Rackheath Rail Bridge, land acquisition, and additional work resulting from design changes, utility apparatus and detailed site surveys. |
| Highways | Highways new DfT grants | 13.374 | | | The following grant and other funding has been confirmed or announced to support the 2017-18 Highways capital programme.<br>£m<br>DfT Challenge fund 4.193<br>DfT Incentive fund 2.384<br>DfT pothole funding 2.476<br>NCC reserves match funding 0.180<br>DfT Integrated Transport grant funding 4.141<br>**Total to be added to the programme 13.374**<br><br>In addition, structural maintenance grant of £25.459m previously announced, and already included in the programme, has been confirmed. Further details have been reported to the 27 January 2017 EDT Committee in the Highways Capital Programme 2017/18/19 report. |
| **Total Highways** | | **23.724** | **-** | **-** | |

| | | | | | |
|---|---|---|---|---|---|
| Waste | Replacement HWRC Norwich | | 2.750 | | Provision of new recycling centre for Norwich as a replacement for the existing Mile Cross site, provided on a design build and operate contract that expires in September 2021 and cannot be extended. |
| Customer services | E-commerce digital development | 0.173 | | | This capital bid is for the development of a holistic e-commerce programme being run in collaboration with NCC Finance and ICT, The digital front end required for the ecommerce offer will be the customer view in to the organisation, and will primarily be used to promote, describe and sell events, activities and products on behalf of all relevant NCC services. |
| Customer services | Single Employee Portal | 0.320 | | | The current employee digital offer is disjointed and does not provide an optimal experience for staff and managers within NCC. In addition, the current content management platform (Oracle) for iNet and PeopleNet is out of support and needs to be replaced. It has been agreed that Sitecore will be used for the new employee digital platform, as for the externally facing customer offer.<br>In designing and developing the new employee offer the following objectives need to be achieved<br>• Overall cost to serve is reduced<br>• Employee satisfaction is increased by seamless journeys and easy to use processes (workflow)<br>• Management processes and performance information are enabled through self service<br>• All internal customers fully utilise self-service where it is available<br>• Professional resources are deployed effectively and where they add value |
| Scottow Enterprise Park | Scottow Enterprise Park development | 3.952 | | | Scottow Enterprise Park has 122 units totalling over 510,000 square feet of lettable space, and is currently 67% occupied by 61 businesses. In line with a report to 14 July 2016 Economic Development Committee, in order to facilitate the growth and economic development of the site relative to the current level of demand and enquiries, a total of capital budget of £9.500m is required. This is a further £3.952m over the current capital programme allocation for Scottow.<br>Of the total £9.500m, £5.238m is required to make essential infrastructure improvements for existing and future tenants, including £3.900m to ensure a potable water supply exists throughout the site, the remainder covering adequate drainage, heating and safe asbestos removal. Building requirements comprise £2.700m to bring hangar buildings into a condition whereby prospective tenants can take up space, and a further £1.562m on other buildings to meet current demand. |
| **Total EDT other** | | **4.445** | **2.750** | **-** | |
| **Total EDT** | | **28.169** | **2.750** | **-** | |

| Communities Committee | | | | | |
|---|---|---|---|---|---|
| **Service** | **Title** | **2017-18** | **2018-19** | **2019-20** | **Summary of Bid** |
| | | **£m** | **£m** | **£m** | |
| Public safety | Fire Premises : | 0.150 | | | Premises:<br>Downham Market (non-insured shortfall in funding)<br>Attleborough – Fire share of new joint building<br>Stand-by power generators<br><br>Fitting of NCC swipe card access to our fire stations to allow NCC staff access sites to aid mobile working. Potential contribution from insurance fund. |
| Public Safety | ICT – Control systems relocation from Hethersett to Wymondham | 0.210 | | | Move of NFRS Fire Control Room to Norfolk Constabulary Control Room to facilitate greater operational effectiveness. |
| Public Safety | Fire station fire detection systems | 0.150 | | | Installation of Fire Detection and Monitoring for all NFRS sites that currently have no provision |
| Public Safety | Live fire unit | 0.080 | | | To maintain Operational Firefighter training and to mitigate changes required by NNDC Environmental Health team:<br>• Provision of gas fire units<br>• Additional Fire Behaviour unit. |
| Public Safety | Replacement fire engines | | 0.950 | | Replacement of four fire engines. |
| Public Safety | Aerial Appliance | 0.300 | | | Replacement of current aerial appliance |
| Public Safety | Operational equipment | 0.200 | 0.200 | 0.200 | Capital fund for replacement of critical equipment replacement, (working at height, hose, airbags). |
| Cultural services - museums | Norwich Castle Keep development match funding | | 1.950 | | Norfolk Museums Service will deliver a major project to redevelop the medieval Keep at Norwich Castle Museum & Art Gallery. This £13m project will re-create the 12th century Norman royal palace and will develop a new British Museum Gallery of the Medieval Period, creating the first permanent presence for the British Museum in the East of England. This project is one of the highest profile heritage projects in the UK, delivering strongly against all four of the Norfolk County Council strategic priorities, with a bid to the Heritage Lottery Fund (£9.2m) accounting for the majority of funding. |

| | | | | | |
|---|---|---|---|---|---|
| Cultural services - museums | Norwich Castle museum business critical M&E services | 0.150 | | 0.750 | The ability to deliver services and programming at NCM is currently threatened by significant failures affecting two critical elements of site M&E infrastructure including the critical M&E systems that control RH and temperature in exhibition galleries, and the external lift. |
| Cultural services - Libraries | Replacement of Self Service Kiosks in Libraries | | 0.800 | | Norfolk Library and Information Service have 106 self-service kiosks in libraries that customers use for around 90% of standard transactions. Originally introduced in 2008, the kiosks were refreshed in 2013/14 and have an effective life expectancy of 6 years. This bid is for 106 replacement kiosks in 2018-19, 50 of which will accept coins/notes and 56 of which will accept money and electronic payments. |
| Cultural services - Libraries | Capitalisation of library books | 1.000 | 1.000 | 1.000 | The majority of expenditure on library books has previously been treated as revenue expenditure within the Council’s accounts. To the extent that library books form a class of “non-current assets” with a life of more than one year they can be capitalised. The actual amount capitalised and impact on the revenue budget will depend on the exact mix of library purchases in any one year. |
| **Total Communities** | | **2.240** | **4.900** | **1.950** | |
| **Total CES** | | **30.409** | **7.650** | **1.950** | |

| Policy and Resources Committee | | | | | |
|---|---|---|---|---|---|
| **Service** | **Title** | **2017-18** | **2018-19** | **2019-20** | Summary of Bid |
| **Finance & Property** | | **£m** | **£m** | **£m** | |
| Corporate Property Team (CPT) | Norfolk One Public Estate programme | 0.250 | 0.250 | 0.250 | NCC are a partner in Norfolk One Public Estate (OPE) programme This bid enables the County Council to fully participate in the programme through small capital schemes combining buildings and releasing sites from the portfolio thereby producing capital receipts and making revenue savings. Decisions on which projects to support will be made by Corporate Property Strategy Group, supported by the Corporate Property Team based on business cases detailing the benefits to NCC services and Norfolk citizens and service users. |
| CPT | Basement/Lower Ground | 3.700 | | | Proposed refurbishment of the lower ground and basement at County Hall to form maximum occupation office accommodation including a number of meeting rooms and storage space, Together with the refurbishment of the North Wing work this will allow the release of the Annexe and Vantage House. To be commissioned same time a North Wing. Further work is required to refine the cost estimate. |
| CPT | County Hall North Wing | 3.300 | | | Refurbishment of the North Wing at County Hall to form maximum occupation office accommodation including a number of meeting rooms allowing decant from The Annexe & Carrow House subject to final location plans. The project includes the re-siting of the ITS control room. Total cost £4.300m, office accommodation plus provisional £0.500m for democratic spaces, less £1.500m already committed. |
| CPT | Replacement room booking system | 0.050 | | | Replacement room booking system to enable better control of available venues reducing costs associated with hire and lost time. |
| Finance | Capitalisation of corporate capital staff costs where applicable | 0.300 | 0.300 | 0.300 | The Council spends over £100m each year on its capital programme. Included in this cost can be staff time where it relates to specific projects and assets. This budget represents the cost of a number of staff providing support and advice to various elements of the capital programme, previously funded from the revenue budget. |
| ICT | Member ICT refresh | 0.420 | | | Updating technology used by NCC members |
| ICT | Server infrastructure | 2.400 | | | The authority's server infrastructure is now 5 years old and has reached the end of economic life. Replacement servers will be able to meet enhanced storage and recovery standards. The estimated |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | cost of server replacements and licencing is £3.4m, of which £1m is forecast to be spent in 2016-17. |
| ICT | Technology and investment programme (transformation) | 2.600 | | | This bid is for a number of transformation projects to improve ICT services, including:<br>• further development of online self-service portals for residents, staff and partners (£1.1m)<br>• refresh of the corporate mobile phone estate (£0.5m)<br>• Improvements to corporate Wi-Fi (£0.5m)<br>• mobile and flexible working technologies to improve the effectiveness and efficiency of front line Social Care workers (£0.5m). |
| ICT | Licencing and generic capital improvements | 1.200 | 0.900 | | A number of ICT projects have been proposed to enhance services throughout NCC, principally through the development of a range of self-service portals. As much as £3m will be required in total, including £1.2m approved in 2016-17. In addition, it is likely that a further £0.3m will be required in respect of long term licences in 2017-18. |
| **Total Finance** | | **14.220** | **1.450** | **0.550** | |
| **Total P&R** | | **14.220** | **1.450** | **0.550** | |
| **Total NCC** | | **45.629** | **13.100** | **2.500** | |

**Other projects which are in development for future capital programmes**

**Highways Capital Programme Targeted Improvements**: as and when government infrastructure funding is made available, experience suggests that government would be looking for 'shovel-ready' projects. Officers are developing strategic schemes (with partners where applicable) which may attract funding, and whether up-front capital funding could act as a lever for government support. Examples of schemes being considered are:

- A47 Acle Straight dualling, Tilney to East Winch dualling, Longwater Junction improvements
- Great Yarmouth Third River Crossing (the DfT has made £1.080m available for development work up to and including the production of an outline business case)
- A11 Thetford junction and other improvements
- A140 Long Stratton bypass
- Rail enhancements in the area to accommodate planned passenger and freight services
- Rail halt at Broadland Business Park
- Great Yarmouth Flood Defence Infrastructure
- Great Yarmouth Port development

**Norwich Western Link:** An extension of the Norwich Northern Distributor Road (NDR) from the A1067 to the A47 at its western end, members have previously discussed the project with Highways England in the context of a potential programme to dual sections of the A47. The Wensum Valley Link would provide improved highway infrastructure in response to local concerns about existing traffic impacts on communities, and would provide the potential to improve linkages between housing and employment areas, enhancing job opportunities. Further development works are planned with the first gateway phase expected to be completed by June 2017.

**Shrublands site, Great Yarmouth:** discussions with the PCT are taking place which may result in a potential bid relating to the development of health centre on site. This will be subject to an outline proposal from the PCT and acceptable commercial terms. In addition, NCC is considering how the remainder of the site can be best developed.

**Whitlingham Outdoor Education Centre**: while capital money has been approved to reduce future maintenance costs by addressing immediate capital maintenance concerns (currently subject to discussion with the relevant planning authorities), officers are considering capital improvements which will improve the medium and long term financial sustainability of the centre.

Schools projects (to be funded through existing grants and developer contributions, as available)

| Project | Description | Project Delivery (subject to minimising disruption to education provision) |
|---|---|---|
| New primary school building for St Edmund's Primary School, King's Lynn on Lynnsport site | Building for 2FE primary school building on Lynnsport land offered in lieu of S106 contributions. Scheme will assist delivery of alternative provision in King's Lynn. | 2019/20 |
| Aylsham Primary growth and reorganisation | Accommodation for St Michael's CE VA Infant School to reorganise to 140 place primary.<br>Expansion of John of Gaunt Infant school site to accommodate further 1 form of entry resulting from change to St Michael's and growth in town. | 2017/18 |
| Bowthorpe organisation/New primary school building | As part of the need for additional places in Bowthorpe, the organisation and expansion of primary places is being reviewed. This is likely to include a new school building and site. | 2020/21 |
| Costessey Infant and Junior | Amalgamation onto single site 3FE primary and second phase to expand to 4 forms of entry. | 2017/18 |
| Dersingham VA Infant and Junior | Amalgamation onto single site.<br>Funding to include disposal of infant school site. | 2017/18 onwards |
| East Harling Primary to 1.5FE | Expansion in response to pressure on school places. | 2018/19 |
| Mulbarton Infant and Junior expansion | Expansion of infant and junior schools in response to pressure on school places in Mulbarton and the surrounding villages. | 2018/19 |
| Sprowston area growth | Expansion of existing primary schools to west of Sprowston to absorb housing growth prior to new primary schools in Beeston Park | 2016/17 onwards |
| Temporary Classrooms 2017/18 | Placement of modular temporary accommodation at school sites experiencing either a bulge year of entry or the first year/continuing years of sustained pupil number growth. | Target delivery by Sept 2017 / 2018 |
| Scarning CE VC Primary | Additional classrooms to provide additional 0.5 form of entry for Dereham cluster. S106 developer contributions form part of funding. | 2017/18 |
| Downham Market Hillcrest Primary | Expansion to 3 forms of entry in response to housing growth S106 developer contributions form part of funding. | 2017 /18 |
| Norwich North and South growth | Expansion of existing schools in Norwich in response to pressure on school places. | 2017/18 onwards |
| Poringland Primary | Project to expand school to 2 forms of entry. | 2017 /18 |

| **Project** | **Description** | **Project Delivery (subject to minimising disruption to education provision)** |
|---|---|---|
| Watton Junior Academy | New school building and site to address housing | 2017/18 onwards |
| Land costs for new schools | Part funding required for land available through housing developments. Funding through Basic Need grant. | 2016/17 onwards |
| Capital Maintenance and Academy transfer funds | Projects of approximately £500,000 not covered by schools' devolved formula capital based on assessment by NPS surveyors, and liabilities for NCC properties on conversion to academies. | 2016/17 |

## Appendix C: Capital bids prioritisation model

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

- to provide an ambitious and deliverable programme
- to minimise unaffordable revenue costs.

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 which have been approved during the year, including for example additional funding for ICT schemes, outside the annual capital prioritisation round but subject to P&R approval.

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. The prioritisation process gives 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, and DfE grants to the schools capital programme.

    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 may be used to provide funding for higher priority unfunded schemes.

A capital project marking guide has been produced based on the suggestions made in previous years

**Development of the prioritisation model**
The corporate capital prioritisation model is based on the model first used in preparing the 2015-18 capital programme, and which has been re-presented to the November 2016 P&R Committee.

This model operates at a corporate level which looks at capital programmes rather than individual schemes, except where schemes are not externally funded. Most schemes are prioritised within the two major capital programme areas of transport and schools.

Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within ETD and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Non-school property schemes should all come through the Council's Corporate Property team.

Schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

The Council's three year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

**Funding and the scoring threshold**
Irrespective of scores, schemes can only be included in the County Council approved capital budget up to the point that funding is available taking into account limitations associated with different funding sources.

For schemes with no funding source, a benchmark of 35 has been applied, being the score for a dummy project of simply re-paying debt. For funded schemes, this also provides a useful benchmark against which to ask the question as to whether the Council should be undertaking projects which do not, for example, fulfil the Council's objectives.

Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

## Capital programme 2017-20 – officer prioritisation 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** |
|---|---|---|---|---|---|---|---|---|
| | **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 schemes in the 2016-20 capital programme*** | | | | | | | | |
| Highways Capital Improvements | 3 | 5 | 2 | 5 | 5 | 2 | 5 | 84 |
| Highways Structural Maintenance | 4 | 4 | 2 | 5 | 2 | 2 | 5 | 73 |
| City Deal Local infrastructure | 2 | 3 | 4 | 4 | 4 | 4 | 3 | 70 |
| Temporary Classrooms | 4 | 4 | 1 | 5 | 0 | 3 | 5 | 67 |
| Northern Distributor Road | 3 | 5 | 1 | 2 | 4 | 1 | 5 | 66 |
| Schools Capital Maintenance | 3 | 4 | 1 | 5 | 0 | 3 | 5 | 65 |
| Elm Road, Thetford – Community Hub | 4 | 4 | 1 | 5 | 0 | 3 | 4 | 65 |
| Better Broadband | 0 | 5 | 3 | 4 | 4 | 0 | 3 | 64 |
| School Basic Need | 4 | 4 | 1 | 5 | 0 | 3 | 3 | 63 |
| Customer Service Strategy | 2 | 4 | 4 | 2 | 0 | 3 | 5 | 54 |
| NEFL Borrowing Facility | 0 | 3 | 2 | 4 | 2 | 5 | 0 | 52 |
| Scottow Enterprise Park capital | 0 | 5 | 4 | 2 | 0 | 3 | 3 | 50 |
| Norse, additional loan facility | 0 | 1 | 1 | 4 | 3 | 5 | 2 | 49 |
| Farm property capital maintenance | 2 | 1 | 0 | 5 | 0 | 3 | 4 | 47 |
| Libraries Open+ | 2 | 2 | 1 | 3 | 0 | 4 | 5 | 47 |
| Corporate offices capital maint | 2 | 2 | 5 | 1 | 0 | 5 | 4 | 45 |
| Voice and data contract – capital | 2 | 2 | 4 | 1 | 2 | 2 | 4 | 43 |
| Whitlingham capital repairs | 1 | 2 | 3 | 2 | 0 | 2 | 4 | 38 |
| Managing Asbestos Exposure | 5 | 1 | 1 | 0 | 0 | 5 | 5 | 36 |
| **Repay Debt (Dummy reference bid)** | **0** | **0** | **0** | **5** | **0** | **5** | **0** | **35** |
| | | | | | | | | |
| **New schemes** | | | | | | | | |
| Delivery of CS Sufficiency Strategy | 5 | 3 | 3 | 4 | 0 | 3 | 4 | 62 |
| **CES** | | | | | | | | |
| Highways new DfT grants | 4 | 4 | 2 | 5 | 2 | 2 | 5 | 73 |
| NDR additional risks | 3 | 5 | 1 | 2 | 4 | 1 | 5 | 62 |
| Replacement fire engines | 4 | 4 | 0 | 3 | 0 | 4 | 5 | 57 |
| DfT Challenge Fund | 4 | 4 | 1 | 0 | 5 | 4 | 2 | 53 |
| Aerial Appliance | 4 | 3 | 0 | 3 | 0 | 4 | 4 | 51 |
| Operational equipment | 4 | 3 | 0 | 3 | 0 | 4 | 4 | 51 |
| Scottow Enterprise Park development | 0 | 5 | 4 | 2 | 0 | 3 | 3 | 50 |
| Flood Mitigation measures | 3 | 4 | 1 | 1 | 3 | 3 | 3 | 50 |
| Norwich Castle Keep development match funding | 2 | 4 | 1 | 1 | 5 | 2 | 1 | 48 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Norwich Castle museum business critical M&E services | 4 | 3 | 2 | 2 | 0 | 2 | 4 | 46 |
| ICT – Control systems relocation from Hethersett to Wymondham | 3 | 1 | 3 | 3 | 0 | 2 | 5 | 45 |
| Development of Ketteringham Site | 2 | 2 | 3 | 1 | 3 | 3 | 2 | 42 |
| Fire station fire detection systems | 4 | 3 | 2 | 1 | 0 | 2 | 4 | 41 |
| Replacement HWRC Norwich | 3 | 4 | 0 | 1 | 0 | 1 | 5 | 39 |
| Capitalisation of library books | 2 | 3 | 0 | 2 | 0 | 3 | 3 | 38 |
| Single Employee Portal | 2 | 2 | 5 | 1 | 0 | 3 | 2 | 37 |
| Live fire unit | 2 | 3 | 0 | 1 | 0 | 4 | 4 | 37 |
| North Area – new depot | 2 | 2 | 1 | 2 | 0 | 3 | 3 | 36 |
| Fire Premises: Downham Mkt | 4 | 3 | 3 | 0 | 0 | 1 | 4 | 36 |
| Replacement of Self Service Kiosks in Libraries | 2 | 2 | 0 | 2 | 0 | 3 | 4 | 36 |
| **Director of Finance** | | | | | | | | |
| Norfolk One Public Estate programme | 3 | 2 | 4 | 1 | 5 | 5 | 2 | 56 |
| Server infrastructure | 2 | 2 | 3 | 3 | 2 | 3 | 5 | 55 |
| Technology and investment programme (transformation) | 2 | 2 | 3 | 3 | 2 | 4 | 3 | 53 |
| Licencing and generic capital improvements | 2 | 2 | 1 | 3 | 2 | 4 | 1 | 45 |
| Basement/Lower Ground | 0 | 2 | 3 | 3 | 0 | 3 | 2 | 39 |
| County Hall North Wing | 0 | 2 | 3 | 3 | 0 | 3 | 2 | 39 |
| Member ICT refresh | 1 | 2 | 2 | 3 | 0 | 3 | 2 | 39 |
| Replacement room booking system | 0 | 2 | 2 | 3 | 0 | 2 | 3 | 37 |
| Capitalisation of corporate capital staff costs where applicable | 2 | 2 | 1 | 3 | 0 | 3 | 1 | 37 |
| **Repay Debt (Dummy reference bid)** | **0** | **0** | **0** | **5** | **0** | **5** | **0** | **35** |

## Appendix D: Capital strategy 2017-18

### 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 for the period covered by the Council's medium term financial strategy
- 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 medium term 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.

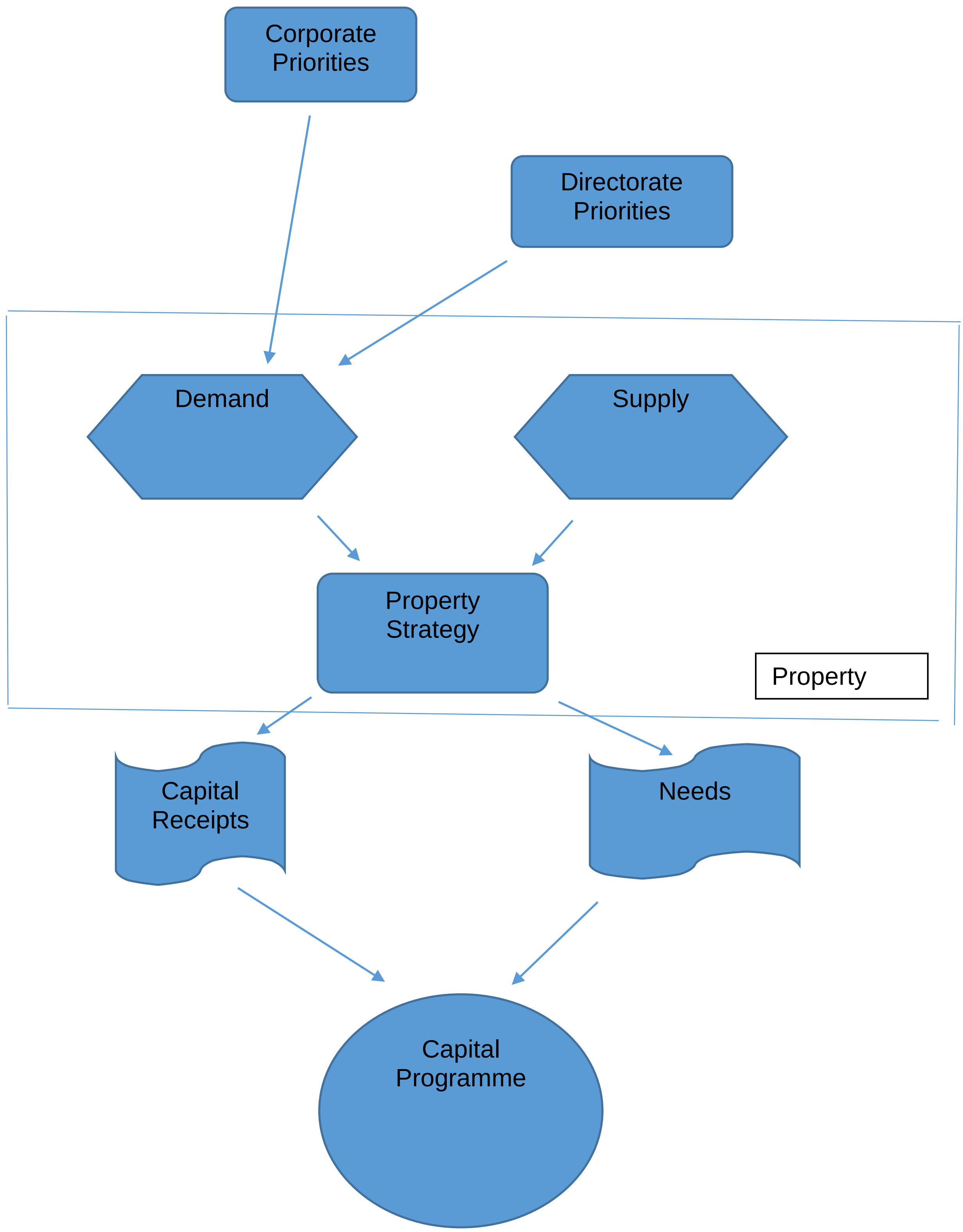
2.4 Formation and delivery of asset management plans are vital to the implementation of the Capital Strategy and to the delivery of the Capital Programme. The Council's primary asset management plan is supplemented by its:

- 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 (MRP) – 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 borrowing interest rates every £1 million of prudential borrowing costs as much as £0.090m pa in ongoing revenue financing costs for an asset with an assumed life of 25 years, or up to £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 Although the principles behind the calculation of MRP do not change, the method is set each year in the Council's MRP policy. A separate paper suggesting a change to the method of calculation is on this agenda.

3.6 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 limited.

3.7 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.

### 4.4 Development of the prioritisation model

The corporate capital prioritisation model is based on the model first used for the 2015-18 capital programme.

The financial measure used in the model has been updated to be able to add weight to schemes which reduce immediate pressure on the Council's revenue budget.

This model operates at a corporate level which looks at capital programmes rather than individual schemes, except where schemes are not externally funded. Most schemes are prioritised within the two major capital programme areas of transport and schools.

Schemes are considered by the appropriate team to ensure that the capital programme integrates with business and service planning, with revenue implications taken into account. Highways schemes are prioritised within ETD and presented in detail to the EDT committee. Schools schemes are prioritised through the Children's Services Capital Priorities Group. Non-school property schemes are presented through the Council's Corporate Property team. Other schemes not covered by the major headings above are developed by the relevant chief officer, and where corporate funding is required are considered by the Executive Director of Finance and Commercial Services, who considers the overall affordability of the programme.

The Council's three year capital programme is formed by bringing the various capital programmes together, and ensuing that sufficient funding is available before seeking Council approval.

### 4.5 Funding and the scoring threshold

Irrespective of scores, schemes can only be included in the County Council approved capital budget up to the point that funding is available taking into account limitations associated with different funding sources.

For schemes with no funding source, a benchmark of 35 has been applied, being the score for a dummy project of simply re-paying debt. For funded schemes, this also provides a useful benchmark against which to ask the question as to whether the Council should be undertaking projects which do not, for example, fulfil the Council's objectives.

Although the prioritisation model has been broadly applied, it is primarily applicable to new projects and projects requiring the use of borrowing and/or capital receipts to provide funding.

## 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 | 2013-14 | 2014-15 | 2015-16 |
|---|---|---|---|
| | £m | £m | £m |
| Capital expenditure | 115.5 | 140.9 | 129.1 |
| | | | |

The Council's 2015-16 capital programme was split by funding type as follows:

| **Funding type** | **£m** | **%** |
|---|---|---|
| Capital grants and contributions | 100 | 78% |
| Revenue and reserves | 2 | 2% |
| Capital receipts | 4 | 3% |
| Borrowing | 23 | 18% |
| **Total** | **129** | **100%** |

## 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.<br>A new structure for the team has been in place since April 2015.<br>Roles include<br>- reviewing policies relating to property.<br>- co-ordinating the Council's asset management plan<br>- 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. |

**Appendix E: Minimum Revenue Provision Statement 2017-18**

A1 Regulations issued by the Department of Communities and Local Government in 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement in advance of each year.

A2 Members are asked to approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory. Any revisions to the original statement must also be issued. Proposals to vary the terms of the original statement during the year should also be approved.

A3 MRP is the provision made in the Council's revenue budget for the repayment of borrowing used to fund capital expenditure - the Council has a statutory duty to determine an amount of MRP which it considers to be prudent, having regard to guidance issued by the Secretary of State.

A4 In 2017-18:

- For capital expenditure incurred before 1 April 2008, and all capital expenditure since that date which is supported by Formula Grant (supported borrowing), the MRP policy will be provide a fixed annual sum of £10.158m, calculated as 2% of the 31 March 2015 pre-2008 Capital Financing Requirement balance.
- For expenditure since 1 April 2008, the MRP policy for schemes funded through borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the guidance issued by the Secretary of State.

A5 Where loans are made to third parties for capital purposes, the capital receipt received as a result of each repayment of principal, under the terms of the loan, will be set aside in order to re-pay NCC borrowing and to reduce the Capital Financing Requirement accordingly. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan or if there is a high degree of uncertainty regarding the repayment. This arrangement will also be applied where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes.

A6 The Council will continue to make provision at least equal to the amount required to ensure that each debt maturity is met.

**Appendix F: Prudential Code Indicators 2016-17**

1. **Background**

1.1 First introduced in 2004, the Prudential Code (the Code) for local government capital investment replaced the complex regulatory framework which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation by local authorities. All borrowing undertaken is self-determined under the Code.

1.2 Under Prudential arrangements, local authorities can determine their own borrowing limits for capital expenditure. The Government does retain reserve powers to restrict borrowing if that is required for national economic reasons.

1.3 The Code supports the framework of strategic planning, local asset management and options appraisal, ensuring that capital investment plans of local authorities are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. The Code requires the Council to set and monitor performance on:

- capital expenditure
- affordability & prudence
- external debt
- treasury management

1.4 In accordance with best practice, a number of specific Treasury Management prudential indicators are included in the 2017-18 Annual Investment & Treasury Strategy, presented elsewhere on this agenda.

1.5 Indicators presented in this report include:

- **Capital Expenditure Payment Forecast**
- **Ratio of Capital Financing Costs to Net Revenue Budget**
- **Incremental Impact of Capital Programme on Band D Council Tax**
- **Capital Financing Requirement**
- **Gross Debt and the Capital Financing Requirement**
- **Authorised Limit for External Debt**
- **Operational Boundary Limit for External Debt**
- **Actual External Debt**
- **Adoption of the CIPFA Treasury Management Code**

1.6 Once determined, the indicators can be changed so long as this is reported to the Council.

1.7 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.

1.8 Prudential indicators are not designed to be comparative between local authorities. They are designed to support and record local decision-making.

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

## 2. The Indicators

2.1 The actual capital expenditure incurred in 2015-16 and the latest estimates of capital expenditure in 2016-17 (as contained in the latest Finance Monitoring Report plus finance leases) are shown below. The table also shows estimates for future years, as detailed in the Capital Programme.

<table>
<tr><th colspan="6">Capital Expenditure Payment Forecast</th></tr>
<tr><th></th><th>2015-16 Actual £m</th><th>2016-17 Revised Estimate £m</th><th>2017-18 Estimate £m</th><th>2018-19 Estimate £m</th><th>2019-20 Estimate £m</th></tr>
<tr><td>Adult Social Care</td><td>4.431</td><td>9.375</td><td>12.014</td><td>0.995</td><td>-</td></tr>
<tr><td>Children's Services</td><td>26.965</td><td>44.967</td><td>54.375</td><td>73.816</td><td>-</td></tr>
<tr><td>CES Highways</td><td rowspan="2">85.711</td><td rowspan="2">140.438</td><td>104.388</td><td>3.933</td><td>0.602</td></tr>
<tr><td>CES Other</td><td>22.881</td><td>8.660</td><td>21.302</td></tr>
<tr><td>Resources</td><td>0.779</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Finance</td><td>13.022</td><td>12.285</td><td>32.722</td><td>24.050</td><td>2.150</td></tr>
<tr><td>Total</td><td>130.908</td><td>207.065</td><td>226.379</td><td>111.454</td><td>24.054</td></tr>
</table>

2.2 The Council Plan and 2017-18 Budget report seeks approval for the overall level of Capital programme based on the level of capital financing costs contained within the revenue budget.

2.3 The ratio of capital financing costs to net revenue budget is the estimated annual revenue costs of borrowing (net interest payable on debt or foregone on balances, and the minimum revenue provision for repaying the debt), as a proportion of annual income from council taxpayers and government.

2.4 Estimates of the ratio of capital financing costs to net revenue budget for the current and future years, and the actual figures for 2015-16 are:

| **Ratio of Capital Financing Costs to Net Revenue Stream** | | | | |
|---|---|---|---|---|
| **2015-16 Actual £m** | **2016-17 Revised Estimate £m** | **2017-18 Estimate £m** | **2018-19 Estimate £m** | **2019-20 Estimate £m** |
| **8.44%** | **6.16%** | **6.15%** | **6.14%** | **5.71%** |

2.5 The figure for 2015-16 is based on actual net expenditure with estimates shown for later years. While the authority's Net Revenue Stream is likely to decrease over the next three years as a result of reductions in Revenue Support Grant, this will be more than off-set by a change in the application of the current MRP policy over the period covered above.

2.6 The significant reduction in the estimated ratios from 2016-17 is due to the way in which the MRP policy will be applied in the medium term, reducing the MRP charge to revenue while previously over-provided MRP is absorbed. From 2021, (based on current projections) the ratio will increase back to a ratio consistent with the 2015-16 percentage.

2.7 These estimates are based on the Council taking no additional borrowing in 2017-20 in line with recent years, apart from a specific project related PWLB loan of £40m in respect of the Norwich Northern Distributor Road which will be funded from CIL receipts.

2.8 The incremental impact on Band D Council Tax resulting from the new schemes in the Capital Programme is:

| **Incremental Impact of Capital Programme on Band D Council Tax** | | |
|---|---|---|
| **2017-18** £ | **2018-19** £ | **2019-20** £ |
| 0.28 | 4.91 | 2.36 |

2.9 This reflects the impact of funding new capital schemes from cash balances and associated capital commitments each year. The actual impact will be reduced in the medium term due to the current application of the Council's MRP policy as described above.

2.10 The **capital financing requirement** represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or other sources of external funding. Estimates of the end of year capital financing requirement for the Council for the current and future years and the actual capital financing requirement at 31 March 2016 are:

| **Capital Financing Requirement** | | | | |
|---|---|---|---|---|
| **2015-16 Actual £m** | **2016-17 Revised Estimate £m** | **2017-18 Estimate £m** | **2018-19 Estimate £m** | **2019-20 Estimate £m** |
| 673.445 | 711.399 | 813.062 | 854.358 | 869.552 |

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

2.12 The Capital Financing Requirement is increasing as the Council has a number of previously approved schemes which require borrowing to finance them. Further schemes requiring prudential borrowing are proposed in the 2017-20 capital programme which will have the effect of increasing the CFR. Actual increases in CFR will be delayed if major schemes are re-profiled into future years.

2.13 The guidance on **gross debt and the capital financing requirement** advises that:

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

2.14 Gross debt refers to the County Council's total external borrowing. The Council already works within this requirement.

2.15 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases and PFI schemes. It is recommended that Council approve the 2017-18 and future years limits.

2.16 For 2017-18 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003

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

| | 2016-17 Revised Estimate £m | 2017-18 Estimate £m | 2018-19 Estimate £m | 2019-20 Estimate £m |
|---|---|---|---|---|
| **Authorised Limit for External Debt** | | | | |
| Borrowing | 697.565 | 803.073 | 836.325 | 844.690 |
| Other long term liabilities | 59.532 | 57.874 | 61.099 | 60.862 |
| **Total** | **757.097** | **860.947** | **897.425** | **905.552** |

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

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

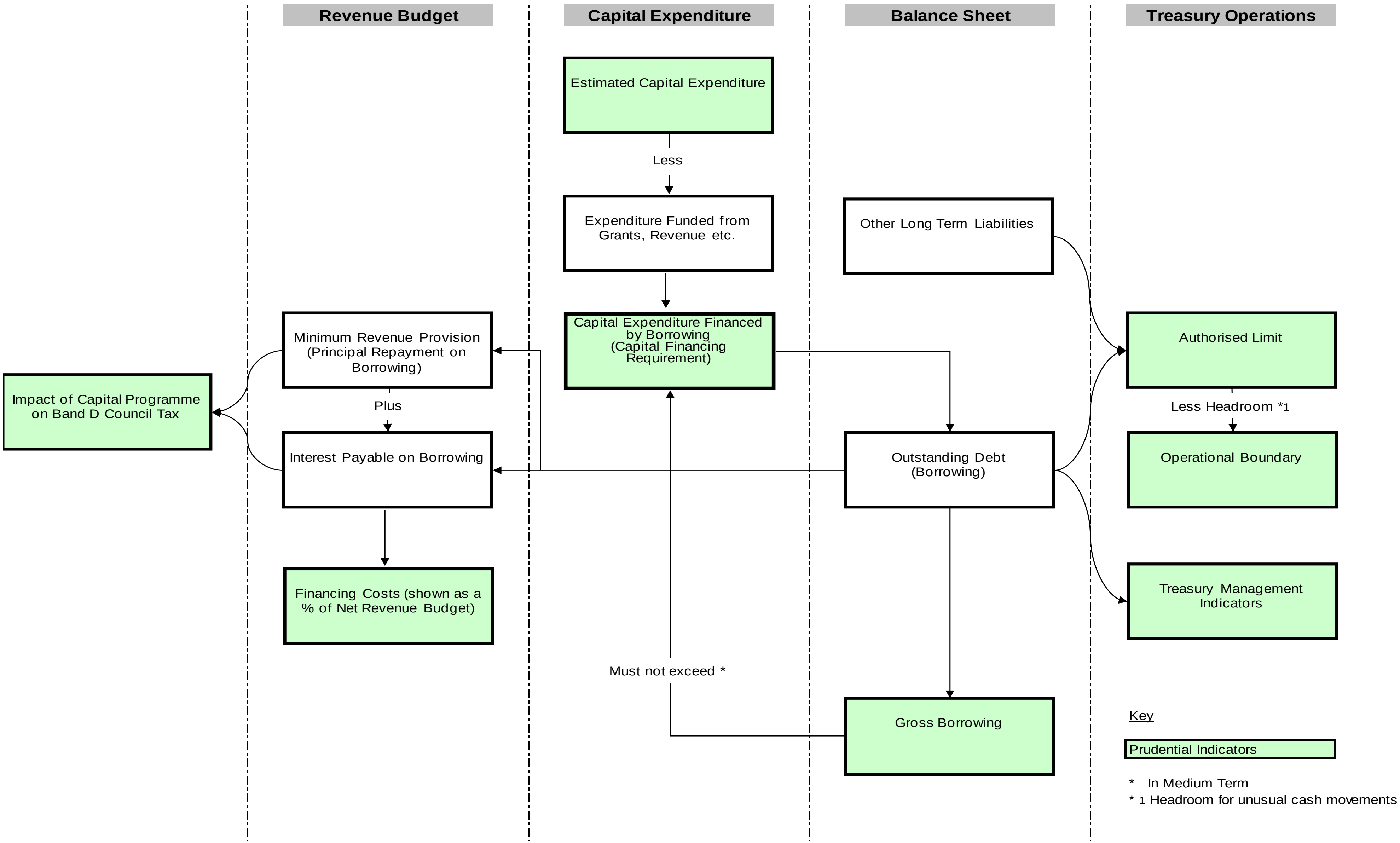
2.20 Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified again. The Council is asked to delegate authority to the Executive Director of Finance and Commercial Services, within the total operational boundary for any individual year, to make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

| | 2016-17 Revised Estimate £m | 2017-18 Estimate £m | 2018-19 Estimate £m | 2019-20 Estimate £m |
|---|---|---|---|---|
| **Operational Boundary Limit for External Debt** | | | | |
| Borrowing | 498.207 | 502.103 | 494.264 | 487.435 |
| Other long term liabilities | 58.532 | 56.874 | 55.099 | 53.361 |
| **Total** | 556.739 | 558.977 | 549.363 | 540.796 |

2.21 The Council’s actual external debt at 31 March 2016 was £496m. This is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position at one point in time.

2.22 The County Council has adopted the four specific clauses in the Treasury Management Policy Statement contained with the CIPFA Treasury Management in the Public Services: Code of Practice.

## DIAGRAMMATIC PRESENTATION OF PRUDENTIAL INDICATORS



# Policy and Resources Committee

**Item No 8v**

| | |
|---|---|
| **Report title:** | **Annual Investment and Treasury Strategy 2017-18** |
| **Date of meeting:** | **6th February 2017** |
| **Responsible Chief Officer:** | **Executive Director, Finance and Commercial Services** |

## Strategic impact

It is a regulatory requirement for local authorities to produce an Investment and Treasury Strategy for the year ahead. The Strategy forms an important part of the overall management of the Council's financial affairs and details the criteria for choosing investment counterparties and managing the authority's underlying need to borrow for capital purposes.

## Executive summary

In accordance with regulatory requirements, this report presents the Council's investment and borrowing strategies for 2017-18, including the criteria for choosing investment counterparties.

Despite an improvement in general economic and financial indicators, the environment in which the Council's treasury activity operates remains challenging. On the 4th August 2016 the Bank of England reduced the bank base rate from 0.5% to 0.25%. The previous rate had stood since March 2009.

The proposed 2017-18 Strategy is largely unchanged from that approved for 2016-17; the strategy incorporates a diversified pool of high quality counterparties with a maximum deposit duration of three years.

A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short-term.

At the 31st December 2016, the Council's external debt was £483M and its investments totaled £151M.

**Recommendation:**

**It is recommended that the Policy and Resources Committee endorse and recommend to County Council; the Annual Investment and Treasury Strategy for 2017-18, including the treasury management Prudential Indicators detailed in Section 8.**

## 1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) requires local authorities to produce a treasury management strategy for the year ahead. The County Council is required to comply with the Code through regulations issued under the Local Government Act 2003 and has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.

1.2 Complementary to the CIPFA Code is the Department for Communities and Local Government's (DCLG's) Investment Guidance, which requires local authorities to produce an Annual Investment Strategy.

1.3 This report combines the reporting requirements of both the CIPFA Code and DCLG's Investment Guidance.

## 2. Evidence

2.1 The primary objectives of the Council's Investment and Treasury Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short term. This strategy is prudent while investment returns are low and the investment environment remains challenging.

The annex summarises:

- The Treasury Management Function
- Capita Asset Services Economic Forecast
- Investment Strategy 2017-18 - Background
- Investment Strategy 2017-18 – Counterparty Criteria
- Investment Strategy 2017-18 – Specified & Non-Specified Investments
- Investment Strategy 2017-18 – Counterparty Monetary & Time Limits
- Borrowing Strategy 2017-18
- Treasury Management Prudential Indicators
- Leasing

## 3. Financial Implications

Financial implications relating to this Strategy (budget forecasts for interest receivable from investment deposits and interest payable on borrowing) have been incorporated in the 2017-18 Revenue Budget and will be monitored and reported to Policy and Resources Committee throughout the year as part of the regular monitoring process.

## 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 Annual Investment & Treasury Strategy 2017-18 describes the parameters for risk management. Operationally, a risk register is maintained to monitor risks and control measures.

## 5. Background

5.1 The investment and borrowing strategy presented in this report for approval forms an important part of the overall financial management of the Council's affairs. They have been produced in accordance with best practice and guidance and in consultation with the Council's external treasury advisors.

## Officer Contact

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

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**Annex**

## Annual Investment and Treasury Strategy 2016-17

### 1. The Treasury Management Function

1.1 The CIPFA Code defines treasury management activities as "the management of the Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity before considering investment return.

1.3 A further function of the treasury management service is funding of the Council's capital plans. These capital plans provide a guide to the borrowing requirement of the Council, essentially the longer term cash flow planning, typically 30 years plus, to ensure the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using internal cash balances on a temporary basis. Debt previously borrowed may be restructured to meet Council risk or cost objectives.

1.4 The County Council has delegated responsibility for the implementation of its treasury management policies and practices to the Council's Policy and Resources Committee. Day to day execution and administration of treasury management decisions has been delegated to the Executive Director, Finance and Commercial Services. The cross party Treasury Management Panel has specific responsibilities regarding the monitoring of treasury management activities.

1.5 External treasury management services are provided by Capita Asset Services. Capita Asset Services provides a range of services which include:

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of long term borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service for the three main credit rating agencies (Fitch, Moody's and Standard & Poors).

1.6 Whilst Capita Asset Services provides support to the treasury function, under market rules and in accordance with the CIPFA Code of Practice, the final decision on treasury matters remains with the County Council.

1.7 The Council also receives information and guidance from a number of professional sources operating in the financial markets, such as money brokers and investment managers. The Council's finance staff regularly participate in practitioner networks and organisations which share treasury management information and best practice. The Council's Chief Investment Manager is a member of CIPFA's Treasury Management Network Advisory Panel.

1.8 Member consideration of treasury management matters and the need to ensure that officers dealing with treasury management are trained and kept up to date, requires a suitable training process for both Members and officers. The County Council has addressed this important issue by:

- Providing training presentations to Members of the Treasury Management Panel as part of the meeting agenda.
- Providing treasury related briefings to Members on specific issues.
- Providing treasury management induction training for all new staff and refresher training for existing staff.
- Supporting treasury management related Continued Professional Development targets as part of the annual appraisal process.
- Maintaining a training log within the Treasury Management Practices manual.

1.9 In accordance with the Code of Practice on Treasury Management, performance will continue to be monitored and reported to Policy and Resources Committee as part of the Revenue Monitoring Report and regularly to the Treasury Management Panel.

1.10 The Council's treasury management and debt management performance is also benchmarked externally against other local authorities as part of the Council's membership of CIPFA's benchmarking clubs. Through the active participation in treasury management networking groups, the Council is also able to benchmark its investment strategy with other local authorities. The Council's current strategy is closely aligned with its peers.

## 2. Capita Asset Services Economic Forecast

2.1 Economic Overview

**UK -** The Monetary Policy Committee, (MPC), cut Bank Base Rate from 0.50% to 0.25% on 4th August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half of 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November 2016 and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is unlikely that the MPC will do anything that might dampen growth prospects, (i.e. raising Bank Base Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not forecast until quarter 2 of 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

**USA –** Despite some data set backs, the US is still probably the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation. To this end, the Federal Open Market Committee (FOMC) raised it's key policy rate by 25 basis points, in December 2016, taking the benchmark rate of 0.50% to 0.75%. It was the first rise in 2016, with the previous rise in December last year and only the second one since June 2006.

If the newly elected Presentident Donald Trump goes on to implement his election promises then there is likely to be a significant increase in inflationary presure which in turn will mean that the pace of further Fed rate increases will be quicker and stronger than had previously been expected.

**Eurozone –** Dispite its massive programme of quantitive easing, the measures introduced by the European Central Bank (ECB) have failed to make a significant impact in boosting economic growth and in helping inflation to rise significantly towards it target of 2%. There is also significant risk from on-going structural reforms, consitiution referendums and presidential/general elections.

2.2 Economic and interest rate forecasting remains difficult with so many internal and external influences weighing on the UK. In particular, given the current uncertainty over the final terms of Brexit and the timetable for its implementation, it is likely that:

- Investment returns are likely to remain low during 2017-18 and beyond;
- Government Gilt yields (Public Works Loans Board, PWLB Borrowing rates) have risen sharply in recent months due to concerns around a 'hard Brexit', the fall in sterling and an increase in inflation expectations. Despite this PWLB rates remain low by historical standards. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue cost between borrowing costs and investment returns.

2.3 The following table gives Capita Asset Services central view of UK Base Rate and Public Works Loan Board (PWLB) borrowing rates:

| Quarter Ending | Base Rate (%) | PWLB Borrowing Rates (%) | | |
|---|---|---|---|---|
| | | 5 year | 25 year | 50 year |

| | | | | |
|---|---|---|---|---|
| Dec 2016 | 0.25 | 1.60 | 2.90 | 2.70 |
| Mar 2017 | 0.25 | 1.60 | 2.90 | 2.70 |
| June 2017 | 0.25 | 1.60 | 2.90 | 2.70 |
| Sept 2017 | 0.25 | 1.60 | 2.90 | 2.70 |
| Dec 2017 | 0.25 | 1.60 | 3.00 | 2.80 |
| Mar 2018 | 0.25 | 1.70 | 3.00 | 2.80 |
| June 2018 | 0.25 | 1.70 | 3.00 | 2.80 |
| Sept 2018 | 0.25 | 1.70 | 3.10 | 2.90 |
| Dec 2018 | 0.25 | 1.80 | 3.10 | 2.90 |
| Mar 2019 | 0.25 | 1.80 | 3.10 | 3.00 |
| June 2019 | 0.50 | 1.90 | 3.20 | 3.00 |
| Sep 2019 | 0.50 | 1.90 | 3.30 | 3.10 |
| Dec 2019 | 0.75 | 2.00 | 3.30 | 3.10 |
| Mar 2020 | 0.75 | 2.00 | 3.40 | 3.20 |
| Increase over the 3 year period | +0.50 | +0.40 | +0.50 | +0.50 |

## 3. Investment Strategy 2017-18 - Background

3.1 Forecasts of short-term interest rates, on which investment decisions are based, suggest that the 0.25% Bank Rate will remain unchanged until the second quarter of 2019.

3.2 The investment earnings rates which most closely match our average deposit profile is the 3 month LIBID (London Intra Bank Bid rate for money market trades) forecast. The interest rates suggested for budget planning purposes by Capita Asset Service for the following 3 financial years are as follows:

| **Financial Year** | **Budgeted Interest Earnings** |
|---|---|
| 2017-18 | 0.25% |
| 2018-19 | 0.25% |
| 2019-20 | 0.50% |

3.3 The 2017-18 County Council net budget provision (after adjusting for internal interest earning accounts) for interest receivable is approximately £1.0M.

3.4 There are 3 key considerations to the treasury management investment process. CLG's Investment Guidance ranks these in the following order of importance:

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

Each deposit is considered in the context of these 3 factors, in that order.

3.5 DCLG's Investment Guidance requires local authorities to invest prudently and give priority to security and liquidity before yield, as described above. In order to facilitate this objective, the Guidance requires the County Council to have regard to CIPFA's Code of Practice for Treasury Management in the Public Sector.

3.6 The key requirements of both the Code and the Investment Guidance are to produce an Annual Investment and Treasury Strategy covering the following:

- Guidelines for choosing and placing investments – Counterparty Criteria (Section 4).
- Details of Specified and Non-Specified investment types (Section 5).
- Identification of the maximum period for which funds can be committed – Counterparty Monetary & Time Limits (Section 6).

## 4. Investment Strategy 2017-18 - Counterparty Criteria

4.1 The Council works closely with its external treasury advisors to determine the criteria for high quality institutions. The Council applies a minimum acceptable credit rating criteria in order to generate a pool of highly creditworthy counterparties which provides diversification and avoids concentration risk. The key ratings used to monitor counterparties are Short Term and Long Term credit ratings. This is in compliance with the CIPFA Treasury Management Code of Practice.

4.2 The criteria for providing a pool of high quality investment counterparties for inclusion on the Council's 'Approved Authorised Counterparty List' is provided below. A counterparty remains active as long as both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moodys) remains at or above the minimum credit rating criteria specified below for UK or Non-UK Banks. In addition, Non-UK Banks must be domiciled in a country which has a sovereign rating of AA+ assigned by one of the three credit rating agencies. The respective Fitch, Standard and Poors and Moody's Short and Long term ratings are detailed in Appendix 1.

- **Banks:**

**(i)** **UK Banks** requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria.

| **UK Banks** | **Fitch** | **Standard & Poors** | **Moody's** |
|---|---|---|---|
| Short Term Ratings | F1 | A-1 | P-1 |
| Long Term Ratings | A- | A- | A3 |

**(ii)** **Non-UK Banks** requires both the short and long term ratings issued by at least one of the three rating agencies (Fitch, S&P or Moody's) to remain at or above the minimum credit rating criteria and a sovereign rating of AA+ assigned by one of the three credit rating agencies.

| **Non-UK Banks** | **Fitch** | **Standard & Poors** | **Moody's** |
|---|---|---|---|
| Short Term Ratings | F1+ | A-1+ | P-1 |
| Long Term Ratings | AA- | AA- | Aa3 |

- **Part Nationalised UK Bank:** Royal Bank of Scotland Group. This bank is included while it continues to be part nationalised or it meets the ratings for UK Banks above.

- **The County Council's Corporate Banker:** If the credit ratings of the County Council's corporate banker (Barclays Bank plc) fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time.

- **Building Societies:** The County Council will use Building Societies which meet the ratings for UK Banks outlined above.

- **Money Market Funds (MMFs):** which are rated AAA by at least two of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposits. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks.

- **UK Government:** including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.

- **Local Authorities, Parish Councils etc.:** Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

- **The Norse Group:** short-term loan arrangements made in accordance with the approved service level agreement and the monetary and duration limits detailed in Section 6.

4.3 The Executive Director, Finance and Commercial Services is responsible for maintaining an Approved Authorised Counterparty List in accordance with the above criteria. Credit rating information is supplied by our treasury advisors on all active counterparties that comply with the above criteria. 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 advisors immediately they occur. The Approved Authorised Counterparty List is actively managed on a day-to-day basis and when an institution no longer meets the Council approved counterparty criteria, it is immediately removed. The List is reviewed at least once a year for any possible additions. An indicative list, reflecting the ratings above is attached (Appendix 2).

4.4 All cash invested by the County Council will be either Sterling or Euro deposits (including Sterling certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List. The inclusion of Euro deposits enables the County Council to effectively manage (subject to European Central Bank deposit rates) Euro cash balances held for schemes such as the France-Channel-England Project.

4.5 The Code of Practice requires local authorities to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for use, additional market information will be used to inform investment decisions. This additional market information includes, for example, Credit Default Swap rates and equity prices in order to compare the relative security of counterparties.

## 5. Investment Strategy 2017-18 – Specified & Non-Specified Investments

5.1 As determined by DCLG’s Investment Guidance, Specified Investments offer “high security and high liquidity”. They are Sterling denominated and have a maturity of less than one year. Institutions of “high” credit quality are deemed to be Specified Investments. From the pool of high quality investment counterparties identified in Section 4, the following are deemed to be Specified Investments where the period of deposit is 364 days or less:

- Banks: UK and Non-UK;
- Part Nationalised UK Banks;
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, Parish Councils etc.

5.2 Non-Specified Investments are those investments that do not meet the criteria of Specified Investments. From the pool of counterparties identified in Section 5, they include:

- Any investment greater than 364 days.
- Any Euro deposits specifically related to the management of Euro cash balances held by the County Council.

5.3 The categorisation of ‘Non-Specified’ does not in anyway detract from the credit quality of these institutions, but is merely a requirement of the Government’s guidance.

5.4 The Council’s proposed Strategy therefore includes both Specified and Non-Specified Investment institutions.

## 6. Investment Strategy 2017-18 - Counterparty Monetary & Time Limits

6.1 The level of cash balances represents money received in advance of it being required to meet the cost of County Council services. Balances are also required to support the Council’s cash backed reserves and provisions which are held for specific purposes. Cash balances fluctuate on a daily basis as the receipt of this income does not exactly match the timing of the expenditure. Whilst the average level of daily cash balances is forecast to be around £150M in 2017-18, the timing of receipts over payments could increase this to nearer £190M on occasions.

6.2 The County Council also provides treasury management services to other bodies (the Norse Group, Independence Matters and the Norfolk Pension Fund). The average daily cash balance of these other bodies is expected to total £25M.

6.3 Lending limits have been calculated to accommodate forecast cash balances and to achieve diversification of counterparty. Separate lending limits have been determined for the County Council and the other bodies and assigned to each counterparty on the Approved Authorised Counterparty List.

| **COUNTERPARTY** | NCC LENDING LIMIT (£M) | OTHER BODIES LENDING LIMIT (£M) | **TIME LIMIT** |
|---|---|---|---|
| **UK Banks** | £60M | £30M | **Up to 3 Years** (see notes below) |
| **Non-UK Banks** | £30M | £20M | **1 Year** |
| **Royal Bank of Scotland / Nat. West. Group** | £60M | £30M | **2 Years** |
| **Building Societies** | £30M | £20M | **1 Year** |
| **MMFs** | £60M (per Fund) | £30M (per Fund) | **Instant Access** |
| **Debt Management Account Deposit Facility** | Unlimited | Unlimited | **6 Months (being max period available)** |
| **Sterling Treasury Bills** | Unlimited | Unlimited | **6 Months (being max period available)** |
| **Local Authorities** | Unlimited (individual authority limit of £20m) | Unlimited (individual authority limit of £10m) | **3 Years** |
| **The Norse Group (short-term deposit)** | £15M | Nil | **1 Year** |
| **The Norse Group (Long-term capital loans)** | £15M | Nil | **Up to 7 years** (see notes below) |

**Notes:**

- In addition to individual institutional lending limits, ‘Group Limits’ are used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total lending limit. For example, in the case of Lloyds TSB and Bank of Scotland, the group lending limit for the Lloyds Banking Group is £60M.

- The maximum deposit period for UK Banks is based on the following tiered credit rating structure:

| **Long Term Credit Rating (Fitch or equivalent) assigned by at least one of the three credit rating agencies** | **Maximum Duration** |
|---|---|
| AA- | Up to 3 years |
| A | Up to 2 years |
| A- | Up to 1 year |

  Deposits may be placed with the Royal Bank of Scotland as a UK Part Nationalised Bank and Local Authorities may be made for periods of 2 and 3 years respectively.

- The Council will only use non-UK banks from countries with a minimum sovereign rating of AA+ The sovereign rating of AA+ must be assigned by one of the three credit rating agencies. No more than £30M will be placed with any individual non-UK country at any time.

- For the Norse Group, Independence Matters and Norfolk Pension Fund there is a maximum monetary limit of £10M per counterparty. Operationally funds are diversified further as agreed with the individual bodies.

- Long-term Norse loans are subject to appropriate due diligence and approval for inclusion in the County Council's capital programme. While strictly capital loans, their impact on cash balances is monitored as part of the County Council's treasury operations.

6.4 It is estimated that in 2017-18, the maximum level of Council funds invested for periods greater than 364 days (and therefore categorised as a non-specified investment – see Section 5) will be no more than £100M based on current projected cash balances.

## 7. Borrowing Strategy 2017-18

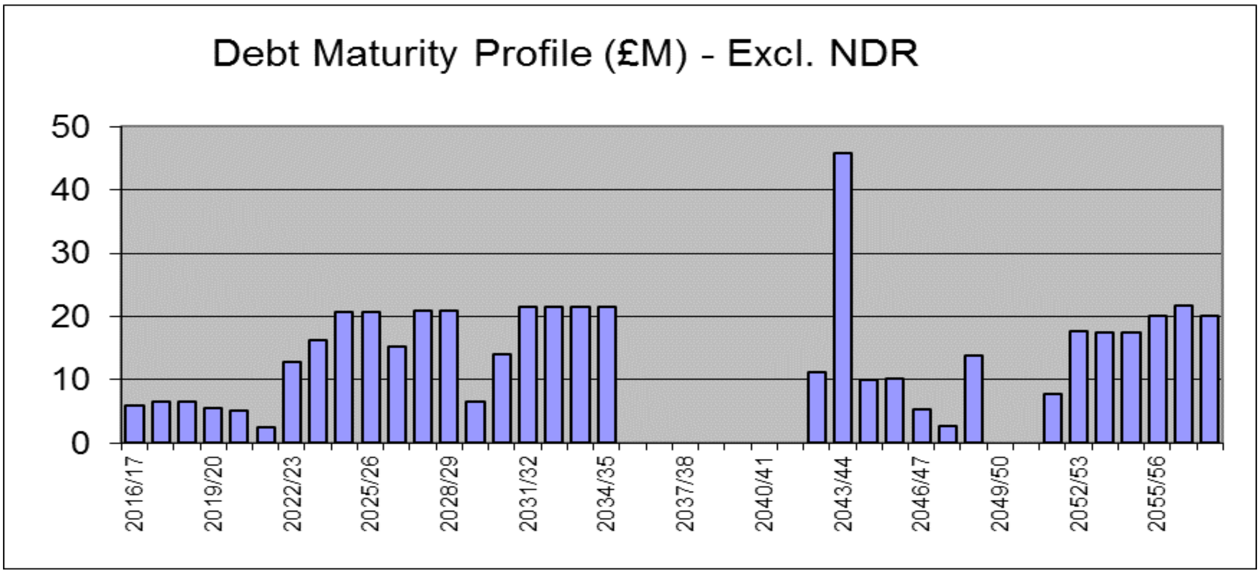
7.1 The County Council undertakes capital expenditure on long-term assets. Capital expenditure can either be paid for immediately by applying capital receipts, capital grants or revenue contributions or by borrowing which spreads the costs over future generations who use the asset. The Council's need to borrow is measured by the Capital Financial Requirement, which simply represents the total outstanding capital expenditure, which has not yet been paid for from either capital or revenue resources.

7.2 For the County Council, borrowing principally relates to long term loans (i.e. loans in excess of 364 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

7.3 The main source of long term loans is the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years.

7.4 In accordance with the approved 2016-17 Investment and Treasury Strategy, the County Council has postponed any new borrowing for capital purposes, using cash balances on a temporary basis to avoid the cost of 'carrying' debt in the short term. "Cost of carry" is the difference between interest paid and interest earned on borrowed monies while temporarily held as cash balances until used to fund capital expenditure. Delaying borrowing and running down the level of investment balances also reduces the County Council's exposure to investment counterparty risk. The option of continuing to postpone borrowing into 2017-18 will be considered as part of the on-going management of the 2017-18 borrowing strategy.

7.5 The Council has not undertaken any new borrowing since 2008-09 when the level of debt outstanding was £602M. The Council's debt portfolio is currently £483M (Dec. 2016). The profile of debt maturities is shown in the table below. A further £19M of debt is scheduled for repayment over the next 3 years.




7.6 The Council is currently maintaining an under-borrowed position of approximately £170M. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and day to day cash flow has been used as a temporary internal source of borrowing. This strategy is prudent as investment returns are low. As long term borrowing rates continue to rise, the "cost of carrying" debt in the short term increases. By avoiding the "cost of carrying" debt the County Council is currently saving over £4M pa (assuming a net interest rate differential of 2.5%). Short and long term interest rates must be closely monitored to ensure that delaying any new borrowing to avoid the "cost of carrying" debt remains prudent, sustainable and affordable in current and future years.

7.7 The challenging and uncertain economic outlook outlined by Capita Asset Services in Section 2, together with managing the cost of "carrying debt" requires a flexible approach to borrowing. The Executive Director, Finance and Commercial Services, 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 Capita Asset Services economic overview.

7.8 While not having borrowed itself, the County Council has borrowed an initial £17M on behalf of the Greater Norwich Growth Board for the Northern Distributor Road (NDR) project. The application to the PWLB was made in two stages the first in July 2016 securing a £8.5M 25 year loan at 1.79%, the second application was made in August again for £8.5M over 25 years at a rate of 1.74%. Interest rates will be closely monitored to determine when further borrowing applications are made on behalf of the Greater Norwich Growth Board for the NDR project.

7.9 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities to do so when circumstances permit. This can result in net savings in overall interest charges. The Executive Director, Finance and Commercial Services and Capita Asset Services will monitor prevailing rates for any opportunities during the year.

7.10 The County Council has flexibility to borrow funds in the current year for use in future years. For example, the Executive Director, Finance and Commercial Services may do so under delegated powers where a sharp rise in interest rates is expected and so borrowing early at fixed interest rates may be economically beneficial or meet budgetary constraints. Whilst the Executive Director, Finance and Commercial Services will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing will be undertaken to fund the approved capital programme. Risks associated with any advance borrowing will be subject to appraisal in advance and subsequent reporting through the established reporting process.

7.11 PWLB borrowing has become less attractive in recent years, due to its policy decision to increase the margin payable over interest rates (Gilts). In response, the Local Government Association has recently launched a “Municipal Bond Agency.” While it is hoped that the Agency’s borrowing rates will be lower than those offered by the PWLB, this is by no means guaranteed. Initially it is unlikely that the Agency will be able to offer the same degree of operational flexibility as the PWLB regarding loan advances and repayments. The County Council will continue to use the most appropriate source of borrowing at the time of making application, including; the PWLB, commercial market loans and the Municipal Bond Agency.

## 8. Treasury Management Prudential Indicators 2017-18

8.1 There are four treasury related Prudential Indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:

- **Upper Limits on Variable Interest Rate Exposure –** This identifies a maximum limit for variable interest rates based upon the debt position net of investments. It is recommended that the County Council set an upper limit on its variable interest rate exposures for 2017-18, 2018-19 and 2019-20 of 30% of its net outstanding principal sums. This is consistent with policy followed in previous years.

- **Upper Limits on Fixed Interest Rate Exposure –** Similar to the previous indicator, this covers a maximum limit on fixed interest rates. It is recommended that the County Council set an upper limit on its fixed interest rate exposures for 2017-18, 2018-2019 and 2019-2020 of 100% of its net outstanding principal sums.

- **Maturity Structures of Borrowing –** These gross limits are set to reduce the County Council's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the County Council sets the following limits for the maturity structures of its borrowing. These limits follow existing treasury management policy and are unchanged from 2016-2017:

| | Lower Limit | Upper Limit |
|---|---|---|
| Under 12 months | 0% | 15% |
| 12 months and within 24 months | 0% | 15% |
| 24 months and within 5 years | 0% | 45% |
| 5 years and within 10 years | 0% | 75% |
| 10 years and above | 0% | 100% |

- **Total Principal Funds Invested for Greater than 364 Days –** This limit is set with regard to the County Council's liquidity requirements. As stated in para. 7.4 above, it is estimated that in 2017-18, the maximum level of Council funds invested for periods greater than 364 days will be no more than £100M.

## 9. Leasing 2017-18

**9.1** It is anticipated that leasing facilities totaling £4M will be drawn-down in 2017-18, relating to a variety of vehicles and general equipment. In recent years there have been significant changes in the regulations affecting leasing in the public sector, resulting in more freedom and flexibility. As a consequence, the Council's leasing policy has been replaced with comprehensive leasing guidance reflecting industry best practice. External leasing advice continues to be provided by Capita Asset Services.

## Appendix 1

| Moody's | | S&P | | Fitch | | |
|---|---|---|---|---|---|---|
| **Long-term** | **Short-term** | **Long-term** | **Short-term** | **Long-term** | **Short-term** | |
| Aaa | P-1 | AAA | A-1+ | AAA | F1+ | Prime |
| Aa1 | | AA+ | | AA+ | | High grade |
| Aa2 | | AA | | AA | | |
| Aa3 | | AA- | | AA- | | |
| A1 | | A+ | A-1 | A+ | F1 | Upper medium grade |
| A2 | | A | | A | | |
| A3 | P-2 | A- | A-2 | A- | F2 | |
| Baa1 | | BBB+ | | BBB+ | | Lower medium grade |
| Baa2 | P-3 | BBB | A-3 | BBB | F3 | |
| Baa3 | | BBB- | | BBB- | | |
| Ba1 | Not prime | BB+ | B | BB+ | B | Non-investment grade speculative |
| Ba2 | | BB | | BB | | |
| Ba3 | | BB- | | BB- | | |
| B1 | | B+ | | B+ | | Highly speculative |
| B2 | | B | | B | | |
| B3 | | B- | | B- | | |
| Caa1 | | CCC+ | C | CCC | C | Substantial risks |
| Caa2 | | CCC | | | | Extremely speculative |
| Caa3 | | CCC- | | | | In default with little prospect for recovery |
| Ca | | CC | | | | |
| | | C | | | | |
| C | | D | / | DDD | / | In default |
| / | | | | DD | | |
| / | | | | D | | |

**Indicative List of Approved Counterparties for Lending**

**UK Banks**
Barclays Bank
Bank of Scotland Plc(*)
Close Brothers
Goldman Sachs
HSBC Bank Group
Lloyds TSB Bank(*)
Santander UK

**Non-UK Banks**
Australia:
- Australia & New Zealand Banking Group
- Commonwealth Bank of Australia
- National Australia Bank Limited

Canada:
- Toronto-Dominion Bank

Germany:
- DZ Bank AG
- Landesbank Baden-Wuerttemberg
- Landesbank Hessen-Thueringen Girozentrale

Netherlands:
- Rabobank

Singapore:
- DBS Bank Ltd
- Oversea-Chinese Banking Corp
- United Overseas Bank Limited

Sweden:
- Svenska Handelsbanken

**Part Nationalised UK Banks**
Royal Bank of Scotland(#)
National Westminster(#)

**UK Building Societies**
Coventry BS
Leeds BS
Nationwide BS
Yorkshire BS

**Money Market Funds**
Aberdeen Asset Management
Federated Investors
Standard Life Investments

**UK Government**

Debt Management Account Deposit Facility
Sterling Treasury Bills
Local Authorities, Parish Councils

**Other**
The Norse Group

**Note:** (*) (#) A ‘Group Limit is operated whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total.

# Policy and Resources Committee

**Item No 9**

| | |
|---|---|
| **Report title:** | **Finance monitoring report P8 November 2016** |
| **Date of meeting:** | **6 February 2017** |
| **Responsible Chief Officer:** | **Executive Director of Finance and Commercial Services** |

**Strategic impact**

The Annexes to this report summarise the Period 8 (November 2016) forecast financial outturn position for 2016-17, to assist members to 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 2016-17 Revenue and Capital Budgets, General Balances, and the forecast Council's Reserves at 31 March 2017, 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 8 forecast Revenue overspend of £5.512m** (P7 21.426m, P6 £20.746m), **subject to approval of use of reserves;**

- **endorse and recommend to County Council for approval of the use of grants and contributions from reserves in 2016-17 as follows:**

  - **Adult Social Services unspent grants and contributions £0.948m**
  - **School Sickness Insurance Scheme £1.019m**
  - **Other Children's Services reserves use £3.958m**

  **as set out in Appendix 1 section 3;**

- **endorse and recommend to County Council for approval the use of £1.476m ICT reserves to fund the additional (one-off) costs of implementing the Voice and Data contract as explained in Appendix 1 section 3;**

- **note the forecast General Balances at 31 March 2017 of £19.252m, before taking into account any over/under spends;**

- **note the forecast financial information in respect of Policy and Resources and Finance budgets which are the responsibility of this Committee, as set out in Appendix 2;**

- **approve three debt write-offs totalling £34,113.95 as set out in paragraph 5.3;**

- **note the revised expenditure and funding of the current 2016-20 capital programme as set out in Appendix 3.**

## 1. Introduction

1.1 On 22 February 2016, the County Council agreed a net revenue budget of £338.960m. 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

2.1 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
- 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
- Capital programme funding
- Forecast and actual income from property sales

## 3. Financial Implications

3.1 As stated above, subject to approval for the use of reserves, the forecast revenue outturn for 2016-17 is an overspend of **£5.512m** (previously reported P6 overspend £20.746m).

3.2 The reduction in the forecast overspend in P8 is due mainly to a change in the implementation of the Council's MRP policy and the use of reserves subject to approval.

3.3 As approved at the July meeting of this Committee, the forecast assumes full use of the Corporate Business Risk Reserve to fund Adult Social Care cost pressures in 2016-17.

3.4 The Council's capital programme incorporates new schemes approved by County Council on 22 February 2016, amounts brought forward from previous years' programmes, and any changes in this financial year.

## 4. Issues, risks and innovation

Risk implications

4.1 The Council's Corporate Risk Register provides a full description of corporate risks, including corporate level financial risks, mitigating actions and the progress made in managing the level of risk.

4.2 Risk management reports which include the corporate risk register are presented regularly to this Committee. A majority of risks, if not managed, could have significant financial consequences. The risks addressed include finance specific risks, for example of failing to generate income or to realise savings.

4.3 Chief Officers have responsibility for managing their budgets within the amounts approved by County Council. Chief Officers will take measures throughout the year to reduce or eliminate potential over-spends.

## 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.

5.2 The monthly forecasts in this report are based on detailed cost centre level data supplied by responsible budget officers after the end of each financial period. Moderation by chief officers are completed approximately 18-20 days after each month end. These forecasts form the basis of finance reports over the service committee reporting cycle, and the forecasts in this report are consistent with the most recent service committee reports.

5.3 Three debts over £10,000 are awaiting Policy & Resources Committee approval. These debts total £34,113.95:

| Debt Type | Amount | Reason |
|---|---|---|
| Non-Residential care & Residential Care charges | £11,931.18 | Options exhausted |
| Residential Care charges | £10,334.47 | Options exhausted |
| Home and residential care charge | £11,848.30 | Uneconomical to pursue/ all legal options exhausted |

No other debts greater than £10,000 have been written off during the current financial year.

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 |
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Norfolk County Council

# Appendix 1: 2016-17 Revenue Finance Monitoring Report Month 8

Report by the Executive Director of Finance and Commercial Services

## 1 Introduction

This report gives details of:

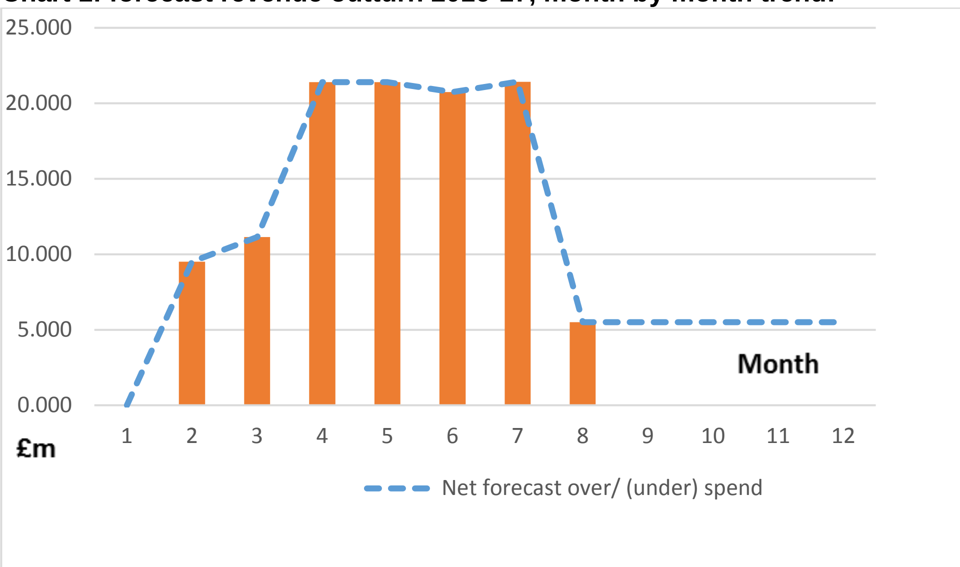
- the latest monitoring position for the 2016-17 Revenue Budget
- forecast General Balances and Reserves at 31 March 2017 and
- other key information relating to the overall financial position of the Council.

## 2 Summary of financial monitoring position

**At the end of November 2016 (month 8):**

An overspend of **£5.512m** (P7 £21.426m, P6 £20.746m) is forecast on a net budget of £338.960m. This forecast is subject to approval of use of reserves.

**Chart 1: forecast revenue outturn 2016-17, month by month trend:**




2.1 As in previous years, the main areas for the forecast service overspend are as follows:

- Adult Social Services: the net cost of services to users (Purchase of Care and hired transport), and risks associated with the delivery of recurrent savings.
- Children's Services: Looked After Children numbers have not reduced as planned.

2.2 The reduction in the forecast overspend in P8 is due mainly to a change in the implementation of the Council's MRP policy. Based on the current MRP policy, an over-provision of MRP has been identified which has given the opportunity to reduce the 2016-17 MRP set aside from revenue by over £10m. In addition, the use of £2m of capital receipts to re-pay debt will further reduce the MRP charge, with the use of reserves accounting for further reductions in the forecast overspend.

2.3 General Balances are forecast to be £19.252m at 31 March 2017, before taking into account any forecast under/overspends.

2.4 Reserves balances are shown in section 3, and can be summarised as follows.

**Table 1: Reserves and provisions summary**

| Reserves and provisions | Opening balance 1 April 2016 | Latest forecast 31 March 2017 |
|---|---|---|
| | £m | £m |
| Total reserves and provisions (excl LMS) | 108.793 | 74.573 |
| LMS balances | 21.333 | 14.000 |
| Total reserves and provisions | 130.126 | 88.573 |

## Agreed budget, changes and variations

2.5 The 2016-17 budget was agreed by Council on 22 February 2016 and is summarised in the Council's Budget Book 2016-19. A summary of the budget by service is as follows:

**Table 2: 2016-17 original and revised net budget by service**

| Service | Approved net base budget | Revised budget P8 |
|---|---|---|
| | £m | £m |
| Adult Social Services | 246.852 | 247.369 |
| Children's Services | 167.290 | 167.290 |
| Community and Environmental Services | 199.650 | 198.322 |
| Resources | 20.407 | 21.796 |
| Finance and Property | 16.050 | 16.009 |
| Finance General | -311.289 | -311.826 |
| **Total** | **338.960** | **338.960** |

2.6 There have been no material net budget movements between services in periods 7 or 8.

2.7 **Savings targets**: The key savings targets required for the delivery of a balanced 2016-17 budget are addressed in separate reports to P&R committee.

## Revenue outturn – forecast over/underspends

2.8 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.

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

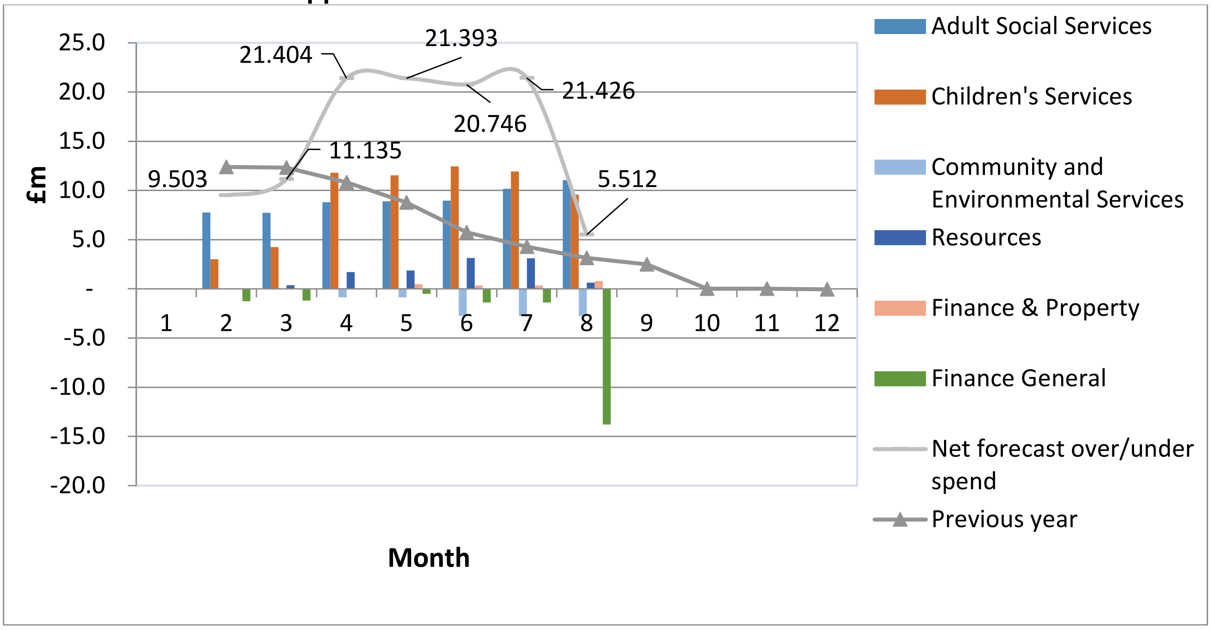
**Table 3: 2016-17 projected budget variations by service**

| Service | Revised Budget £m | Projected net (under)/ over spend £m | % | RAG |
|---|---|---|---|---|
| Adult Social Services | 247.369 | 11.034 | 4.5% | R |
| Children's Services | 167.290 | 9.599 | 5.7% | R |
| Community and Environmental Services | 198.322 | -2.750 | -1.4% | G |
| Resources - Managing Director | 21.796 | 0.624 | 2.9% | A |
| Finance and Commercial Services | 16.009 | 0.779 | 4.9% | A |
| Finance General | -311.826 | -13.774 | 4.4% | G |
| **Totals** | **338.960** | **5.512** | **1.6%** | A |

Note: the RAG ratings take into account both the relative (%) and absolute (£m) impact of forecast overspends.

2.10 The following chart shows service outturn projections by month:

**Chart 2: service revenue outturn projections 2016-17, by month, after recovery actions and approved use of reserves**




2.11 The main reasons for the forecast service under and overspends 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, including savings associated with packages of care for people with learning disabilities and physical disabilities. Since period 6 the forecast overspend has increased by £2.1m reflecting £5.0m increased net cost of services to users, partially mitigated by approved use of reserves and improved forecasts in other areas, and a further £0.948m use of unspent grants and contributions to be approved. Further details are given in the 23 January 2017 Adult Social Care Committee Finance Monitoring Report.

- **Children's Services:** The number of looked after children placements and the cost of agency placements related to placement mix have not reduced as quickly as planned. Since period 6 further net pressures of £2.1m have been identified, due primarily to increased forecast overspends in Early Help Service Level Agreements and LAC agency residential costs. Subject to approval these pressures are mitigated through the use of reserves totalling £4.977m. Further details of over and underspends are given in the 24 January 2017 Children's Services Committee Integrated Performance and Finance Monitoring Report.

- **CES:** In general, no net forecast service over or underspends have been identified in CES, as reported to Communities and EDT committees. However, an underspend has been identified due to a Public Health one-off contribution to fund, on a non-recurrent basis, existing Council services that contribute to a public health outcomes to the value of £2.75m public health related work across services. This is likely to be within services provided by Children's and Adults Services (for example Early Help in Children's Services).

- **Resources - Managing Director:** the forecast overspend of £0.624m is related to potential non delivery of Human Resources and other savings, mitigated by planned use of reserves and a forecast nplaw underspend. Remedial actions include vacancy management and cost control. A detailed breakdown is included in Appendix 2.

- **Finance and Commercial Services**: An ICT overspend of £1.3m has been partly offset by an underspend of £0.5m is forecast in the Finance Service, resulting from the capitalisation of costs. The position is subject to approval of the use of ICT reserves in respect of the Voice and Data contract.

- **Finance General:** A detailed breakdown of the Finance General over and underspends is included in Appendix 2. There has been a significant increase of £12.3m in the forecast underspend since period 6 relating to the minimum revenue provision. The primary reason is an adjustment to the amount of minimum revenue provision set aside in 2016-17: detailed calculations suggest that on the basis of the current MRP policy, over £66m has been over-provided in previous years. As a result, the authority can reduce the in-year MRP by £10.3m whilst maintaining prudent cumulative provision. In addition, capital receipts will also be used to re-pay debt directly. The effect of this will be to reduce the MRP required to be set aside by a further £2m.

## 3 General balances and reserves

### General balances

3.1 On 22 February 2016 Council agreed the recommendation from the Executive Director of Finance and Commercial Services for a minimum level of General Balances of £19.200m through 2016-17. The balance at 1 April 2016 was £19.252m, and the forecast at 31 March 2017 is unchanged at £19.252m. This forecast assumes a balance budget will be achieved.

### Earmarked reserves and provisions balances and forecasts

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

3.3 Budget planning for 2016-17 anticipated net reserves and provisions use of £11.176m in addition to full use of the Business Risk reserve, giving a total planned use of over £27m (including £3.2m of LMS reserves use and £2m use of provisions). Details by service were included in the finance monitoring report to the November meeting of this committee.

3.4 Services have analysed their forecast reserves use for 2016-17. Current forecast reserves use is shown in the following table, based on figures compiled as part of the budget setting process.

**Table 4a: Forecast reserves use**

| Reserves and provisions by service | Opening balance 1 April 2016 | Latest P8/9 forecast balances March 2017 | Forecast reserves use |
|---|---|---|---|
| | £m | £m | £m |
| **Adult Social Services (excl Business risk reserve, see below)** | 5.975 | 4.136 | 1.839 |
| **Children's Services (excl LMS)** | 17.270 | 7.703 | 9.567 |
| **Community and Environmental Services** | 41.878 | 27.700 | 14.178 |
| **Resources** | 6.776 | 7.014 | -0.238 |
| **Finance** | 26.216 | 28.020 | -1.804 |
| **Business risk reserve** | 10.678 | - | 10.678 |
| **Total reserves and provisions (excl LMS)** | **108.793** | **74.573** | **34.220** |
| **LMS balances** | 21.333 | 14.000 | 7.333 |
| **Total reserves and provisions** | **130.126** | **88.573** | **41.553** |

3.5 Forecast reserves use over and above planned use is as follows.

**Table 4b: Forecast reserves use over and above planned use**

| Reserves and provisions by service | Forecast reserves use | Planned reserves use (budget book) | Forecast use over and above planned |
|---|---|---|---|
| | £m | £m | |
| **Adult Social Services (incl Business Risk Reserve)** | 12.517 | 11.231 | 1.286 |
| **Children's Services (excl LMS)** | 9.567 | 4.249 | 5.318 |
| **Community and Environmental Services** | 14.178 | 4.701 | 9.477 |
| **Resources** | -0.238 | 0.605 | -0.843 |
| **Finance** | -1.804 | 3.418 | -5.222 |
| **Total reserves and provisions (excl LMS)** | **34.220** | **24.204** | **10.016** |
| **LMS balances** | 7.333 | 3.220 | 4.113 |
| **Total reserves and provisions** | **41.553** | **27.424** | **14.129** |

3.6 Actual forecast reserves use is higher than anticipated at the time of budget setting. The increase in forecast use is more than off-set by the increase in opening balances between the time of budget setting and the financial year end. Forecast reserves at 31 March 2017 remain over £10m higher than anticipated in February 2016 when the budget was set:

**Table c: Forecast reserves balances compared to forecast 2016-17**

| Reserves and provisions by service | Forecast balances March 2017 at time of budget setting | Latest P8/9 forecast balances March 2017 | Forecast balance - excess compared to budget |
|---|---|---|---|
| | £m | £m | £m |
| **Adult Social Services** | 2.283 | 4.136 | 1.853 |
| **Children's Services (excl LMS)** | 11.121 | 7.703 | -3.418 |
| **Community and Environmental Services** | 24.995 | 27.700 | 2.705 |
| **Resources** | 4.541 | 7.014 | 2.473 |
| **Finance & Property** | 19.109 | 28.020 | 8.911 |
| **Business risk reserve** | - | - | |
| **Total reserves and provisions (excl LMS)** | **62.049** | **74.573** | **12.524** |
| **LMS balances** | 16.000 | 14.000 | -2.000 |
| **Total reserves and provisions** | **78.049** | **88.573** | **10.524** |

3.7 The largest forecast reserves movement is full use of the Business Risk reserve which was set up as part of the budget proposals agreed at 22 February 2016 County Council following a change in MRP policy. The reserve is being used to manage considerable Adult Social Care cost pressures and a reduction in contributions from the Better Care Fund, as approved by this Committee at its meeting on 18 July 2016.

**Use of reserves compared to planned use**

3.8 It is common practice to use reserves for purposes which span financial years, and where the reserves may be carried over a financial year end for spend in the subsequent year. This is particularly relevant in the case of external grants and project reserves, where the timing of scheme delivery can be unpredictable – for example monies set aside for gritting. As a result reserves use can be higher than anticipated at the time of budget setting. The implications of this are set out in table 4c above.

3.9 **Provisions**: The Council's accounting provisions total £27m. No significant movement on provisions is currently forecast in 2016-17. The main provisions are:

- Insurance provision £13m
- Closed Landfill site accounting provision (non cash-backed) £9m
- Bad debts provisions £3m
- Pension, redundancy and pay provisions £2m.

3.10 **Reserves use requiring approval**

In order to manage reserves in relation to the forecast overspend, approval is being requested for the following use of specific reserves.

- **ASS unspent grants and contributions £0.948m**

In light of the current overspend, it is proposed that £0.948m of unspent grants and contributions, earmarked for transformation in adult social care, is utilised to offset the overspend position. When these funds were earmarked for transformation the department did not have any revenue funds allocated for such purposes. However, Adult Social Services now has £1.3m recurring budget available to ensure that necessary transformation and change can be implemented.

- **School Sickness Insurance Scheme £1.019m**

The remaining School Sickness Insurance Scheme reserve, which was built up over a number of years, is no longer required. This is due to the schools involved no longer being part of the authority as a result of "academisation", and the balance will be used to reduce the service overspend.

- **Other Children's Services reserves use £3.958m**

The other proposed Children's Services reserves use will have the impact of reducing the overspend by £3.958m. The amount is made up of £3.453m of Dedicated School Grant reserves to fund DSG net overspends – mainly high needs block, and £0.799m of additional spending from grants and contributions balances which were received after the budget was set. The total is offset by a planned contribution of £0.294m to the PFI sinking fund.

- **ICT reserves £1.476m**

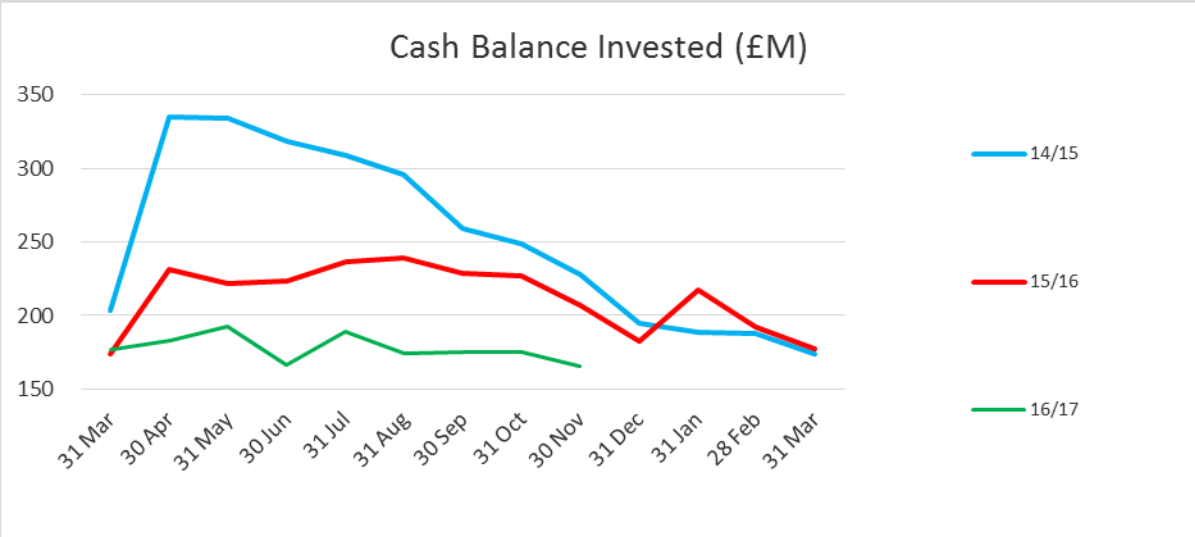
Use of ICT reserves is forecast to support the early implementation of the Voice and Data contract.  Providing funding to manage the hand-over between suppliers, and to fully resource the implementation, will ensure savings are achieved and realised as soon as possible and in time to support the 2017-18 budget.

## 4 Treasury management summary

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

4.2 The graph below shows the level of cash balances over the last 3 years. The high balance in April 2014 reflected the front loading of Business Rates Retention and Revenue Support Grant. Since then, receipts have been more evenly distributed.

**Chart 3: Treasury Cash Balances**




4.3 Gross interest earned for the period 1 April 2016 to 30 November 2016 is £1.204m.

4.4 In accordance with the approved 2016-17 Investment Strategy, the County Council continues to delay new borrowing for the majority of 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.

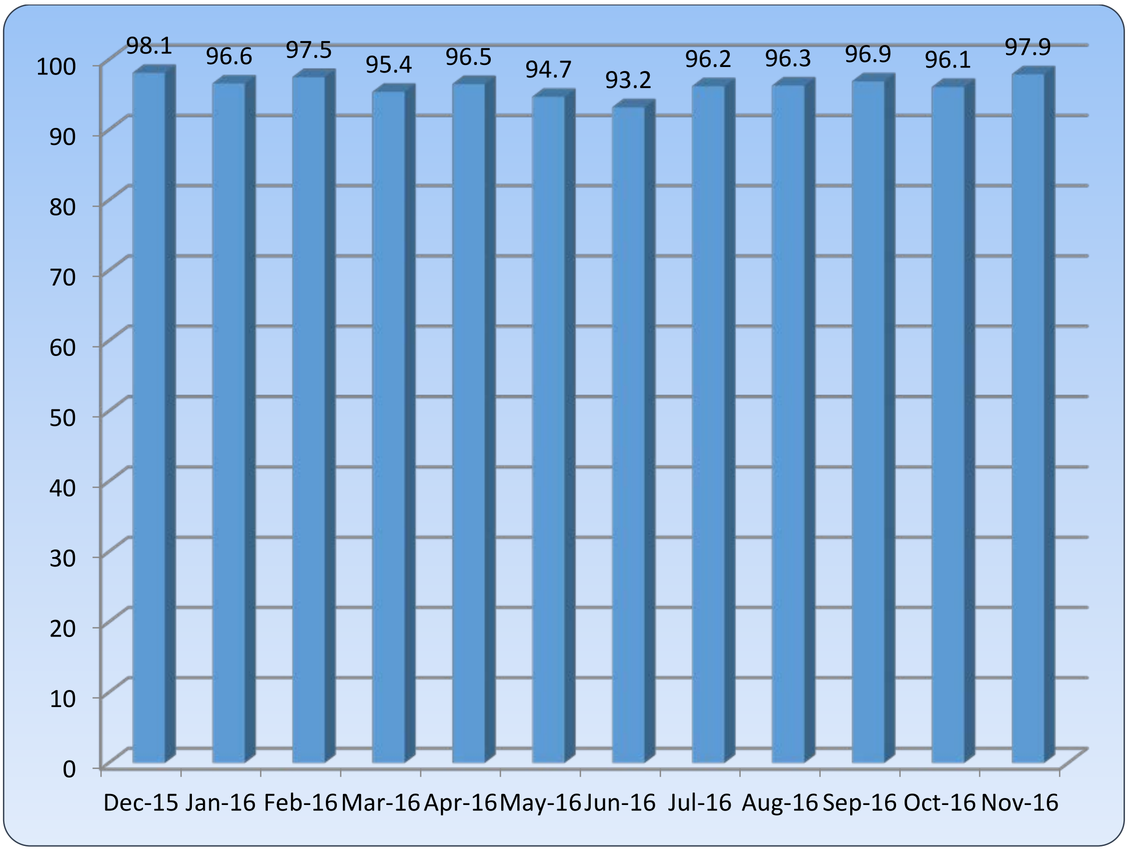
4.5 In July and August of this year £17m was borrowed on behalf of the Greater Norwich Growth Board as part of the Northern Distributor Road project.

4.6 On 4 August 2016 the Bank of England reduced bank base rate to 0.25% from the previous rate of 0.5% which had stood since March 2009.

4.7 On 8 November 2016 Norfolk County Council received a 14th Dividend payment in relation to the Icelandic Bank Kaupthing Singer and Friedlander of £0.052m.

## 5 Payment performance

5.1 Approximately 420,000 invoices are paid annually. In November 2016, 97.9% were paid within a target of 30 days from receipt, against a target of 90%. The percentage has not dropped below 93% in the last 12 months, as shown in the graph below.




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

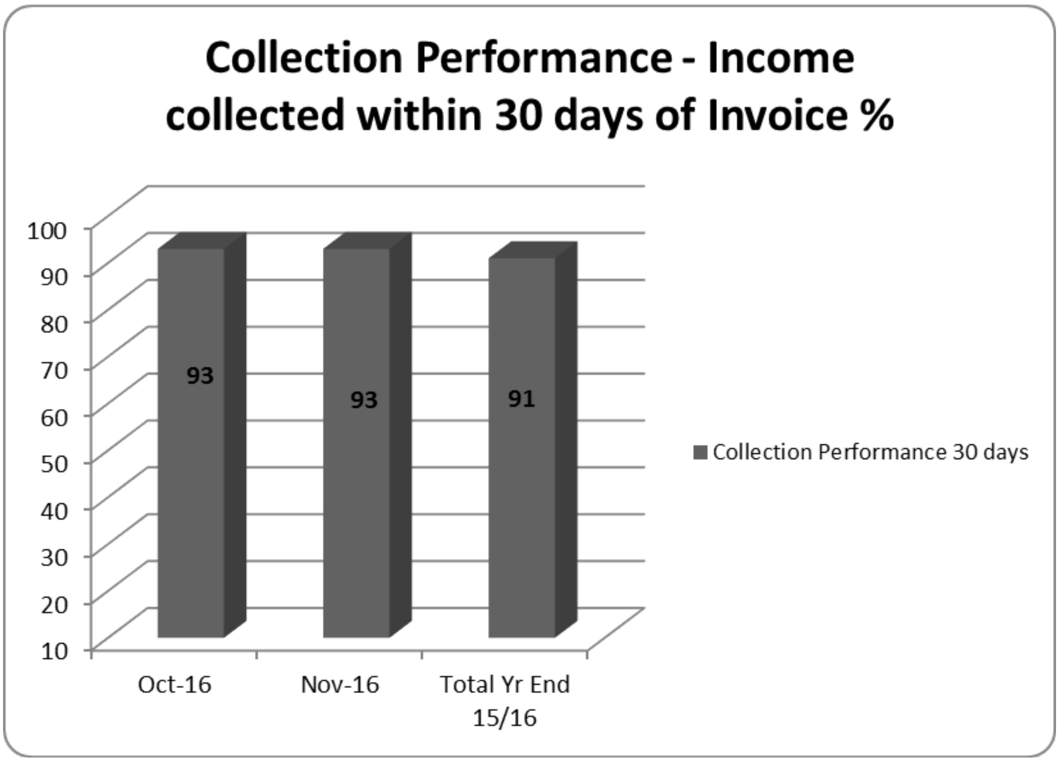
## 6 Debt recovery

6.1 **Introduction**: Each year the County Council raises over 130,000 invoices for statutory and non-statutory services totalling over £762m. 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 2015-16 91% of all invoiced income was collected within 30 days of issuing an invoice, and 96% was collected overall.

6.2 **Debt collection performance measures**

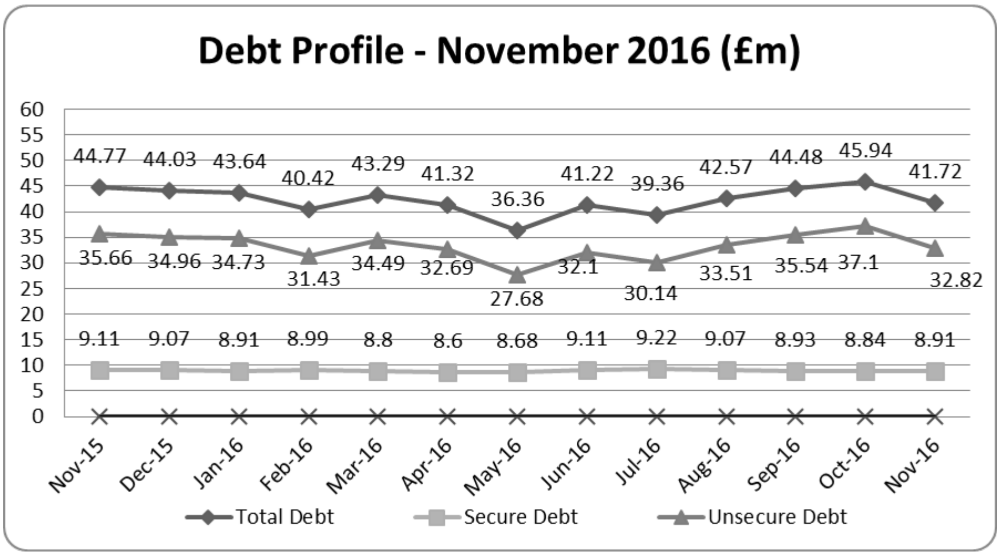
93% of invoiced income was collected within 30 days for the month of November 2016. The percentage is the proportion of income collected within 30 days for invoices raised in the previous month – measured by value.

**Latest Collection Performance**




6.3 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:

**Debt Profile (Total)**




The overall level of unsecure debt for social care has decreased by £4.28m in this period. The largest area of unsecure debt relates to charges for social care. Of the £23.76m unsecure social care debt £11.59m is debt with the CCG's, the majority of which is for shared care, Better Care Pooled Fund, continuing care and free nursing care. Overall level of debt with the CCG's decreased by £2.01m in November.

6.4 **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 and Commercial Services approves the write off of all debts up to £10,000.

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

6.6 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.

6.7 For the period 1 April to 31 October 2016, 381 debts less than £10,000 were approved to be written off following approval from the Executive Director of Finance and Commercial Services. These debts totalled £179,389.38.

6.8 No debts over £10,000 have been written off. Three debts over £10,000 are awaiting Policy & Resources Committee approval. These debts total £34,113.95:

| Debt Type | Amount | Reason |
|---|---|---|
| Non-residential care & residential care charges | £11,931.18 | Options exhausted |
| Residential care charges | £10,334.47 | Options exhausted |
| Home and residential care charge | £11,848.30 | Uneconomical to pursue/ all legal options exhausted |

**Revenue Annex 1**

## Projected revenue outturn by service analysis

The latest projection for the 2016-17 revenue budget shows a net projected overall variance as follows:

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

| Service | Revised Budget | Net total over / (under) spend | % | Forecast net spend |
|---|---|---|---|---|
| | £m | £m | | |
| Adult Social Services | 247.369 | 11.034 | 4.5% | 258.403 |
| Children's Services | 167.290 | 9.599 | 5.7% | 176.889 |
| Community and Environmental Services | 198.322 | -2.750 | -1.4% | 195.572 |
| Resources (Managing Director) | 21.796 | 0.624 | 2.9% | 22.420 |
| Finance and Commercial Services | 16.009 | 0.779 | 4.9% | 16.788 |
| Finance General | -311.826 | -13.774 | 4.4% | - 325.600 |
| **Totals current month – P8** | **338.960** | **5.512** | **1.6%** | **344.472** |
| Totals previous month – P7 | 338.960 | 21.426 | 6.3% | 360.386 |
| Totals previous month – P6 | 338.960 | 20.746 | 6.1% | 359.706 |

### Reconciliation between current and previously reported underspend

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

| | £m |
|---|---|
| **Forecast overspend brought forward – P6** | **20.746** |
| **Movements end October 2016** | |
| Adult Social Services | 1.230 |
| Children's Services | -0.540 |
| Community and Environmental Services | - |
| Resources | -0.010 |
| Finance and Property | - |
| Finance General | - |
| **Forecast over / (under) spend – P7** | **21.426** |
| **Movements end November 2016** | |
| Adult Social Services | 0.851 |
| Children's Services | -2.317 |
| Community and Environmental Services | - |
| Resources | -1.218 |
| Finance | -0.845 |
| Finance General | -12.385 |
| **Forecast over / (under) spend – P8** | **5.512** |

## Corporate resources spend as a proportion of "front line" net expenditure

**Table A1c: Corporate resources spend as a proportion**

| Service | Budget | Forecast |
|---|---|---|
| | £m | £m |
| Total "front line" services | 612.988 | 630.864 |
| Total corporate resources | 37.780 | 39.208 |
| Corporate resources as %age | 6.2% | 6.2% |
| Corporate resources as ratio | 1:16 | 1:16 |

For the purposes of this table, corporate resources totals combine Resources plus Finance and Property. "Front line" services are the total of Adult Social Services, Children's Services and Community and Environmental Services.

**Revenue Annex 1 continued**

The net over / underspend is a result of a range of underlying forecast over and underspends which are listed below and which are the subject of detailed monthly monitoring within services.

**Projected revenue budget outturn by service – detail**

| | Projected over spend | Projecte d under spend | Change P7 | Change P8 |
|---|---|---|---|---|
| | £m | £m | £m | |
| **Adult Social Services** | | | | |
| Business Development | | -0.275 | -0.053 | -0.065 |
| Commissioned Services | 1.970 | | | -0.411 |
| Early Help & Prevention | | -0.619 | -0.085 | -0.009 |
| Services to Users (net) | 17.423 | | 1.999 | 2.983 |
| Management, Finance & HR | | -6.521 | 0.020 | -0.702 |
| Reversal for approved use of reserves | | | -0.651 | |
| Use of reserves to be approved | | -0.948 | | -0.948 |
| Rounding | 0.004 | | | 0.003 |
| **Over / (under) spend before recovery actions** | **19.397** | **-8.363** | **1.230** | **0.851** |
| | **11.034** | | | |

| **Children's Services** | Projected over spend | Projected under spend | Change P7 | Change P8 |
|---|---|---|---|---|
| **Spending increases and reductions** | £m | £m | £m | |
| LAC agency residential costs | 6.565 | | 0.547 | 0.772 |
| LAC agency fostering | 1.477 | | -0.129 | -0.340 |
| In-house LAC fostering | 0.220 | | 0.150 | |
| Staying-put fostering | 0.235 | | | |
| Residence/kinship payments | 0.570 | | | |
| Mainstream Home to School/College transport | 1.010 | | 0.250 | 0.260 |
| Post 16 Home to School transport – reduced income | 0.167 | | | |
| Cost of agency social workers | 0.910 | | | |
| Independent Reviewing Officers | 0.310 | | 0.050 | |
| LAC OFSTED unregulated accommodation (16/17 y/o) | 0.780 | | | |
| Social Care legal costs | 0.259 | | | |
| Adoption Support | 0.130 | | | |
| School Crossing Patrol staff | 0.140 | | | |
| Early Help Service Level Agreements | 1.237 | | | 1.550 |
| Early additional savings on Early Years Children's Centres | | -0.910 | -0.910 | |
| Additional Troubled Families grant | | -0.400 | | |
| School Improvement | | -0.898 | | |

| | | | | |
|---|---|---|---|---|
| Early Years Services | | -0.435 | | |
| Early Help support | | -0.411 | | |
| CWD Short Term Breaks | | -0.060 | | |
| Other small savings | | -0.030 | | |
| Additional Education Services Grant due to slippage in academy school conversions | | -0.415 | 0.050 | |
| Reduced contract cost on the Norfolk PFI scheme | | -0.127 | -0.127 | |
| Use of conditional grants and reserves<br>P6 forecast use of reserves in excess of budget book planned use: Children's Services Committee to consider reserves use at its January 2017 meeting. | 0.799 | | | |
| **Dedicated schools grant** | | | | |
| Additional number and cost of special school places | 1.400 | | 1.400 | |
| Independent and non-maintained education | 1.930 | | -0.418 | |
| Post 16 FE High Needs | 0.619 | | -0.225 | 0.125 |
| Early years high needs support | 0.100 | | 0.100 | |
| Short Stay School For Norfolk & Alternative Education | 0.833 | | 0.348 | 0.200 |
| Inter- authority recoupment | | -0.200 | -0.110 | |
| Suspended Schools Staff | | -0.235 | | |
| School Staff Maternity | 0.060 | | | |
| Take up of Early Years 3 and 4 year old places | | -0.948 | -0.948 | |
| Reduced take up of Early Years 2 year old places | | -0.150 | -0.150 | |
| Delay in payment of Salix loan, funded from school DSG reserves | | -0.418 | -0.418 | |
| Reduced demand by schools on the schools contingency funds | | -0.310 | | -0.310 |
| Lower reduced cost of SEN inter-authority recoupment | 0.036 | | | 0.036 |
| Dedicated Schools Grant reserve<br>P6 forecast use of reserves in excess of budget book planned use: Children's Services Committee to consider reserves use at its January 2017 meeting. | 0.736 | | | 0.367 |
| **Forecast outturn for Children's Services** | **20.523** | **-5.947** | **-0.540** | **2.660** |
| before reserves use | **14.576** | | | |
| Use of Schools Sickness Insurance Scheme reserve, subject to approval | | -1.019 | | -1.019 |
| Use of other Children's services reserves, subject to approval | | -3.958 | | -3.958 |
| **Forecast outturn for Children's Services** | **20.523** | **-10.924** | **-0.540** | **-2.317** |
| **after reserves use subject to approval** | **9.599** | | | |

| **Community and Environmental Services** | Projected over spend | Projected under spend | Change P7 | Change P8 |
|---|---|---|---|---|
| No over or underspend reported for service activities | | | | |
| Public Health one-off contribution to public health related work across services | | -2.750 | - | |
| **Forecast outturn for CES** | | **-2.750** | | |
| | | | | |

| **Resources, Finance and Finance General** | Projected over spend | Projected under spend | Change P7 | Change P8 |
|---|---|---|---|---|
| | £m | £m | £m | |
| **Policy and Resources – Managing Director** | | | | |
| Director of Resources | 0.397 | | -0.002 | |
| Human Resources | 0.502 | | | 0.300 |
| Communications | 0.021 | | 0.022 | 0.010 |
| Consultation | -0.021 | | | -0.021 |
| Corporate Programme Office | | | | |
| Nplaw | | -0.275 | -0.030 | -0.031 |
| Adjustment to reverse unplanned use of reserves to support voice and data contract – subject to approval | | | | -1.476 |
| **Net forecast outturn for Resources** | **0.899** | **-0.275** | **-0.010** | **-1.218** |
| | **0.624** | | | |
| | | | | |
| **Finance** | | | | |
| Underspend due to capitalisation and other savings | | -0.500 | | -0.500 |
| Adjustment to reverse unplanned use of reserves (property element) no longer required | - | - | | -0.345 |
| ICT forecast, subject to use of reserves (see above) | 1.279 | | | |
| | **1.279** | **-0.500** | | **-0.845** |
| | **0.779** | | | |
| **Finance General** | | | | |
| Adjustment to forecast interest on balances (see Appendix 2) | | -0.771 | | -0.035 |
| Adjustment to minimum revenue provision to reflect re-profiling of capital schemes to be funded from borrowing | | -0.455 | | |
| Adjustment to minimum revenue provision to reflect amounts over-provided in previous years | | -10.362 | | -10.362 |
| Use of capital receipts to further reduce revenue MRP | | -2.000 | | -2.000 |
| Release of provision previously set aside to address the potential impact of employment legislation | | -0.780 | | |
| Additional costs arising from Norse pension liabilities | 0.712 | | | |
| Norse NIAA loan arrangement fee | | -0.130 | | |
| Council tax discount administration | 0.360 | | | 0.360 |
| ESPO dividend | | -0.358 | | -0.358 |
| Local assistance scheme | | -0.179 | | -0.179 |
| Devolution costs | 0.331 | | | 0.331 |
| Members allowances | | -0.142 | | -0.142 |
| **Net forecast outturn for Finance General** | **1.403** | **-15.177** | **0** | **-12.385** |
| | | **-13.774** | | |
| | | | | |

# Norfolk County Council

## Appendix 2: Resources and Finance commentary

Report by the Executive Director of Finance and Commercial Services

### 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 November 2016 (Period 8).

### 2 Resources

| 2016 / 17 | Current Budget Net Expenditure / (income) | Actual to date | Over / (Under) spend |
|---|---|---|---|
| | £m | £m | £m |
| **Resources – Managing Director** | | | |
| Managing Director's Office | 0.424 | 0.232 | |
| Director of Resources | -0.594 | -0.210 | 0.397 |
| CIPPS & BPPS | 1.388 | 1.083 | |
| Corporate Programme Office | 0.740 | 0.692 | |
| Human Resources | 3.627 | 4.459 | 0.502 |
| Communications | 0.585 | 0.579 | 0.021 |
| nplaw | -0.444 | 0.186 | -0.275 |
| Democratic Services | 2.367 | 1.703 | |
| | **8.093** | **8.724** | **0.645** |
| Communities Committee – Consultation and Community Relations | 0.234 | | -0.021 |
| **Total Resources (Managing Director)** | **21.796** | | **0.624** |
| **Resources – Executive Director of Finance and Commercial Services** | | | |
| Procurement | 1.236 | 1.926 | |
| ICT – after reserves use (see below) | 12.233 | 19.066 | 1.279 |
| | **21.561** | **29.714** | **1.279** |

Where expenditure year to date is 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.

## Resources Reserves

Resources reserves balances and forecast use is as follows subject to the approval of unplanned reserves use assumed in the latest under and overspend forecasts:

| Resources Reserves | Opening balances | Planned move-ment | Forecast use in year | Forecast carried forward |
|---|---|---|---|---|
| **Resources – Managing Director** | | | | |
| Business Intelligence & Performance Strategy | 0.716 | | -0.023 | 0.693 |
| Corporate Programme Office | 0.964 | | -0.095 | 0.869 |
| Human Resources – subject to approval | 0.940 | | | 0.940 |
| Communications | 0.269 | -0.475 | -0.228 | 0.041 |
| Nplaw | 0.324 | | | 0.324 |
| Democratic Services | 0.509 | -0.130 | -0.261 | 0.248 |
| | **3.722** | **-0.605** | **-0.607** | **3.115** |
| **Resources – Executive Director of Finance and Commercial Services** | | | | |
| Procurement | 0.299 | | -0.024 | 0.275 |
| ICT – voice and data use subject to approval | 2.755 | | -1.476 | 1.279 |
| | **3.054** | **0** | **-1.500** | **1.554** |
| **Total Resources** | **6.776** | **-0.605** | **-2.107** | **4.669** |

At the end of period 8, resources reserves were forecast to reduce by £2.1m during 2016-17. The reserves use in the table above is not directly comparable with the summary in section 3 of the main report, which is based on more recent forecasts to correspond with the budget planning reports. The figures above take into account reserves movements which are subject to approval.

The planned movement/use of the reserves shown above is the use anticipated when budgets were set in February 2016. The actual use is likely to be different for a number of reasons: for example actual opening balances may be higher or lower than anticipated (for example the Communications reserve was lower which will mean that its maximum use will be capped). Overall there was a net additions to Resources reserves and provisions between budget setting and 31 March 2016 of £1.630m, so overall actual use is likely to be higher than planned as and when these reserves are applied.

Reserves use is forecast across the majority of services. The use of ICT reserves is subject to a specific request for approval, with reasons given in the body of this report. The total of other forecast reserves use are in line with overall planned use.

## 3 Finance and Commercial Services, and Finance General

| 2016 / 17 | Current Budget | Expenditure Year to Date | Full Year Forecast | Overspend / (Underspend) |
|---|---|---|---|---|
| | £m | £m | **£m** | **£m** |
| Finance | 6.455 | 6.587 | 5.955 | -0.500 |
| Property | 9.554 | 4.886 | 9.554 | - |
| **Finance & Property** | **16.009** | **11.473** | **15.509** | **-0.500** |
| Procurement | | | | **-** |
| ICT **(also shown in tables above)** | | | | 1.276 |
| **Finance and Commercial Services** | | | | **0.779** |
| Finance General | | | | -13.774 |
| **Total Finance before reserves adjustment** | | | | **-14.274** |

At the end of month 8, there is no forecast net over or under-spend spend within the Property function. Previously forecast use of £0.345m building maintenance reserves may not be required and is not currently forecast. The Finance service is forecasting an overspend due to ICT overspends (previously under Resources) partly balanced by a Finance underspend of £0.500m due to capitalisation of costs and other savings.

**Reserves**: Finance and Finance General reserves and provision at 1 April 2016 totalled £36.9m. The majority are corporate in nature, being made up of the Business Risk reserve £10.7m, the Insurance provision and reserve totalling £15.9m, the Organisational Change and Redundancy reserves and provisions £7.2m, Building Maintenance £1.2m, the Norfolk Infrastructure Fund £1.1m, and other provisions and reserves totalling £0.8m.

**Use of reserves**: The forecast use of reserves includes £2m use of the Insurance reserve and £0.6m use of the Organisational Change and Redundancy Reserves as detailed in the Council's budget book. In addition, of the Finance and Property Reserves, use of brought forward grants of £0.115m will be used in respect of the One Public Estate project as approved by this committee in November. Latest forecasts for Finance General reserves suggest that the call on the Organisation Change and Redundancy will exceed the amounts predicted prior to the start of the year.

## 4 Finance General over and underspends

Explanations for Finance General forecasts are as follows:

**Interest on balances due to reduced borrowing (forecast underspend £0.771m)**
The 2016-17 interest payable/receivable budget was prepared on the basis of a number of assumptions at the time of budget preparation. Actual net borrowing costs to support the capital programme is likely to be lower than anticipated, resulting in a forecast underspend.

**Forecast Minimum Revenue Provision to reflect re-profiling of capital schemes (forecast underspend £0.455m)**
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 2015-16, but which is now forecast to be incurred in 2016-17 and beyond.

**Adjustment to minimum revenue provision to reflect amounts over-provided in previous years (forecast underspend £10.362m)**
Detailed calculations suggest that on the basis of the current MRP policy, over £66m has been over-provided in previous years. As a result, the authority can reduce the in-year MRP whilst maintaining prudent cumulative provision.

**Use of capital receipts to further reduce revenue MRP (forecast underspend £2.000m)**
In previous years, capital receipts have been used to fund the capital programme to minimise additional borrowing requirements. Capital receipts may also be used to re-pay debt. The effect of applying receipts for this purpose is to reduce the MRP required to be set aside in order to service debt re-payments which have become due in 2016-17.

**Release of provision (forecast underspend £0.780m)**
Following a review, a large proportion of a provision previously set aside is no longer required. The provision related to potential costs of legislative changes in respect of retained fire fighters and part time workers. Releasing a proportion of the provision has resulted in a forecast net underspend of £0.780m.

**Norse pension liabilities (forecast overspend £0.712m)**
This adjustment relates to additional costs arising from a 2013-14 transfer of Norse Group pension liabilities to Norfolk County Council. The transfer has enabled the Norse Group to pay dividends to Norfolk County Council. A shortfall has arisen due primarily to a decrease in the number of NPS employees in the LGPS with a shortfall relating to the level of volume discount expected to be received from the Norse Group.

**Norse NIAA loan arrangement fee (forecast underspend £0.130m)**
The Council has entered into a loan agreement with the Norse Group for the construction of the Norfolk International Aviation Academy (as agreed at 20 July 2015 Policy and Resources Committee). Part of agreement is an arrangement fee of approximately 2% of the value of the loan.

**Council tax discount administration (forecast overspend £0.360m)**
The Council has agreed to make a one off contribution to Norfolk district councils towards the administration costs of changing council tax discounts. This is a “spend to save” initiative the impact of which will be to significantly increase the Council’s tax base.

**ESPO dividend (forecast underspend £0.358m)**
The Council is a member of the Eastern Shires Purchasing Organisation. Each year ESPO returns a share of its surplus each member in proportion to its purchasing activity.

**Local assistance scheme (forecast underspend £0.179m)**
Savings are predicted in relation to hired and contracted services used within the local assistance scheme.

**Devolution costs (forecast overspend £0.331m)**
The Council has incurred costs relating to the Norfolk and Suffolk devolution deal proposals and consultation. The costs relate primarily to officer time and costs.

**Members allowances (forecast underspend £0.142m)**
The forecast expenditure on basic allowances, special responsibility allowances, travel and subsistence is significantly below budget in 2016-17.

# Norfolk County Council

## Appendix 3: 2016-17 Capital Finance Monitoring Report

Report by the Executive Director of Finance and Commercial Services

### 1 Capital Programme 2016-17

1.1 On 22 February 2016, the County Council agreed a 2016-17 capital programme of £237.549m with a further £166.627m allocated to future years', giving a total of £404.176m.

1.2 Slippage and re-profiling from 2015-16 increased the overall capital programme at 1 April 2016 to £497.616m, as shown in the 2015-16 finance outturn report presented to this committee.

1.3 Movements in the programme are set out in Capital Annex 1. Changes to the current year's programme are due mainly to the reprofiling of schemes into 2017-18.

**Table 1: Capital Programme budget**

| | 2016-17 budget | Future years |
|---|---|---|
| | £m | £m |
| New schemes approved February 2016 | 22.717 | 27.764 |
| Previously approved schemes brought forward | 244.774 | 139.863 |
| **Totals in 2016-20 Budget Book (total £434.118m)** | **267.491** | **166.627** |
| Schemes re-profiled after budget setting | 39.551 | 13.490 |
| Other Adjustments, including additional grants and re-allocation of underspends | 10.457 | - |
| **Capital Programme Opening Position (total £497.616m)** | **317.499** | **180.117** |
| Re-profiling since start of year | -117.785 | 117.785 |
| Other movements | 2.639 | 2.755 |
| Additions to programme, approved 31 October 2016 | 4.710 | |
| **Capital programme budget current (total £507.720m)** | **207.063** | **300.657** |

*Note: this table and the tables below contain rounding differences*

New 2016-17 capital expenditure totalling £4.710m was approved by this Committee on 31 October 2016 and comprised:

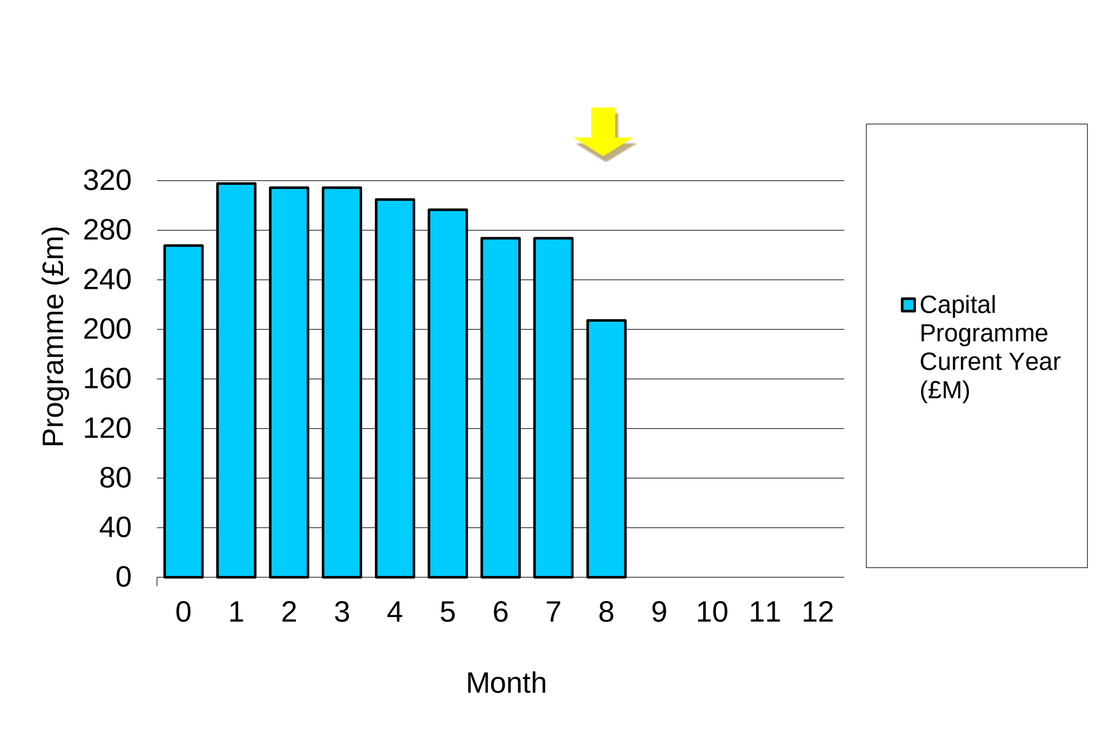
- ICT - new Voice & Data, server infrastructure and other improvements – additional £3.000m
- Library books - £1.300m
- Capital project and procurement support - £0.410m.

1.4 The future 2017-20 suggested capital programme, including new schemes, is presented in another report to this committee.

## Changes to the Capital Programme

1.5 The following chart shows changes to the 2016-17 capital programme through the year.

**Chart 1: Current year capital programme through 2016-17**




1.6 Month "0" represents the approved capital programme, and month one the revised opening position after re-profiling of unspent budget from 2015-16. The arrow shows the latest position.

1.7 The capital budget for each service is set out in the table below:

**Table 2: Service capital budgets and movements 2016-17**

| Service | Opening Capital Programme 2016-17 | Cumulative Changes To Date | Reprofiling since last report | Other Changes since last report | 2016-17 Current Capital Budget |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Children's Services | 104.079 | -43.662 | -15.450 | | 44.967 |
| Adult Social Care | 16.354 | -3.904 | -3.076 | | 9.375 |
| Community & Environmental Services | 166.145 | -0.339 | -21.723 | -3.645 | 140.438 |
| Resources | - | 0 | | | 0 |
| Finance | 30.920 | 3.764 | -22.400 | | 12.285 |
| **Total** | 317.499 | -44.141 | -62.649 | -3.645 | **207.065** |
| | | 0 | | -66.294 | |

*Note: this table and the tables below contain rounding differences*

1.8 The table above has been amended to reflect recent changes in management responsibilities. As a result ICT capital projects previously under Resources are now shown under the “Finance” heading.

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

1.10 The forecasts will be used to ensure that budgets are more accurately allocated between years, and that changes are accurately reflected. This can be done at any time, but particular attention will be given to this in advance of the November monitoring report, which will form the basis of future years approved capital programmes.

1.11 The revised programme for future years (2017-18 to 2019-20) is as follows:

**Table 3: Future years capital programme 2017-20**

| Service | Previously reported (P8) 2017-20 capital budget £m | Oct/Nov Reprofiling (from 2016-17 to future years) £m | Other Movements £m | Future years 2017-20 £m |
|---|---|---|---|---|
| Children's Services | 104.822 | 15.450 | 2.919 | 123.191 |
| Adult Social Care | 10.023 | 3.076 | -0.090 | 13.009 |
| Community & Environmental Services | 99.297 | 21.723 | 0.739 | 121.759 |
| Resources | 0 | | | 0 |
| Finance & Property | 20.300 | 22.400 | | 42.700 |
| **Total** | **234.442** | **62.649** | **3.568** | 300.659 |

*Notes:*

a) *this table may contain rounding differences.*

b) *The ASC and CES lines have been adjusted for an IT project (social care IT systems replacement). In the 2015-16 outturn report these were allocated to ICT under CES, but are now allocated to the ASC capital programme.*

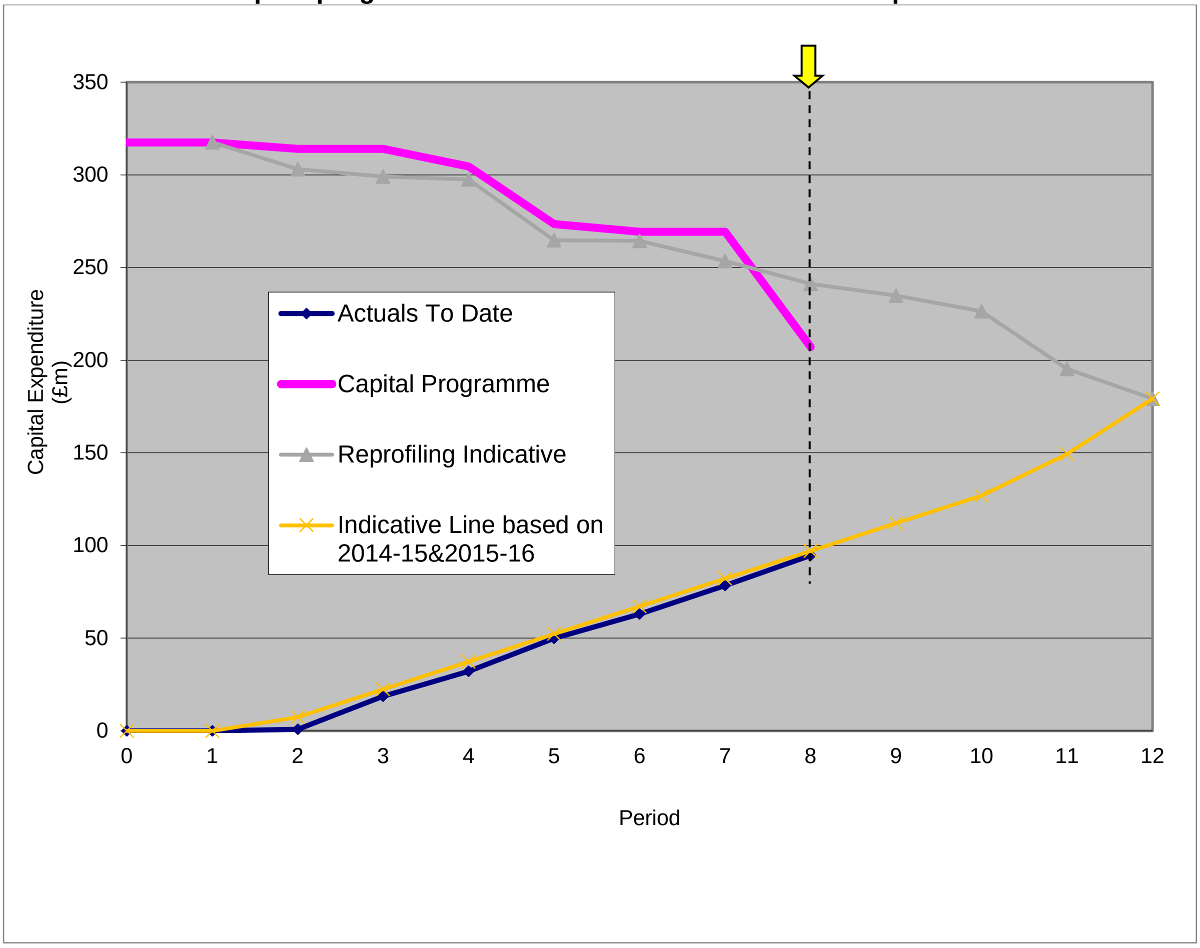
c) *ICT capital projects previously under Resources are now shown under the “Finance” heading*

1.12 New schemes put forward for consideration and approval to be added to the 2017-18 capital programme are the subject of a separate Capital Programme report to this Committee.

### Actual Spend and Progress on Capital Programme

1.13 Progress on the overall capital programme is as follows:

**Chart 2: Capital programme 2016-17 and cumulative actual expenditure to date**




1.14 Total accounting expenditure on the 2016-17 capital programme to P8 is £94.7m, excluding accruals brought forward from 2015-16. Expenses accrued from 2015-16 accounted for the majority of spend in periods 1 and 2. Taking this into account, the graph shows that expenditure has been in line with forecast.

1.15 To match the Council's statutory accounts, the expenditure in the graph above does not include loans to companies.

1.16 Significant re-profiling took place for Children's Services projects in periods 5 and all services in period 8, in advance of preparing the future capital programme. This re-profiling has brought the overall programme significantly closer to the indicative expected outcome shown in the graph above, and provides a more accurate starting point for the future year's capital programme.

## 2 Progress during 2016-17

**Schools:** Projects which were completed, or largely completed during the summer included:

- St Martha's VA Primary expansion from 210 to 420 places (in partnership with RC Diocese)
- Mulbarton Infant and Junior removal of undersized classrooms
- Henderson Green Primary expansion to 210 places
- Pulham Market Primary additional reception classroom
- Browick Road completion of works to reorganise from infant to primary school.

More recently, a major new build phase at Drake Primary in Thetford containing 10 new classrooms and a new hall opened to pupils in January 2017.

**County Hall**: Following completion of refurbishment work on the County Hall tower project planning is underway in relation to upgrading accommodation in the North and South wings, with additional car parking.

**Great Yarmouth Third River Crossing**: the Department for Transport has agreed to make available a funding contribution of £1.080m for development work on the Great Yarmouth Third River Crossing, up to and including the production of an outline business case.

**NDR:** The major project is the Norwich Northern Distributor Road. The current budget of £178.9m for this project has not changed since the 2015-16 outturn report presented to the May 2016 meeting of this committee.

More of the carriageway base has been formed than originally programmed for 2016. The pace of work has reflected the aspiration of the County Council to have traffic on the road by the end of 2017.

As reported to EDT Committee, there are a number of risks costed at £6.8m that could impact on the cost of delivery. The cost of these risks forms part of the 2017-20 capital programme for consideration and approval at this meeting.

## 3 Financing The Programme

3.1 Funding for the capital programme comes primarily from grants and contributions provided by central government. These are augmented by capital receipts, developer contributions, prudential borrowing, and contributions from revenue budgets and reserves.

3.2 The table below identifies the planned funding of the revised capital programme:

**Table 5: Financing of the capital programme**

| **Funding Stream** | **2016-17 Programme** | **Future Years Forecast** |
|---|---|---|
| | **£m** | **£m** |
| Prudential Borrowing | 37.954 | 110.297 |
| Capital Receipts (see note below) | - | - |
| Revenue & Reserves | 1.578 | 4.200 |
| Grants and Contributions: | | 186.162 |
| DfE | 36.531 | |
| DfT | 86.685 | |
| DoH | 7.612 | |
| DCLG | 1.265 | |
| DCMS | 0.161 | |
| Developer Contributions | 9.424 | |
| Other Local Authorities | 8.088 | |
| LEP | 10.000 | |
| Other | 7.765 | |
| **Total** | **207.063** | **300.659** |

*Note: this table may contain rounding differences*

3.3 Significant funding from capital receipts are anticipated over the 4 years of the programme, which as and when realised will be used either to re-pay debt as it falls due, or to reduce the call on future prudential borrowing. For the purposes of the table above, it is assumed that all capital receipts will be applied directly to the re-payment of debt. Any excess capital receipts will then be used to reduce the Council's future borrowing requirement.

3.4 The most significant sources of funding continue to be the major government capital grants for transport and schools, and the authority's prudential borrowing.

3.5 Developer contributions are funding held in relation to planning applications. Section 106 (Town and Country Planning Act 1990) contributions are held in relation to specific projects: primarily schools, with smaller amounts for libraries and highways. The majority of highways developer contributions are a result of section 278 agreements (Highways Act 1980).

3.6 Contributions from other local authorities relate mainly to projects undertaken with Norfolk districts, including the Norwich Cycle Ambition project funded through Norwich City Council, and major highway/housing developments in King's Lynn.

## 4 Capital Receipts

4.1 The Council's 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 reduce revenue costs of the operational property portfolio.

4.2 The capital programme, approved in February 2016, demonstrated how asset management would support capital expenditure through generating capital receipts through property disposals, in the context of a longer term disposals programme. Since then, there have been changes to the draft disposal schedule, in particular relating to the timing of projected receipts between years.

4.3 The current revised schedule for disposals is:

**Table 6: Revised disposal schedule £m**

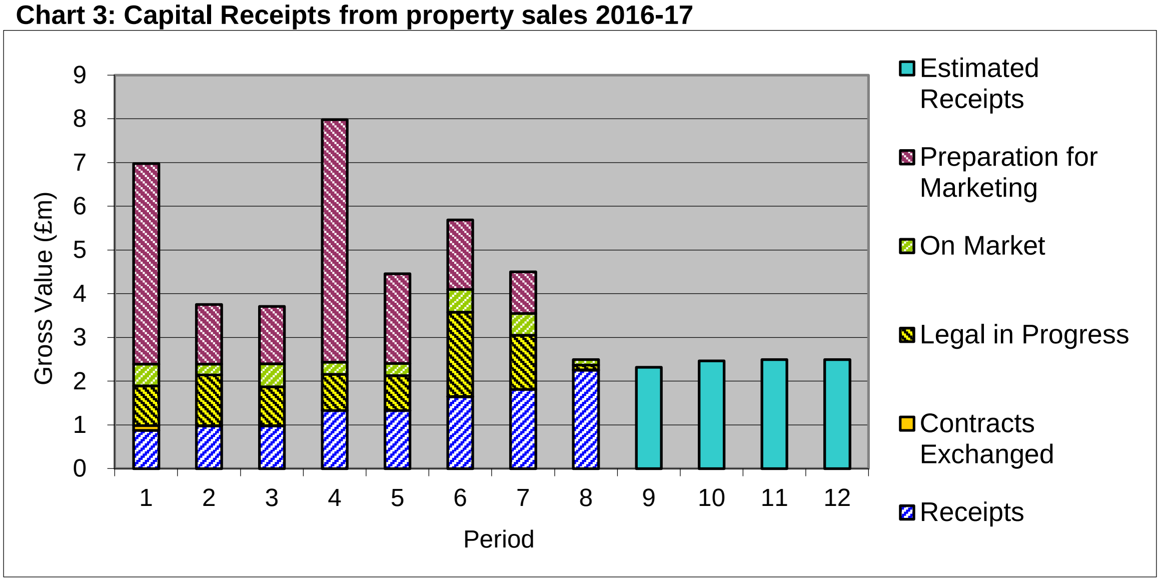
| | 2016-17 Approved £m | Latest forecast £m |
|---|---|---|
| General Capital Receipts | 2.825 | 1.304 |
| County Farms Capital Receipts | 4.153 | 1.188 |
| **Estimated Total Capital Receipts** | **6.978** | **2.492** |

4.4 The value of completed sales to date is over £2.2m. In addition, a number of lower value properties will be offered for auction before the end of the financial year.

4.5 The main reasons for the reduction in expected receipts in the current year is the net effect putting back to 2017-18 of a number of sales, primarily development land at Acle and Blofield. These sales will be added into the sales forecasts in the 2017-18 capital programme.

4.6 The chart below shows the progress on realisation of the forecast capital receipts for 2016-17.

**Chart 3: Capital Receipts from property sales 2016-17**



4.7 Subject to debt repayment requirements, where unallocated capital receipts are generated the Council uses these to support its general capital programme. Where capital receipts have been allocated as part of a financial package, but are still to be used, they may be retained in the capital receipts reserve. The table below identifies expected movements on the capital receipts reserve:

**Table 7: Capital receipts reserve 2016-17**

| | General | Financial Packages | County Farms | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Opening Balance** | **0.000** | **1.059** | **0.517** | **1.576** |
| Forecast receipts from sales of properties | 1.304 | | 1.188 | 2.492 |
| Receipts: sales of assets to leasing cos | - | - | - | - |
| Other forecast capital receipts | 0.062 | | | 0.062 |
| **Receipts generated in year** | **1.367** | **0.000** | **1.188** | **2.555** |
| Sales expenses | -0.300 | | | -0.300 |
| Receipts repayable to third parties | - | - | - | - |
| **Net receipts available for funding** | **1.067** | **1.059** | **1.705** | **3.831** |
| Use to fund incomplete leases | - | - | - | - |
| Use to fund programme and reduce borrowing or to repay debt | -1.067 | -1.059 | -0.951 | -3.077 |
| **Closing Balance** | **0.000** | **0.000** | **0.755** | **0.755** |

*Note: this table may contain rounding differences*

4.8 Financial packages exist where, under previous arrangements, the Council agreed to link receipts from the sale of an asset with the funding of a specific project. Balances on financial packages exist where these projects remain incomplete.

4.9 The financial packages opening balances relate to residual monies from sales of Highway's Depots, ASC receipts reserved for Housing with Care schemes, and a balance of £0.7m remaining from sales of former school properties.

4.10 "Other" capital receipts include loan repayments from subsidiary companies.

4.11 Capital receipts may be used for a very limited number of purposes specified in The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 s23, including:

- To meet capital expenditure
- To repay the principal of any amount borrowed.

4.12 Traditionally the Council has used general capital receipts to fund capital expenditure, and therefore reduce the future borrowing requirement. Applying general and other capital receipts directly to fund the repayment of principal can reduce the amount of minimum revenue provision required from revenue to ensure that each debt maturity is met.

**Capital Annex 1**

**Reprofiling and Other Changes to the 2016-17 Capital Programme**

| Service | Project | Funding Type | Change (£m) | REPROFILE | Change (£m) | REPROFILE | Reason |
|---|---|---|---|---|---|---|---|
| **Adult Social Care** | | | | | | | |
| | Social Care Grant unallocated | External | | - 1.250 | | 1.250 | |
| | Elm Road Community Hub | External | | - 0.750 | | 0.750 | Reprofile to future years based on latest expenditure forecasts |
| | Care Act Implemeentation | External | | -0.871 | | 0.871 | |
| | Other schemes | Multiple Funding Sources | | - 0.205 | -0.090 | 0.205 | |
| | | | | | | | |
| **Total Adult Social Care** | | | | **- 3.076** | **- 0.090** | **3.076** | |
| **Children's Services** | | | | | | | |
| | A1 - Major Growth | External | | - 2.496 | | 2.496 | Gt Yarmouth Prim Academy £1.553m Project start date is January therefore budget profile had been adjusted,Edward Worlledge new build 0.425 budget reprofiled,Sprowston New primary - 0.431 Budget reprofiled to meet anticipated timescale for provision of new school |
| | A3 - Area Growth & Reorganisation | Multiple Funding Sources | | - 2.914 | | 2.914 | Funds reprofiled to match project timescale now on site, Ashleigh Primary £1.644m ,Northgate New build + modular 0.500 |
| | B4 - Early years | Multiple Funding Sources | | - 0.075 | | 0.075 | Reprofile according to progress of programme |
| | C1 - Efficiency | Multiple Funding Sources | | - 0.600 | | 0.600 | Reprofile according to progress of programme |
| | C2 - Major Capital Maintenance | Multiple Funding Sources | | - 1.949 | | 1.949 | Condition Funding to be allocated next financial year £1.919m |
| | D - Other schemes | Multiple Funding Sources | | - 6.892 | 2.216 | 6.892 | Reprofile according to progress of programme as School Based Project £2.700m, additional Developer contributions to be allocated to schemes next financial year.Hethersett Developer contribution £0.449m,Brundall Developer cont £0.482m Hoveton Developer Contribution£0.741m,Dereham Developer cont £0.689m,King's Lynn Developer contribution £0.441m, Loddon Developer contribution £0.227m. |
| | Other changes | Multiple Funding Sources | | -0.524 | 0.700 | 0.524 | other minor adjustments |
| **Total Children's services** | | | **0.000** | **-15.450** | **2.916** | **15.450** | |
| CES | | | | | | | |
| EDT Highways | EDT Highways other schemes | | -0.136 | | 0.737 | | |
| | PFI LED | | | -3.510 | | 3.510 | Reprofile according to progress of programme |
| | NDR Reprofile | | | -2.276 | | 2.276 | Reprofile according to progress of programme |
| EDT Other | | | | | | | |
| | Clean Bus Technology 2016 | Borrowing & Capital receipts | 0.416 | | | | DFT funding for Clean bus technology |
| Library | Library S106 Projects | Grants and Contributions | 0.068 | -0.215 | | 0.215 | Section 106 schemes reprofiled to future years & slight increase in contributions |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Museum | Norwich Museums Capital Works | Borrowing & Capital receipts | | 0.017 | | -0.017 | |
| | other Schemes | Multiple Funding Sources | | 0.009 | 0.002 | -0.009 | |
| Fire | D Market Station Rebuild | Multiple Funding Sources | 0.061 | -0.589 | | 0.589 | planning application complaint upheld so new plans drawn up and resubmitted - Reprofile according to progress of programme |
| | Forward Command system and vehicles | Multiple Funding Sources | | -0.206 | | 0.206 | Type of vehicle still to be confirmed due to saving target - Reprofile according to progress of programme |
| | Portable Generators | Grants and Contributions | | -0.243 | | 0.243 | |
| | N Lynn Improvements | Grants and Contributions | | -0.124 | | 0.124 | |
| | Unallocated Fire grant | Grants and Contributions | | -0.900 | | 0.900 | Vehicle replacement strategy is being reworked - Reprofile according to progress of programme |
| | other Schemes | Multiple Funding Sources | | -0.268 | | 0.268 | |
| | N Lynn FS fiore alarm improvments | Borrowing & Capital receipts | 0.002 | | | | Re-allocated |
| Better Broadband | Better Broadband | Multiple Funding Sources | | -13.417 | | 13.417 | Reprofile according to progress of programme |
| | other adjustments to funding | Multiple Funding Sources | -0.052 | | | | other adjustements to funding. |
| | Ec Development - New Anglia LEP | Borrowing & Capital receipts | -4.005 | | | | Project was removed from programme. |
| **Total CES** | | | **-3.645** | **-21.723** | **0.739** | **21.723** | |
| Finance | | | | | | | |
| Farms | Hall Fm, Mautby: Bdg Conv | Borrowing & Capital receipts | | -0.120 | | 0.120 | Reprofile to future years due to delayed start of the work |
| | Roads Programme | Borrowing & Capital receipts | | -0.020 | | 0.020 | |
| | Land Drainage Schemes | Borrowing & Capital receipts | | -0.100 | | 0.100 | |
| | Hilgay Pleasant House Farm | Borrowing & Capital receipts | | -0.070 | | 0.070 | |
| | Crimplesham - Cattle Shed | Borrowing & Capital receipts | | 0.000 | | 0.200 | Building a new shed work will start in new financial year |
| | Unallocated funding | Borrowing & Capital receipts | | -0.200 | | | |
| | | | | | | | |
| Offices | Disability Discrimination Act scheme | Multiple Funding Sources | | -0.255 | | 0.255 | |
| | Various :Fire Safety requirements | Borrowing & Capital receipts | | -0.022 | | 0.022 | |
| | Asbestos Survey and Removal | Borrowing & Capital receipts | | -1.554 | | 1.554 | Reprofile according to progress of programme |
| | Corporate Offices Capital Maintenance | Borrowing & Capital receipts | | -0.359 | | 0.359 | Reprofile according to progress of programme |
| | County Hall North/South Wings Refurbishment | Borrowing & Capital receipts | | -1.668 | | 1.668 | Timing of work now planned in 2017-18 |
| | Other schemes | Borrowing & Capital receipts | | -0.032 | | 0.032 | Reprofile according to progress of programme |
| | | | | | | | |
| | Loans (to NCC subsidiary companies) | Borrowing & Capital receipts | | -15.000 | | 15.000 | Capital loan borrowing facilities not forecast to be required by NCC subsidiaries in 2016-17 |
| | Loans ( GNGB supported borrowing facility) | Borrowing & Capital receipts | | -3.000 | | 3.000 | Capital loan borrowing facilities not forecast to be required by developers in 2016-17 |
| | Corporate Minor Works | Borrowing & Capital receipts | -0.002 | | | | Re-allocated |
| | | | | | | | |
| **Total Finance** | | | **-0.002** | **-22.400** | **0.000** | **22.400** | |
| | | | | | | | |
| **Total** | | | **-3.647** | **-62.649** | **3.565** | **62.649** | |

# Policy and Resources Committee

**Item No 10**

| | |
|---|---|
| **Report title:** | **Delivering Financial Savings 2016-17** |
| **Date of meeting:** | **6 February 2017** |
| **Responsible Chief Officer:** | **Simon George – Executive Director of Finance and Commercial Services** |

**Strategic impact**

This report to Policy and Resources Committee provides details of the forecast outturn position in respect of the delivery of the 2016-17 savings agreed by the County Council at its meeting 22 February 2016.

## Executive summary

County Council agreed savings of £41.419m as part of the 2016-17 budget setting process. This report provides details of the outturn position in delivering these savings, in respect of 2016-17.

The report comments on the exceptions to successful delivery, in particular those items rated RED.

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 £7.903m in 2016-17, which amounts to 19% of total savings, and for which alternative savings need to be identified;**
**b) the budgeted value of 2016-17 savings projects rated as RED of £10.233m, of which £1.985m are now forecast to be delivered;**
**c) the forecast over delivery of £0.345m on GREEN and BLUE rated projects; and**
**d) the forecast total shortfall of £13.325m of 2017-18 savings and £18.472m of 2018-19 savings reflecting planned delay and removal of savings as detailed more fully in the Budget report elsewhere on this agenda.**

## 1. Savings Overview

1.1. The County Council, as part of setting its budget for 2016-17, agreed net 2016-17 savings of £41.419m. The agreed net savings of £41.419m in 2016-17, include one-off items and use of reserves totalling £3.110m as set out in Appendix 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 Appendix 1.

## 2. RAG Ratings

2.1. The definition of 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 (100% forecast) |
| Blue | Saving already **delivered** and reversal of previous year savings |

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 Appendix 3. The decision to rate a project as RED is based on the criteria shown above. 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 Appendix 3 have been applied. A number of new 2016-17 savings have been categorised as BLUE where the actions are certain to be delivered. These include items such as decisions to reduce grant payments and the change in MRP policy.

2.4. Nine savings projects have been rated as RED, representing a budgeted total saving value of £10.233m. Only £1.985m of this saving is expected to be delivered as set out in the following table. This represents a shortfall of £8.248m (20% of total budgeted savings), which relates to RED rated projects.

2.5. The shortfall in RED rated projects is offset slightly with the £0.200m early delivery of one Children's Services saving and the £0.060m over delivery of another Children's Services saving. In addition, £0.085m of additional savings have been achieved in Resources. This results in a total projected shortfall of £7.903m.

**Table 1: 2016-17 Savings by RAG Status**

| RAG Status | Budgeted Value of Savings 2016-17 (a) | Previous Forecast Savings 2016-17 (b) | Savings Forecast 2016-17 (c) | Savings Shortfall 2016-17 (a)-(c) | | Latest Forecast Savings 2016-17 (c) analysed by Committee: Children's Services | Adults | EDT | Communities | Policy & Resources |
|---|---|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | | £m | £m | £m | £m | £m |
| Red | -10.233 | -2.089 | -1.985 | -8.248 | | -0.007 | -1.893 | 0.000 | 0.000 | -0.085 |
| Amber | 0.000 | 0.000 | 0.000 | 0.000 | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Green | -26.010 | -25.020 | -26.270 | 0.260 | | -2.721 | -4.868 | -7.217 | -1.475 | -9.989 |
| Blue | -5.176 | -5.176 | -5.261 | 0.085 | | -0.250 | 3.891 | 0.267 | 0.000 | -9.169 |
| **Total** | **-41.419** | **-32.285** | **-33.516** | **-7.903** | | **-2.978** | **-2.870** | **-6.950** | **-1.475** | **-19.243** |

2.6. Table 2 below sets out the current categorisation of 2016-17 savings based on the updated RAG rating assessment and the latest forecast variance position, which includes the replacement savings of £7.903m to be identified in 2016-17.

2.7. The monitoring report elsewhere on this agenda sets out details of the forecast outturn for 2016-17. Actions are being taken within Service budgets aimed at delivering a balanced outturn position, which will include continuing to seek offsetting savings to mitigate the non-delivery of savings set out in this report. The non-delivery of savings in 2015-16, and a detailed review of the deliverability of 2016-17 savings was taken into account during the preparation of the 2016-17 Budget. However, there remains a need for Service Committees and Executive Directors to maintain their focus on the effective delivery of both the previous years' agreed savings and the current savings for 2016-17 onwards. Achievement of the planned savings will help to minimise risks within the 2016-17 and 2017-18 Budgets.

2.8. Wider actions being taken to deliver savings are as follows:

- **Adult Social Services:** The department's budget for 2016-17 includes savings of £10.926m. The service commissioned iMPOWER consultants to review the Promoting Independence programme of work. This has included modelling the target demand for the service in order to deliver the required savings, providing challenge on the delivery plans and targets, comparison with other councils and consideration of areas that could have further focus to support delivery of the savings. The review concluded that:
    - o the Council is pursuing the right strategy, that there are other interventions that can be used to enhance delivery of the strategy and that the timeline for the strategy is challenging with

the consultants questioning whether the savings can realistically be delivered in three years.

  - In response to these findings and in order to support the preparation of a robust and deliverable budget, the Budget therefore proposes the delay of £10m of Adults savings planned for 2017-18 into 2019-20. In addition and following a further assessment of deliverability, it is proposed that £10m of savings planned for 2018-19 be delayed into 2020-21.

For 2016-17, risks totalling £4.165m have been reflected in the forecast position. Further details of actions being taken are set out in the Finance Monitoring Report presented to Adult Social Care Committee.

- **Children's Services:** The department is finalising the Children's Services Social Care Improvement Plan and the improvement focus will achieve the strategic and operational objectives at a sustainable lower cost with the aim of reducing the projected in-year overspend nearer to a sustainable level. Updates will be provided in the Children's Services Integrated Performance and Finance Monitoring Report presented to the Children's Services Committee.

- **Policy and Resources:** the forecast Resources overspend is related to a forecast £0.330m non delivery of Resources cost savings. Further remedial actions are being sought wherever appropriate. The position in this report represents a significant improvement of £1.420m from the previously reported Policy and Resources position. This improvement has been achieved through capitalisation of costs, recharging and vacancy management.

**Table 2: Categorisation of Savings 2016-20 (as approved at County Council February 2016)**

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total |
|---|---|---|---|---|---|
| **Savings** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Org Change - Staffing | -1.944 | -1.638 | -1.225 | 0.000 | -4.807 |
| Org Change - Systems | -8.068 | -8.131 | -15.047 | -9.735 | -40.981 |
| Capital | 0.273 | 0.000 | 0.000 | 0.000 | 0.273 |
| Terms & Conditions | 0.303 | 0.000 | 0.000 | 0.000 | 0.303 |
| Procurement | -2.915 | -0.035 | 0.000 | 0.000 | -2.950 |
| Shared Services | -0.205 | 0.000 | 0.000 | 0.000 | -0.205 |
| Income and Rates of Return | -16.812 | -7.846 | -2.831 | -1.000 | -28.489 |
| Assumptions under Risk Review | 1.796 | 3.060 | -0.100 | 0.000 | 4.756 |
| **Back office subtotal** | **-27.572** | **-14.590** | **-19.203** | **-10.735** | **-72.100** |
| | | | | | |
| Reducing Standards, including eligibility | -3.314 | -1.842 | -4.831 | -0.800 | -10.787 |
| Ceasing Service | -2.630 | -0.500 | 0.000 | 0.000 | -3.130 |
| **Front line subtotal** | **-5.944** | **-2.342** | **-4.831** | **-0.800** | **-13.917** |
| | | | | | |
| (Shortfall) / over delivery | -7.903 | -13.325 | -18.472 | 10.535 | -29.165 |
| | | | | | |
| **Total** | **-41.419** | **-30.257** | **-42.506** | **-1.000** | **-115.182** |

2.9. The breakdown of savings by Committee, for 2016-17 is shown in Table 3 below. The position for all three years is set out at Appendix 2. The position shown in Appendix 2 reflects the changes to previously agreed future year savings proposed as a result of Service Committee recommendations and reported in the Budget paper elsewhere on this agenda. It also reflects the proposed removal of £11.712m of EDT and Communities savings for 2018-19 which were subject to consideration by those Committees in January. The removal and reprofiling of savings proposed in the Budget report should help to address these forecast shortfalls and ensure that a deliverable programme of savings for 2017-18 onwards can be agreed as part of the budget-setting process.

2.10. A definition of savings categories is provided in Appendix 4.

**Table 3: Savings by Committee 2016-17**

| | Children's Services | Adults | EDT | Communities | Policy & Resources | TOTAL |
|---|---|---|---|---|---|---|
| **Savings 2016-17** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| 1a Organisation | 0.000 | 0.000 | -0.450 | -0.161 | -1.333 | **-1.944** |
| 1b Lean | -0.203 | -1.866 | -3.705 | -0.515 | -1.759 | **-8.048** |
| 1c Capital | 0.000 | 0.000 | 0.500 | -0.227 | 0.000 | **0.273** |
| 1d Terms & Conditions | 0.000 | -0.090 | -0.031 | 0.000 | 0.424 | **0.303** |
| 2a Procurement | -0.295 | -0.750 | -2.700 | 0.000 | 0.830 | **-2.915** |
| 2b Shared Services | 0.000 | 0.000 | -0.005 | -0.200 | 0.000 | **-0.205** |
| 3a Income and Rates of Return | -0.150 | 0.000 | -0.345 | -0.105 | -16.212 | **-16.812** |
| 4a Change standards | -2.080 | -0.800 | -0.084 | -0.267 | -0.083 | **-3.314** |
| 4b Stop doing things | 0.000 | -2.500 | -0.130 | 0.000 | 0.000 | **-2.630** |
| 4c Change assumptions | -0.250 | 3.156 | 0.000 | 0.000 | -1.110 | **1.796** |
| | | | | | | |
| Shortfall | -3.408 | -4.165 | 0.000 | 0.000 | -0.330 | **-7.903** |
| | | | | | | |
| **Total** | **-6.386** | **-7.035** | **-6.950** | **-1.475** | **-19.573** | **-41.419** |

## 3. Commentary on savings rated RED

3.1. At the end of period eight, nine savings have been rated as RED in respect of 2016-17 to reflect a significant shortfall in the saving being delivered, and a savings shortfall of £8.248m within RED rated projects has been identified. Commentary on the RED rated savings is provided below.

**Adults**

3.1.1. COM034 – Care for Learning Disabilities or Physical Disabilities – shortfall **£0.900m**: The saving involves re-assessing the needs of existing service users and where appropriate providing alternative and more cost effective accommodation, or means of supporting them in their current accommodation. As previously reported while it is considered that savings can be achieved over time, the lead in times for the work have been longer than originally planned. In addition actions have been needed to review the implementation of the changes. The future direction for this work is part of the refresh of the promoting independence programme.

3.1.2. ASC003 – Transport Savings - Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council – shortfall **£0.850m**: A full report was presented to committee in July and September 2016 and an update in November and January. Various strands of work have and are being carried out including the reduction in the allocation for funding for transport in peoples' Personal Budgets; discussing with people at their annual review how they can meet their transport needs in a more cost effective way; and charging self-funders. However the savings from transport are taking longer to deliver than originally anticipated due to: the information available from travel systems; being able to make changes to travel arrangements for all individuals on a route to enable transport to be stopped and savings realised; and cultural change. It does appear that in the current framework it is not possible to achieve the budgeted savings.

3.1.3. ASC007 - Promoting Independence - Reablement - net reduction - expand Reablement Service to deal with 100% of demand and develop service for working age adults – shortfall **£1.958m**: Recruitment to posts is completed and the service is managing increased referrals. The savings are expected to be delivered, but have required re-profiling in year one, which will reduce the levels of savings that can be achieved in 2016-17.

3.1.4. ASC009 – Promoting Independence - Integrated Community Equipment Service - expand service so through increased availability and access to equipment care costs will be reduced – shortfall **£0.457m**: The savings were planned focusing on a mix of preventative and efficiency savings. The service is aiming to increase the access to equipment to reduce or delay the need for formal packages of care and review the way that equipment is recalled. Feasibility plans have identified that these savings will need to be re-profiled due to the time needed to set up new teams and processes. The focus will be on increasing the review and recall of equipment and reviewing where improved access to equipment can reduce the need for some service users to require two care workers (known as double-ups). There has been delay with recruitment to these posts and alternative staffing options are being considered.

**Children's**

3.1.5. 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 – shortfall **£3.000m**: The number of Looked After Children (LAC) and the cost of agency placements related to placement mix is not reducing as quickly as originally planned and only £1.936m of the £8.140m saving was delivered in 2015-16. Part of the savings target was removed in the 2016-17 budget process, however LAC numbers are still not reducing as planned, and in fact have started to increase. The number of Looked after Children at 30th December was 1,100, an increase of 56 on the 01st April 2016 1,044 number. The non-delivery of 2016-17 planned savings in LAC budgets is being addressed in the 2017-18 Budget.

3.1.6. CHI012 – Reduce the cost of transport for children with Special Educational Needs – shortfall **£0.500m**: This saving is unachievable due to the increased demand on Special Education Needs transport. The saving has been reversed in budget planning assumptions for 2017-18.

3.1.7. CHI015 - Reduce funding for school crossing patrols – shortfall **£0.146m**: Children's Services Committee previously agreed to delay the implementation of any saving. The saving will not be achieved in 2016-17. The Children's Committee in January 2017 has recommended that the 2016-17 saving relating to reducing funding for school crossing patrols, totalling £0.150m, be removed as part of the 2017-18 budget process. It is proposed that the removal be offset by increasing the saving to be achieved from refocusing the Education Service in light of the Education White Paper and this is reflected in the budget papers.

3.1.8. CHL015 - Contributions to the UEA to involve children in sport activities – shortfall **£0.022m**: Saving will not be achieved until 2017-18 as notice was not given to UEA on cessation of the contract.

**Policy and Resources**

3.1.9. P&R063 - Cutting costs through efficiencies by menu based pricing – shortfall **£0.415m**: To be accommodated in the current wider review of Resources. A number of options for reduced costs have been identified in ICT for 2017-18, including options for services to reduce spend on software licences and to reduce the number of laptops deployed.

3.1.10. Two savings previously rated as RED: P&R018 and P&R050 are now forecast to be fully achieved, delivering savings of £1.250m, and are therefore classified as GREEN in this report.

## 4. Commentary on savings rated AMBER

4.1. At the end of period eight, there are no savings rated as AMBER in relation to 2016-17.

## 5. Commentary on overachieved savings

5.1. At the end of period eight, overachievement of three savings partly mitigate the 2016-17 savings shortfall giving a total shortfall of £7.903m.

**Children's Services**

5.1.1. <u>CHL019 – Review of educational services:</u> a budgeted saving in 2017-18 which it has been possible to deliver early resulting in an additional £0.200m saving in 2016-17.

5.1.2. <u>CHL020 - Update the budget for short breaks for children with disabilities to reflect how much we are now spending on the service:</u> a budgeted saving of £0.235m in 2016-17. This saving target has been overachieved resulting in an additional £0.060m saving in 2016-17.

**Policy and Resources**

5.1.3. <u>RES071 – Restructure and reduce staff:</u> it is possible to deliver an additional £0.085m saving from the restructure of staff.

5.2. All of these savings represent a one-off benefit for 2016-17 and are reflected in the planned 2017-18 savings proposals.

## 6. 2017-18 and 2018-19 Savings

6.1. The deliverability of 2017-18 and 2018-19 savings have been reviewed by Service Committees. At the end of period 8, Services are forecasting savings shortfalls of £13.325m in 2017-18 and £18.472m in 2018-19 against original savings plans.

6.2. The following savings have been either reversed or delayed in current budget planning assumptions, as set out in the Budget report elsewhere on this agenda, and are reflected as shortfalls against the original planned 2016-17 to 2019-20 savings programme in Appendix 2 of this report. These changes are intended to ensure a deliverable savings programme for 2017-18 is proposed as part of the Budget report <u>**so that these forecast shortfalls will not arise**</u>.

**Adult Social Services**

6.3. Re-profiling of £10m high risk 2017-18 savings to 2019-20 and £10m high risk 2018-19 savings to 2020-21. In addition a delay of £3m of prior year savings into 2018-19 (COM040 and part of ASC003) has been included in the budget planning papers.

6.3.1. ASC003 – reduce the number of service users we provide transport for and payment – 2017-18 shortfall **£0.800m**

6.3.2. ASC006 – Promoting Independence – Customer Pathway – 2017-18 shortfall **£7.538m**, 2018-19 shortfall **£10.000m**

6.3.3. ASC008 – Promoting Independence – Housing with Care – development of non-residential community based care – 2017-18 shortfall **£0.500m**

6.3.4. ASC011 – Promoting Independence – Move service mix to average of comparator family group – 2017-18 shortfall **£0.962m**

6.3.5. ASC015 - Promoting Independence – Move service mix to lowest of comparator family group – 2017-18 shortfall **£0.200m**

**Children's Services**

6.4. Looked After Children's numbers, rather than, reducing as planned have increased. On top of this the number of social work cases and the need for social workers have also increased. Therefore the budget includes a delay of £0.450m high risk 2017-18 saving into 2018-19 and £0.535m 2018-19 saving into 2019-20. More demand in alternative education provision has meant we are unable to deliver a saving to reduce transport costs and a £0.250m saving in 2017-18 must also be reversed.

6.4.1. CHL017 – Reduce the number of social workers we use who work for employment agencies – shortfall 2017-18 **£0.450m**, shortfall 2018-19 **£0.085m**

6.4.2. CHL016 - Reduce the cost of transport for children who are educated in alternative provision – shortfall 2017-18 **£0.250m**

**Environment, Development and Transport**

6.5. Part reversal of 2017-18 saving EDT036 – Service re-design – introduce a locality based structure – a total 2017-18 saving £2.638m – shortfall **£1.600m**

6.6. Reversal of **£10.355m** 2018-19 savings is proposed subject to Service Committee review. An initial review of savings EDT033, EDT034, EDT035, and EDT036 has resulted in proposals to remove these targets to reduce spend in 2018-19.

**Communities**

6.7. Reversal of **£1.357m** 2018-19 savings is proposed subject to Service Committee review. An initial review of savings CMM031 and CMM032 has resulted in proposals to remove these targets to reduce spend in 2018-19.

**Policy & Resources**

6.8. Reversal of £0.100m 2017-18 and £0.600m 2018-19 savings which are undeliverable and delay of £0.925m 2017-18 savings.

6.8.1. P&R021 – Pay per use ERP – shortfall **£0.100m** – saving reversed

6.8.2. P&R050 – Cutting costs through efficiencies by a zero based review of our services – shortfall **£0.625m** – saving delayed until 2018-19

6.8.3. P&R064 – Cutting costs through efficiencies by reducing unit costs – shortfall **£0.300m** – saving delayed until 2018-19

6.8.4. P&R066 – Second Homes income – shortfall **£0.600m** – from reversal of half the £1.200m 2018-19 saving

## 7. Summary

7.1. The forecast position indicates that shortfalls totalling £3.408m, £4.165m, and £0.330m have been identified within the Children's, Adults, and Policy and Resources budgets respectively in 2016-17. Service Committees maintaining a strong focus on the delivery of savings in 2016-17 remains critical to supporting the achievement of the Council's budget plans in both the current and future years.

### Background Papers

County Council Budget 2016-17 to 2019-20: Revenue Budget 2016-17 (Item 4a, Annexe 5, County Council 22 February 2016)
http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/438/Committee/2/SelectedTab/Documents/Default.aspx

### Officer Contact

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## Appendix 1

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

**One-off savings 2016-17 budget round**

| | 2016-17 | 2017-18 |
|---|---|---|
| | £m | £m |
| Insurance Fund | -2.000 | 2.000 |
| Organisational Change Reserve | -0.132 | 0.132 |
| Business Risk Reserve to fund reprofile of COM033 | -0.500 | 0.500 |
| Organisational Change Reserve for Social Care System Replacement | -0.478 | 0.478 |
| **Total use of reserves and one-off items** | **-3.110** | **3.110** |

**Categorisation of Budget Savings 2016-19 budget round**

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Organisational Change – Staffing | -1.859 | -3.863 | -5.955 | 0.000 | -11.677 |
| Organisational Change – Systems | -13.720 | -18.331 | -24.832 | 0.000 | -56.883 |
| Capital | -0.227 | 0.000 | 0.000 | 0.000 | -0.227 |
| Terms & Conditions of employees | 0.303 | 0.000 | 0.000 | 0.000 | 0.303 |
| Procurement | -2.855 | -0.135 | -6.357 | 0.000 | -9.347 |
| Shared Services | -0.205 | 0.000 | 0.000 | 0.000 | -0.205 |
| Income and Rates of Return | -16.812 | -7.846 | -3.431 | -1.000 | -29.089 |
| Assumptions under Risk Review | 1.796 | 3.060 | -0.100 | 0.000 | 4.756 |
| **Back office savings sub total** | **-33.579** | **-27.115** | **-40.675** | **-1.000** | **-102.369** |
| | | | | | |
| Reducing Standards | -5.210 | -2.642 | -1.831 | 0.000 | -9.683 |
| Cease Service | -2.630 | -0.500 | 0.000 | 0.000 | -3.130 |
| **Front line savings sub total** | **-7.840** | **-3.142** | **-1.831** | **0.000** | **-12.813** |
| **Total** | **-41.419** | **-30.257** | **-42.506** | **-1.000** | **-115.182** |

# Appendix 2

**Savings by Committee 2016-20 budget round**

| | Children's Services | Adults | EDT | Communities | Policy & Resources | TOTAL |
|---|---|---|---|---|---|---|
| **Savings 2016-17** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| 1a Organisation | 0.000 | 0.000 | -0.450 | -0.161 | -1.333 | -1.944 |
| 1b Lean | -0.003 | -1.866 | -3.705 | -0.515 | -1.759 | -8.048 |
| 1c Capital | 0.000 | 0.000 | 0.500 | -0.227 | 0.000 | 0.273 |
| 1d Terms & Conditions | 0.000 | -0.090 | -0.031 | 0.000 | 0.424 | 0.303 |
| 2a Procurement | -0.495 | -0.750 | -2.700 | 0.000 | 0.830 | -3.115 |
| 2b Shared Services | 0.000 | 0.000 | -0.005 | -0.200 | 0.000 | -0.205 |
| 3a Income and Rates of Return | -0.150 | 0.000 | -0.345 | -0.105 | -16.212 | -16.812 |
| 4a Change standards | -2.080 | -0.800 | -0.084 | -0.267 | -0.083 | -3.314 |
| 4b Stop doing things | 0.000 | -2.500 | -0.130 | 0.000 | 0.000 | -2.630 |
| 4c Change assumptions | -0.250 | 3.156 | 0.000 | 0.000 | -1.110 | 1.796 |
| Shortfall | -3.408 | -4.165 | 0.000 | 0.000 | -0.330 | -7.903 |
| **Total** | **-6.386** | **-7.035** | **-6.950** | **-1.475** | **-19.573** | **-41.419** |
| | | | | | | |
| **Savings 2017-18** | | | | | | |
| 1a Organisation | 0.000 | 0.000 | -1.038 | -0.100 | -0.500 | -1.638 |
| 1b Lean | -0.508 | -7.395 | -0.383 | 0.655 | -0.500 | -8.131 |
| 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 | -0.035 | -0.035 |
| 2b Shared Services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 3a Income and Rates of Return | 0.000 | 0.000 | -0.050 | 0.100 | -7.896 | -7.846 |
| 4a Change standards | -1.616 | 0.000 | 0.000 | -0.226 | 0.000 | -1.842 |
| 4b Stop doing things | 0.000 | -0.500 | 0.000 | 0.000 | 0.000 | -0.500 |
| 4c Change assumptions | -0.050 | 0.000 | 0.000 | 0.000 | 3.110 | 3.060 |
| Shortfall (including planned deferral) | -0.700 | -10.000 | -1.600 | 0.000 | -1.025 | -13.325 |
| **Total** | **-2.874** | **-17.895** | **-3.071** | **0.429** | **-6.846** | **-30.257** |
| | | | | | | |
| **Savings 2018-19** | | | | | | |
| 1a Organisation | 0.000 | 0.000 | 0.000 | -0.100 | -1.125 | -1.225 |
| 1b Lean | -0.450 | -11.012 | -2.285 | 0.000 | -1.300 | -15.047 |
| 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 | 0.000 | 0.000 |

| | Children's Services | Adults | EDT | Communities | Policy & Resources | TOTAL |
|---|---|---|---|---|---|---|
| **Savings 2016-17** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| 2b Shared Services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 3a Income and Rates of Return | 0.000 | 0.000 | -0.051 | -0.080 | -2.700 | -2.831 |
| 4a Change standards | -0.609 | -3.000 | 0.000 | -1.222 | 0.000 | -4.831 |
| 4b Stop doing things | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 4c Change assumptions | -0.100 | 0.000 | 0.000 | 0.000 | 0.000 | -0.100 |
| Shortfall (including planned deferral) | -0.085 | -7.000 | -10.355 | -1.357 | 0.325 | -18.472 |
| **Total** | **-1.244** | **-21.012** | **-12.691** | **-2.759** | **-4.800** | **-42.506** |
| | | | | | | |
| **Savings 2019-20** | | | | | | |
| 1a Organisation | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 1b Lean | -0.535 | -9.200 | 0.000 | 0.000 | 0.000 | -9.735 |
| 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 | 0.000 | 0.000 |
| 2b Shared Services | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 3a Income and Rates of Return | 0.000 | 0.000 | 0.000 | 0.000 | -1.000 | -1.000 |
| 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 | 0.535 | 10.000 | 0.000 | 0.000 | 0.000 | 10.535 |
| **Total** | **0.000** | **0.000** | **0.000** | **0.000** | **-1.000** | **-1.000** |

# Appendix 3

**2016-17 Savings and RAG Status Detail (2016-20 budget round)**

| Ref | Adult Social Care | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | **REMOVAL OF 2015-16 SAVINGS AND ONE-OFF ITEMS** | | | | | | |
| | **1b - Organisational Change - Systems** | | | | | | |
| COM018 | Review Care Arranging Service | 0.140 | | | | 0.140 | Blue |
| COM026 | Change the type of social care support that people receive to help them live at home | 0.200 | | | | 0.200 | Blue |
| ASC002 | Redesign Adult Social Care pathway. Work with Procurement on areas of the pathway to drive out further efficiencies | 0.395 | | | | 0.395 | Blue |
| | **4c - Assumptions under Risk Review** | | | | | | |
| ASC005 | One Off: Use of Earmarked Reserves in 2015/16 | 3.156 | | | | 3.156 | Blue |
| | | **3.891** | **0.000** | **0.000** | **0.000** | **3.891** | |
| | | | | | | | |
| | **SAVINGS** | | | | | | |
| | **1b - Organisational Change - Systems** | | | | | | |
| ASC006 | Promoting Independence - Customer Pathway - where the focus will be on connecting people with ways to maintain their wellbeing and independence thereby reducing the numbers of service users receiving care in a residential setting | -1.258 | -11.983 | -13.628 | | -1.258 | Green |
| ASC007 | Promoting Independence - Reablement - net reduction - expand Reablement Service to deal with 100% of demand and develop service for working age adults | -3.158 | -1.500 | -0.500 | | -1.200 | Red |
| ASC008 | Promoting Independence - Housing with Care - develop non-residential community based care solutions | | -0.500 | -0.500 | | 0.000 | Red |

| Ref | Adult Social Care | 2016-17 £m | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2016-17 Forecast £m | RAG Status |
|---|---|---|---|---|---|---|---|
| ASC009 | Promoting Independence - Integrated Community Equipment Service - expand service so through increased availability and access to equipment care costs will be reduced | -0.500 | -0.250 | -0.250 | | -0.043 | Red |
| ASC010 | Reduce Training & Development spend following implementation of Promoting Independence | | -0.200 | | | 0.000 | Green |
| ASC011 | Move service mix to average of comparator family group or target - all specialisms | -0.120 | -0.962 | -1.444 | | -0.120 | Green |
| ASC013 | Radical review of daycare services | | -1.000 | -2.500 | | 0.000 | Amber |
| ASC015 | Move service mix to lowest of comparator family group - all specialisms | | -0.200 | -2.190 | | 0.000 | Green |
| | **1d - Terms and Conditions** | | | | | | |
| GET016 | Reducing the cost of business travel | -0.090 | | | | -0.090 | Green |
| | **2a Procurement** | | | | | | |
| COM042 | Review of Norse Care agreement for the provision of residential care | -0.750 | | | | -0.750 | Green* |
| | **4a Reducing Standards** | | | | | | |
| COM034 | Changing how we provide care for people with learning disabilities or physical disabilities | -1.500 | | | | -0.600 | Red |
| COM040 | Reduce the number of adult service users we provide transport for | -0.150 | | | | -0.150 | Green |
| ASC003 | Service users to pay for transport out of personal budgets, reducing any subsidy paid by the Council | -0.900 | -0.800 | | | -0.050 | Red |
| | **4b Ceasing Service** | | | | | | |
| COM033 | Reduce funding for wellbeing activities for people receiving support from Adult Social Care through a personal budget | -2.500 | -0.500 | | | -2.500 | Green* |
| | | **-10.926** | **-17.895** | **-21.012** | **0.000** | **-6.761** | |
| | **Total** | **-7.035** | **-17.895** | **-21.012** | **0.000** | **-2.870** | |

**ASC Committee highlighting saving as Amber, but classed as Green here for monitoring purposes as savings forecast to be fully delivered*.

| Ref | Children's Services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-17 Forecast | RAG Status |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | |
| | **SAVINGS** | | | | | | |
| | **1b - Organisational Change - Systems** | | | | | | |
| 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 | -3.000 | | | | 0.000 | Red |
| CHL009 | End Children's Services funding for Homestart - this is a charity who supports families with young children who are struggling to cope | | -0.158 | | | 0.000 | Green |
| CHL015 | Update our budget because of reforms that give schools control over some funding for getting children involved in sport - we contribute to the University of East Anglia as part of a scheme to get children involved in sport and allow schools access to the athletics track. There have been some reforms which mean that all funding for such activities will be delegated to schools to choose how to spend | -0.025 | | | | -0.003 | Red |
| CHL016 | Reduce the cost of transport for children who are educated in alternative provision – by providing local services to ensure children are educated in their local school we will reduce the need to transport children to other educational provision | | -0.250 | | | 0.000 | Red |
| CHL017 | Reduce the number of social workers we use who work for employment agencies - we are giving more support to families at an earlier stage so that the challenges they face are resolved quicker and before they turn into more serious problems. As a result the number of families we are working with that need support from a social worker is reducing. We therefore won't need to use as many agency social workers | | -0.450 | -0.535 | | 0.000 | Red |
| CHL019 | Review of educational services | | -0.350 | | | -0.200 | Green |

| Ref | Children's Services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-17 Forecast | RAG Status |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | |
| | **1c - Capital** | | | | | | |
| CHI012 | Reduce the cost of transport for children with Special Educational Needs | -0.500 | | | | 0.000 | Red |
| | **2a - Procurement** | | | | | | |
| CHL020 | Update the budget for short breaks for children with disabilities to reflect how much we are now spending on the service - short break services give disabled children and young people an opportunity to meet new people and enjoy different experiences. They also give their families a break from their caring responsibilities. We have contracts in place with organisations to provide short breaks which offer the same level of service but for a lower price. We will change the budget to reflect how much the new service costs | -0.235 | | | | -0.295 | Green |
| | **3a - Income and Rates of Return** | | | | | | |
| CHL014 | Review the income targets for the support services we sell to schools and other educational establishments - some of the services we trade are generating more income than we anticipated and others less. We need to make sure that the budget accurately reflects the levels of income that we can generate from selling support services to education providers | -0.150 | | | | -0.150 | Green |
| | **4a - Reducing Standards** | | | | | | |
| 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 | | | | -0.250 | Green |
| CHI015 | Reduce funding for school crossing patrols | -0.150 | | | | -0.004 | Red |
| CHL010 | Change how we provide parenting support - we have contracts with four organisations to provide parenting support programmes, they offer advice and one-to one support. We are proposing to end these contracts. Targeted family support activities will continue to be provided by Early Help staff and other commissioned providers | | -0.427 | | | 0.000 | Green |

| Ref | Children's Services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-17 Forecast | RAG Status |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | |
| CHL012 | Change how we provide support to families who are struggling to cope with the challenges they face - we have contracts with two organisations to deliver Family Intervention Projects with families who are struggling to cope with the challenges they face. We are proposing to not renew these contracts when they end. Our 'Troubled Families' team will continue to provide support to these families | | -0.580 | | | 0.000 | Green |
| CHL026 | Keep all children's centres open and focus their work on supporting the families that need them most | -1.826 | -0.609 | -0.609 | | -1.826 | Green |
| | **4c - Assumptions under Risk Review** | | | | | | |
| CHL013 | Update our budget for retirement costs for teachers to reflect how much we are now spending on this - we are not responsible for paying redundancy and retirements costs for teachers that work for the growing number of academy schools | -0.250 | -0.050 | -0.100 | | -0.250 | Blue |
| | | **-6.386** | **-2.874** | **-1.244** | **0.000** | **-2.978** | |
| | | | | | | | |
| | **Total** | **-6.386** | **-2.874** | **-1.244** | **0.000** | **-2.978** | |

| Ref | Environment, Development and Transport | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | **REMOVAL OF 2015-16 SAVINGS AND ONE-OFF ITEMS** | | | | | | |
| | **1c Capital** | | | | | | |
| EDT007 | Use of earmarked reserves | 0.500 | | | | 0.500 | Blue |
| | **3a Income and Rates of Return** | | | | | | |
| CMM007 | Income generation (external hire replacement, fire testing, highways clearance, grants from Europe) | 0.250 | | | | 0.250 | Blue |
| | | **0.750** | **0.000** | **0.000** | **0.000** | **0.750** | |
| | | | | | | | |
| | **SAVINGS** | | | | | | |
| | **1a - Organisational Change - Staffing** | | | | | | |
| EDT018 | Highways street works delivery re-design - re-design the delivery model for the area based street works service | -0.050 | | | | -0.050 | Green |
| EDT021 | Highways asset laboratory - remove the highway asset team budget for technical highways laboratory advice and, instead, ensure any charges are included within relevant scheme/project costs | -0.067 | | | | -0.067 | Green |
| EDT022 | Highway design – bridges teams - re-design the highways bridges teams | -0.100 | | | | -0.100 | Green |
| EDT023 | Developer services – service re-design - redesign the Developer Services Team to reduce reliance on recharged work and simplify the planning appeals function | -0.100 | | | | -0.100 | Green |
| EDT024 | Business Support – vacancy management - remove vacant posts in business support | -0.133 | | | | -0.133 | Blue |
| EDT036 | Service re-design - introduce a locality based structure for the Community and Environmental Services directorate | | -2.638 | -5.355 | | 0.000 | Red |

| Ref | Environment, Development and Transport | 2016-17<br><br>£m | 2017-18<br><br>£m | 2018-19<br><br>£m | 2019-20<br><br>£m | 2016-17 Forecast<br><br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | **1b - Organisational Change - Systems** | | | | | | |
| ETD26 | Use of alternative existing technology to provide transport monitoring data and changes to how the council procures traffic surveys | -0.135 | | | | -0.135 | Green |
| GET07 | Cut the cost of providing school transport (allocate more children to public transport contracts) | -0.020 | | | | -0.020 | Green |
| EDT005 | Introduce LED street lighting | -0.750 | | | | -0.750 | Green |
| EDT016 | Highways laboratory - reduce volume of core testing sampling carried out by Highways laboratory | -0.015 | | | | -0.015 | Green |
| EDT027 | Environment service - redesign the environment service so that it operates at 75% of current budget and increases use of volunteers and interns | | | -0.200 | | 0.000 | Green |
| EDT028 | Intelligent transport systems - put new technology and models in place for delivery of the intelligent transport systems approaching the end of their economic life, including replacing rising bollard technologies at bus gates with camera enforcement and co-locating the control room with another public service provider | 0.215 | -0.383 | -0.085 | | 0.215 | Green |
| EDT031 | Highways maintenance capitalisation - capitalise funding for some highway maintenance activities and realise a revenue saving as a result | -3.000 | | | | -3.000 | Green |
| EDT032 | Waste strategy - implementing a new waste strategy focussed on waste reduction and minimisation with a target to reduce the residual waste each household produces by at least one kilogram per week | | | -2.000 | | 0.000 | Green |
| | **1d Terms and Conditions** | | | | | | |
| GET16 | Reducing the costs of business travel | -0.031 | | | | -0.031 | Green |
| | **2a Procurement** | | | | | | |
| ETD018 | Renegotiate concessionary travel schemes with bus operators | -0.350 | | | | -0.350 | Blue |

| Ref | Environment, Development and Transport | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| EDT029 | Waste disposal contracts - savings from the planned re-procurement of waste contracts | -2.000 | | | | -2.000 | Green |
| EDT025 | Bus Station and Park and Ride contracts - redesign and new contract arrangements for the Norwich Park and Ride bus service and site management at Norwich bus station | -0.350 | | | | -0.350 | Green |
| EDT033 | Agency and contracted spend - 25% savings from agency and contracted spend across a number of teams | | | -2.074 | | 0.000 | Red |
| EDT034 | Transport costs - 15% saving on transport costs, including highways vehicle fleet costs, through procurement, reducing use and better journey planning | | | -0.458 | | 0.000 | Red |
| EDT035 | Supplies and services - further 20% saving on supplies and services spend across all teams in Community and Environmental Services | | | -2.468 | | 0.000 | Red |
| | **2b Shared Services** | | | | | | |
| ETD008 | Collaboration with peer authorities for delivery of specialist minerals and waste services | -0.005 | | | | -0.005 | Green |
| | **3a Income and Rates of Return** | | | | | | |
| ETD010 | Attract and generate new income for environment services with a view to service becoming cost neutral in the long term | -0.072 | | | | -0.072 | Green |
| ETD011 | Attract and generate new income for Historic Environment services with a view to service becoming cost neutral in the long term | -0.046 | | | | -0.046 | Green |
| ETD013 | Full cost recovery for delivery of travel plans with developers | -0.052 | | | | -0.052 | Green |
| ETD014 | Charge people for the advice they receive from us prior to submitting a planning application - pre-application services | -0.150 | | | | -0.150 | Green |
| ETD017 | Reduce NCC subsidy for park and ride service by ongoing commercialisation | -0.075 | | | | -0.075 | Green |
| ETD025 | Increased income from delivery of specialist highway services to third parties | -0.100 | | | | -0.100 | Green |

| Ref | Environment, Development and Transport | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-17 Forecast | RAG Status |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | |
| ETD028 | Generation of external funding and grant programme management efficiencies | -0.100 | | | | -0.100 | Green |
| EDT019 | Economic development sector grants funding - Cease the direct funding to support economic development projects, and work with others to identify alternative ways to secure funding | | -0.050 | | | 0.000 | Green |
| EDT020 | Economic development match funding - cease providing match funding to Hethel Innovation for European funding bids and seek alternative match funding opportunities | | | -0.051 | | 0.000 | Green |
| | **4a - Reducing Standards** | | | | | | |
| EDT030 | Highways maintenance standards - Reduce/revise some non-safety critical highway maintenance standards | -0.084 | | | | -0.084 | Green |
| | **4b Ceasing Service** | | | | | | |
| ETD27 | Review budget allocations for economic development projects | -0.090 | | | | -0.090 | Green |
| EDT017 | Highway network analysis and safety procurement - reduce spend on external network analysis and safety activities, including deployment of Traffic Marshalls in Norwich City centre | -0.040 | | | | -0.040 | Green |
| | | **-7.700** | **-3.071** | **-12.691** | **0.000** | **-7.700** | |
| | | | | | | | |
| | **Total** | **-6.950** | **-3.071** | **-12.691** | **0.000** | **-6.950** | |

| Ref | Communities | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | **REMOVAL OF 2015-16 SAVINGS AND ONE-OFF ITEMS** | | | | | | |
| | **3a - Income and Rates of Return** | | | | | | |
| CMM004 | One-off sale of some antiquarian and collectible library books that do not relate to Norfolk or its history | | 0.100 | | | 0.000 | Red |
| | | **0.000** | **0.100** | **0.000** | **0.000** | **0.000** | |
| | | | | | | | |
| | **SAVINGS** | | | | | | |
| | **1a - Organisational Change - Staffing** | | | | | | |
| RES079 | Review and reduce staffing in Customer Services and Communications to reflect changes in communication practices and the business requirements of the organisation | -0.042 | | | | -0.042 | Green |
| COM002 | Reductions in staff and increased income from car parking & ancient house museum (Thetford) | -0.010 | | | | -0.010 | Green |
| CMM017 | Customer Service teams - re-shape some customer service delivery teams | -0.059 | | | | -0.059 | Green |
| CMM018 | Customer Service delivery re-design - further re-shaping and re-design of some customer service teams | | -0.100 | -0.100 | | 0.000 | Green |
| CMM025 | Registration service staffing structure - review and re-shape some teams | -0.050 | | | | -0.050 | Green |
| | **1b - Organisational Change - Systems** | | | | | | |
| | Reduced cost of ICT refresh | -0.100 | | | | -0.100 | Green |
| RES082 | Efficiency savings arising from utilising Public Health skills and resources to remove duplication | -0.350 | 0.805 | | | -0.350 | Green |
| P&R011 | Review mail operations | -0.065 | | | | -0.065 | Green |
| CMM013 | Healthwatch - reduce the Healthwatch grant | | -0.150 | | | 0.000 | Green |
| | **1c Capital** | | | | | | |
| FR001 | Purchase different, cost effective fire vehicles for some stations | -0.227 | | | | -0.227 | Green |

| Ref | Communities | 2016-17<br><br>£m | 2017-18<br><br>£m | 2018-19<br><br>£m | 2019-20<br><br>£m | 2016-17 Forecast<br><br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | **2a - Procurement** | | | | | | |
| CMM031 | Transport costs - 15% saving on transport costs, including fire service fleet costs, through procurement, reducing use and better journey planning | | | -0.187 | | 0.000 | Red |
| CMM032 | Supplies and services - further 20% saving on supplies and services spend across all teams in Community and Environmental Services directorate | | | -1.170 | | 0.000 | Red |
| | **2b Shared Services** | | | | | | |
| ETD024 | Changes to the delivery of road safety education and evaluation to make greater use of community resources | -0.200 | | | | -0.200 | Green |
| | **3a - Income and Rates of Return** | | | | | | |
| COM015 | Norfolk Record Office - increased income generation | -0.010 | | | | -0.010 | Green |
| ETD002 | Charge for advice to business from our Trading Standards service | -0.020 | | | | -0.020 | Green |
| RES039 | Increase charges for registration services | -0.050 | | | | -0.050 | Green |
| P&R031 | Portal for "Norfolk Weddings" registrars additional income | -0.025 | | | | -0.025 | Green |
| CMM036 | Registration service income generation - develop business opportunities within the service to generate additional income | | | -0.080 | | 0.000 | Green |
| | **4a - Reducing Standards** | | | | | | |
| CMM016 | Norfolk and Norwich Millennium Library opening times - Reduce the opening times for Norfolk and Norwich Millennium Library but install Open Plus technology to enable the ground floor to be open longer via self service | 0.078 | -0.138 | | | 0.078 | Green |
| CMM022 | Libraries self-service - introduce technology (Open Plus) to enable libraries to open with self-service machines | | | -0.622 | | 0.000 | Green |
| CMM024 | Registration service accommodation costs - close four part-time registration offices at Downham Market, Fakenham, Watton and Swaffham and find alternatives for provision in public buildings at no cost | -0.025 | | | | -0.025 | Green |

| Ref | Communities | 2016-17<br><br>£m | 2017-18<br><br>£m | 2018-19<br><br>£m | 2019-20<br><br>£m | 2016-17 Forecast<br><br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| CMM026 | Special service mobile library service - change the mobile library service for people in residential care, by encouraging care homes to pay for the service or using volunteers to provide books for individual people | -0.010 | -0.044 | | | -0.010 | Green |
| CMM027 | Public mobile libraries - reduce the public mobile library mobile fleet from 9 to 8 vehicles, reduce the frequency of some visits and stop Saturday routes | -0.010 | -0.044 | | | -0.010 | Green |
| CMM023 | Fire service operational support reductions and redeployment of WDS staff - re-design the operational support structures to rationalise and remove some teams, and reduce the operational training budget. Re-design of some operational activities and redeployment of associated resource to other community focussed activities | -0.300 | | -0.600 | | -0.300 | Green |
| | | **-1.475** | **0.329** | **-2.759** | **0.000** | **-1.475** | |
| | | | | | | | |
| | **Total** | **-1.475** | **0.429** | **-2.759** | **0.000** | **-1.475** | |

| Ref | Policy and Resources | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | **REMOVAL OF 2015-16 SAVINGS AND ONE-OFF ITEMS** | | | | | | |
| | **1a - Organisational Change - Staffing** | | | | | | |
| P&R043 | Reverse Resources saving delivered by use of one-off reserves and shared services recharging in 2015-16 | 0.200 | | | | 0.200 | Blue |
| | **2a - Procurement** | | | | | | |
| P&R041 | Insurance | 1.000 | | | | 1.000 | Blue |
| | **1d - Terms and Conditions** | | | | | | |
| GET015 | Reducing the costs of employment | 0.440 | | | | 0.440 | Blue |
| | **4c - Assumptions under Risk Review** | | | | | | |
| P&R044 | County Farms funding (one-off reversal) | 2.000 | | | | 2.000 | Blue |
| | | **3.640** | **0.000** | **0.000** | **0.000** | **3.640** | |
| | | | | | | | |
| | **SAVINGS** | | | | | | |
| | **1a - Organisational Change - Staffing** | | | | | | |
| RES068 | Reduce staff in the HR Reward team | -0.018 | | | | -0.018 | Blue |
| RES071 | Restructure and reduce staff across HR | -0.155 | | | | -0.240 | Blue |

| Ref | Policy and Resources | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| P&R004 | Accelerate "self service" for employees/mgrs. - HR/Finance/ICT | -0.100 | | | | -0.100 | Green |
| P&R005 | Automate more information and performance reports | -0.050 | | | | -0.050 | Green |
| P&R050 | Cutting costs through efficiencies by a zero based review of our services - working with services to establish the base requirement and shape of Resources to support the future needs of the organisation | -0.625 | -0.625 | | | -0.625 | Green |
| P&R052 | Cutting costs through efficiencies: staffing - the proposal is to work across Teams to deliver reductions in cost and headcount over two years via various work streams - delayering, critical review of all activities to ensure either we are helping to deliver council outcomes or we are working at a statutory minimum, reduce failure demand, automation wherever possible | -0.500 | -0.500 | -0.500 | | -0.500 | Green |
| | **1b - Organisational Change - Systems** | | | | | | |
| RES034 | Restructure the Planning, Performance & Partnerships service, creating a new Business Intelligence function | -0.115 | | | | -0.115 | Blue |
| RES063 | Reduce spend on properties with third parties | -0.100 | | | | -0.100 | Green |
| RES081 | Reduce printed marketing materials | -0.054 | | | | -0.054 | Green |
| P&R014 | Courier savings - enforce, bring forward, digitise HR process | -0.030 | | | | -0.030 | Green |
| P&R018 | Org Change: reduced ICT spend through single device convergence | -0.625 | | | | -0.625 | Green |
| P&R046 | Cutting costs through efficiencies: subscriptions - assess value for money of corporate subscriptions and cancel as appropriate - use online access only to trade subscriptions | -0.050 | | | | -0.050 | Green |

| Ref | Policy and Resources | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| P&R047 | Customer services channel shift - utilise the council's customer service strategy to further reduce face-to-face customer contact | -0.200 | | | | -0.200 | Green |
| P&R060 | Property assets: reducing the costs of running the estate - explore what further opportunities we have for further reducing core facilities management standards across the estate, e.g. opening hours, security levels. It should be noted that there is already a significant level of property savings already included in the MTFS, c£7m | | | -0.200 | | 0.000 | Green |
| P&R061 | Aligning budgets to actual expenditure: Norfolk Local Assistance Scheme - the NLAS replaced parts of the Discretionary Social Fund from 2013 onwards. These funds are not ring-fenced and offer a more flexible response to unavoidable need aligning to a wide range of local support local authorities can offer. Historically the fund has not been fully called upon, the saving is based upon the forecast spend for 2015-16 | -0.200 | | | | -0.200 | Green |
| P&R063 | Cutting costs through efficiencies by menu based pricing - the services provided by Resources have evolved since the formation of Shared Services in 2010, services have had little visibility of costs or the ability to control them. A full review of the prices of services and equipment would offer visibility and choice to services - alternatives may include self service | -0.500 | -0.500 | -0.500 | | -0.085 | Red |
| P&R064 | Cutting costs through efficiencies by reducing unit costs - the menu based proposition above offers the opportunity to reduce costs by reduced demand, this proposition offers the opportunity to reduce unit costs, e.g. by benchmarking and taking any appropriate resulting actions | -0.300 | -0.300 | -0.300 | | -0.300 | Green |
| | **1d Terms and Conditions** | | | | | | |

| Ref | Policy and Resources | 2016-17<br><br>£m | 2017-18<br><br>£m | 2018-19<br><br>£m | 2019-20<br><br>£m | 2016-17 Forecast<br><br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| GET016 | Reducing the cost of business travel | -0.016 | | | | -0.016 | Green |
| | **2a - Procurement** | | | | | | |
| P&R021 | Pay per use ERP | | -0.100 | | | 0.000 | Red |
| P&R022 | New Multi Functional Devices contract 2016 | -0.070 | | | | -0.070 | Green |
| P&R024 | Rationalise applications and centralise all applications spend | -0.100 | | | | -0.100 | Green |
| P&R025 | Corporate Banking project - move to Barclays | | -0.035 | | | 0.000 | Green |
| | **3a - Income and Rates of Return** | | | | | | |
| RES064 | Increase income from Nplaw | -0.051 | | | | -0.051 | Green |
| P&R027 | County Hall refurbishment savings | -0.751 | | | | -0.751 | Green |
| RESN/A | Reduced cost of borrowing | -0.825 | | | | -0.825 | Green |
| RESN/A | New Homes Bonus | -1.529 | | | | -1.529 | Green |
| P&R033 | Interest rate increases | -0.990 | | | | -0.990 | Green |
| P&R027 | Reduce property costs through reducing area occupied and reducing cost per square metre | -0.570 | -1.430 | -1.000 | -1.000 | -0.570 | Green |
| P&R027 | Removal of Property saving | 0.600 | | | | 0.600 | Green |
| P&R028 | Stop all trading that doesn't cover costs or bring in higher revenue | -0.050 | | | | -0.050 | Green |
| P&R030 | Corporate Property Team approach to sponsorship & advertising | | -0.100 | | | 0.000 | Green |

| Ref | Policy and Resources | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| P&R048 | Cost recovery: charging for the use of credit cards - charging service users who wish to pay bills using a credit card, thereby offsetting the costs to the council | -0.020 | | | | -0.020 | Green |
| P&R049 | Review of accounting treatment for notional debt repayment | -9.326 | -5.216 | | | -9.326 | Blue |
| P&R051 | Raising revenue by an increased ESPO dividend - ESPO is a Joint Committee of which Norfolk is the largest member, buying on behalf of schools, councils and others. ESPO plans to reduce its costs and increase its market presence outside of its traditional operating area, resulting in an increased dividend | -0.100 | -0.100 | -0.100 | | -0.100 | Green |
| P&R053 | Raising revenue: a business strategy treasury management - our average return on investments is currently 0.75%, a modest increase in risk, e.g. 0.25% on £100m of cash, would produce a saving. The breadth of organisations we lend to and for how long can be reviewed. The average cash balance in 2015-16 was £215m | -0.750 | -0.500 | | | -0.750 | Green |
| P&R054 | Raising revenue: NCC company borrowings - Council owned companies borrow from banks and other institutions, this presents an opportunity to arbitrage the high level of cash holdings the authority currently has and eliminate a profit margin - typically 1.3% - 2.0% on £30m - £40m of borrowings | -0.700 | | | | -0.700 | Green |
| P&R056 | Reduction in external audit costs | -0.100 | | | | -0.100 | Green |
| P&R057 | Raising revenue: commercialisation investment fund - investment in a range of commercial activities, in particular the council's wholly owned companies, e.g. | -0.750 | | | | -0.750 | Green |

| Ref | Policy and Resources | 2016-17<br>£m | 2017-18<br>£m | 2018-19<br>£m | 2019-20<br>£m | 2016-17 Forecast<br>£m | RAG Status |
|---|---|---|---|---|---|---|---|
| | NORSE have a pipeline of energy related projects for a mix of public sector and private clients | | | | | | |
| P&R058 | Raising revenue: property development - to explore options for the authority regarding direct property development. The Council owns a significant land and building bank for which sale for capital receipt may not be the best option for the authority. Generating a higher capital receipt would reduce future borrowing costs | | | -0.500 | | 0.000 | Green |
| P&R059 | Raising revenue: fraud error and debt - use of data analytical tools to collect debts otherwise considered unrecoverable, largely uncollected council tax, working with district councils. The work would be performed by specialist companies | | -0.050 | | | 0.000 | Green |
| P&R062 | Raising revenue through recharging the full costs of our services to external customers - ensuring that ICT services to schools, and other external clients, fully reflect both the direct and indirect costs incurred | -0.300 | -0.500 | -0.500 | | -0.300 | Green |
| P&R066 | Second Homes income | | | -1.200 | | 0.000 | Amber |
| | **4a Reducing Standards** | | | | | | |
| RES011 | Continued efficiencies in tendering and contract management in Procurement | -0.083 | | | | -0.083 | Green |
| | **4c - Assumptions under Risk Review** | | | | | | |
| P&R068 | Insurance Fund saving | -2.000 | 2.000 | | | -2.000 | Blue |

| Ref | Policy and Resources | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-17 Forecast | RAG Status |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | |
| P&R069 | Use of Organisational Change Reserve to fund Social Care system in 2016-17 | -0.478 | 0.478 | | | -0.478 | Blue |
| P&R070 | Use of Business Risk Reserve to fund reprofiling of COM033 Adults saving in 2016-17 | -0.500 | 0.500 | | | -0.500 | Blue |
| P&R071 | Use of Organisational Change Reserve in 2016-17 | -0.132 | 0.132 | | | -0.132 | Blue |
| | | **-23.213** | **-6.846** | **-4.800** | **-1.000** | **-22.883** | |
| | | | | | | | |
| | **Total** | **-19.573** | **-6.846** | **-4.800** | **-1.000** | **-19.243** | |

# Appendix 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. |

# Policy and Resources Committee

**Item No 11**

| | |
|---|---|
| **Report title:** | **Disposal and Acquisition of Properties** |
| **Date of meeting:** | **6 February 2017** |
| **Responsible Chief Officer:** | **Executive Director of Finance** |

**Strategic impact**

Proposals in this report are aimed at supporting County Council priorities by exploiting properties surplus to operational requirements, pro-actively releasing property assets with latent value where the operational needs can be met from elsewhere and strategically acquiring property.

The ongoing property disposals programme is one of the key strategic actions within the Asset Management Plan with a sharp focus on maximising income through adoption of a more commercial approach to property.

## Executive summary


As part of corporate management of property and a systematic approach to reviewing the use and future needs of assets for service delivery there is now more emphasis on minimising the extent of the property estate retained for operational purpose. However on occasion there will be the requirement to acquire or reuse a particular property to support a service to delivers its aims.

By adopting a “single estate” approach internally, and sharing property assets with public sector partners through the One Public Estate programme, the Council is aiming to reduce net annual property expenditure by a further £5 million during 2016-2019.

Consideration is also given to suitability of surplus property assets for use or redevelopment to meet specific service needs that could improve quality of services for users, address other policy areas and/or improve financial efficiency for the Council, for example, facilitating the supply of assisted living accommodation and other housing solutions for people requiring care, undertaking re-development to support jobs and growth etc.

This means that as well as continuing with the rationalisation of the operational property estate to reduce the number of buildings used by the Council, a more commercial approach is being adopted over the sale or redeployment of surplus property assets.


**Recommendations:**

1. **Policy & Resources Committees (P&R) are asked to confirm that all leases out, or licences (including extension/renewal of a lease/license), are at full market value. Where service providers /organisations are supporting NCC policies and strategies the property costs may be supported by a grant**

**provided by service committees.**

2. **P&R are asked to agree to the surrender of the lease to 26 Depwade Court, to approve the lease acquisition of the room adjacent to 1 Depwade Court and its subsequent sub-letting to Independence Matters.**

3. **P&R are asked to declare the former "Officer's Mess" and the former "Sergeant's Mess" areas at Scottow Enterprise Park surplus to NCC service use. The Council's Corporate Property Team are authorised to dispose of the property is accordance with policy or exploit the sites to maximise the receipt or revenue income.**

4. **P&R are asked to agree to the extension of the leases for part of Scottow Enterprise Park for an additional 5 years for the existing phase 1 lease and additional 4 years for the phase 2 leases all to expire in 2045 for a premium of £100,000 plus costs.**

## 1.0 Introduction

1.1 The Council actively manages its property portfolio in accordance with the adopted Asset Management Plan. Property is held principally to support direct service delivery, support policy objectives, held for administrative purposes or to generate income. Property is acquired or disposed of as a reaction to changing service requirements, changing council policies or to improve the efficiency of the overall portfolio.

1.2 The County Council challenges the use of its property on an ongoing basis. In the event of a property asset becoming surplus to a particular service need there are internal officer processes to ascertain whether other service areas have an unmet need that could be addressed by using the property asset for that service. This may lead to a change of use of individual properties, for example, an office building may be reused for operational service delivery. Any proposals for retention are only agreed if supported by a robust business case showing the benefits to the County Council and are funded from approved budgets.

1.4 The above assessments are carried out by the Corporate Property Officer (the Head of Property) in consultation with the Corporate Property Strategy Group (CPSG). Once it is confirmed there is no further council requirement the Policy & Resources Committee is asked to formally declare property assets surplus or re-designate for alternative purposes.

1.5 The Corporate Property Officer reviews options for maximising income from surplus properties. These will range from selling immediately on the open market (to the bidder making the best offer overall), enhancing the value prior to sale, strategic retention for a longer term benefit through to direct development of the land and buildings and selling/letting the completed assets, in the expectation of enhanced income for the Council.

1.6 For properties to be sold immediately there is sometimes a need to consider selling directly to a specific purchaser instead of going to the open market. This may be justified where the third party is in a special purchaser situation and is willing to offer more than the assessed market value. Conversely this might be to a purchaser who is in a unique position of control for the unlocking of the full latent value of the Council site (ransom situation). A direct sale without going to market can also be justified if there are specific service benefits or a special partnership relationship which is of strategic value with service/community benefits.

1.7 In making recommendations for direct sale without going to market, or direct property development, the Corporate Property Officer will consider risks, opportunities, service objectives, financial requirements and community benefits.

## 2.0 Transparency of, and consistency with, charging market rents and licence fees

2.1 This proposal is aimed at ensuring transparency and consistency of charging market rents and licence fees for NCC properties.

2.2 From time to time the County lets out/licences the use of its properties to third parties that can include (not an inclusive list), other parts of the public sector, schools, playgroups, individuals, service providers, private sector companies, community & voluntary groups, charities and sports clubs.

2.3 This is undertaken for a number of reasons:

- In connection with service provision for the county council.
- Contributes to a county council policy that is supporting a particular service, social or community strategy.
- There is no immediate operational need for a particular property and so as a meanwhile use the property may be let/licensed to a third party with the aim of mitigating holding costs whilst the longer term future use is determined.
- The County Council may wish to exercise some control of the future use of the land in accordance with its priorities.
- To generate an income to support council services.

2.4 To date the letting/licensing of property has been inconsistent with varying application of terms and this proposal is aimed at introducing consistent and transparent policy for ALL leases and licences. Leases/licenses to commercial organisations, private companies and individuals not providing services to the County Council are usually undertaken at market rent/licence fee and generally are not an issue. However, there are three principle areas of concern to be addressed:

2.4.1 A number of County Council properties are let/licensed to non - commercial organisations such as playgroups, charities, sports clubs, and voluntary groups etc. Whilst some third sector tenants are already paying market rent/licence fees for their properties; there are many others where this is not the case.

2.4.2 For some properties a market rent/licence fee is calculated and agreed, however there is a conscious decision not to collect it. This relates to an existing Cabinet decision (17 December 2001) to waive the collection of open market rents from approved early years and children's groups.

2.4.3 Some organisations and companies are providing services to the county council under a service contract. Many of these are not paying a market rent/licence fee.

2.5 There are a number of reasons cited why rents/licence fees are not charged at a market rate/collected:

- There is an assertion that money would go around in a circle as a service would need to reimburse the service provider.
- There is a policy to support a particular community activity.

2.6 This approach has engendered a corporate attitude that property is a "free resource" that can be used to support a particular policy and in effect property is being used to subsidise the policy. This in itself is not an issue however the hidden nature of this subsidy is.

2.7 It should be noted that for some sites and buildings the market rent will in fact be assessed as nil to reflect the circumstances that no market exists for particular buildings as a result of, for example, construction, maintenance and location.

2.8 There is a strong rationale for supporting a market rent policy for all properties let out by the council as follows:

2.8.1 S.123 (2) of the Local Government Act 1972 which requires that:

"Except with the consent of the Secretary of State, a council shall not dispose of land under this section… for a consideration less than the best that can reasonably be obtained."

Notwithstanding the provisions of the General Disposal Consent 2003 whereby authorities are able to dispose of properties where the difference between the unrestricted value of the interest to be disposed of and the consideration accepted is £2,000,000 (two million pounds) or less.

2.8.2 Recommended Best Practice. There is existing guidance with regard to the setting and charging of rents. This includes:

- The Audit Commission recommendation that voluntary organisations should be charged a full market rent and then the local authority should give grants to cover that rent as considered appropriate.

- The Royal Institution of Chartered Surveyors (RICS) advise that:

  "Any good property management system should be able to identify at any juncture the use and occupation of any building in the portfolio and the terms under which the property is let. The issue of whether the letting is to a third party in partnership with the council or to an 'at arm's length' occupier should not influence the nature and terms of that letting."

2.8.3 Equity of treatment. The County Council wishes to support the third sector and values the contributions of all of its existing third sector tenants. However, not every such body is able to occupy Council owned property and if those that do are given a concessionary rent, they are being given preferential treatment through effectively a 'hidden subsidy' which is not available to other Third Sector organisations. By adopting the policy recommendations articulated through this report all such bodies will be treated in an even handed and transparent manner.

2.8.4 Protect the building fabric. Property assets are a valuable strategic resource of the council. They cost money to use and maintain and also help the council to fulfil its wider social and community objectives. A formal lease or licence and full market fee/rent for third party use protects the council's asset base over the long term as the council retains a financial liability as landlord for these assets. These two instruments of a formal lease and market rents helps the council to ensure statutory servicing, maintenance and major repairs to the external and structural fabric of the buildings. The proposed policy would reduce the risk of any building failures as well as ensure the long term viability of buildings for other potential users in the future.

2.8.5 Protect the Council's reputation & minimise risk. If a consistent approach is not adopted a fundamental problem occurs which is about deciding which organisations to subsidise and which to not subsidise. Any decision to support an organisation in this way will lead to a succession of 'me too' claims from similar or related bodies and can elicit claims of discrimination if that similar consideration or support is not shown. Adopting a consistent approach avoids this potential pit fall and limits the risk to the council appearing to act in a potentially discriminatory way.

2.8.6 Is in accordance with the overall transparency agenda.

2.8.7 Drives the correct behaviours for occupiers such as encouraging the efficient use of space and ensures property is not seen as a "Free Good".

2.9 It is aimed to make the whole process of occupation and use of council properties consistent and transparent and treating all potential occupiers of council owned assets in an even handed and transparent manner. To this end it is proposed a number of key principles are adopted in relation to leases and licences:

- **All new occupation by third parties** of NCC owned and controlled buildings to be by way of a formal lease or licence that will set out clearly the respective obligations for the land and buildings occupied.
- A full market rent/license fee will be payable by all third party organisations/lessees.
- Where new rents are achieved from individual organisations this income will be collected by P&R (as the Corporate Landlord) but made available to the relevant service committee to bid for. This will enable the committee to award a grant to an organisation towards its property costs, if the organisation is delivering outcomes in line with the service committee's priorities
- **At the next rent review**, and if the lease allows, impose a market rent.
- Leases to commercial organisations will be on a Full Repairing and Insuring basis.
- Service charges will be detailed and identified separately.
- All leases and licenses will be approved in accordance with the prevailing financial regulations as detailed in the council's constitution.
- Publish annually a list of all leases/licenses to third party/non-commercial organisations.

2.10 Policy & Resources Committee (P&R) are asked to confirm that all leases out, or licences (including extension/renewal of a lease/license), are at full market value. Where service providers /organisations are supporting NCC policies and strategies the property costs may be supported by a grant provided by service committees.

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## 3.0 Proposals

**Room adjacent to 1 Depwade Court and 26 Depwade Court, Long Stratton**

3.1 The County Council currently leases from Saffron Housing Trust 26 Depwade Court, Long Stratton for a 30 year term which commenced 4 August 2009 for a peppercorn rent.

3.2 The property is used by Independence Matters (IM) for the purpose of providing a base and sleeping/waking cover for the adjoining Supported living Scheme however it appears to be an un-documented occupation by IM.

3.3 The County Council and Saffron Housing Trust have identified a need for the bungalow to be added to the existing supported living scheme to provide accommodation for a tenant with learning disabilities. This supports a learning Disability Strategy to increase the number of accommodation clusters across the County.

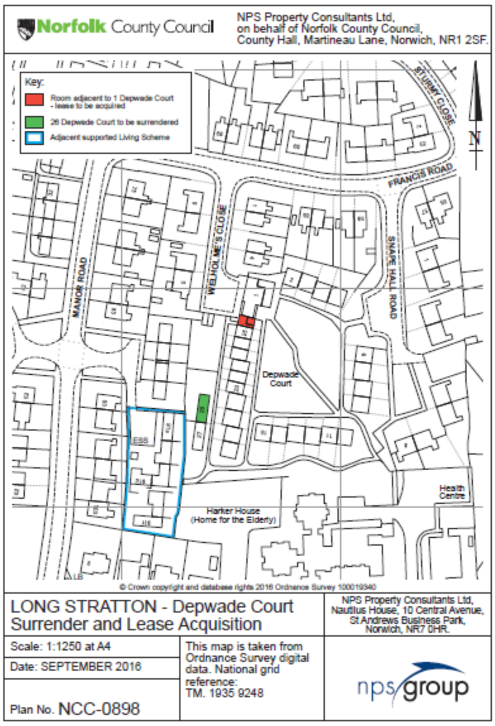
3.4 To re-provide the staff facility Saffron Housing Trust agreed to spend £23,000 on the refurbishment of the disused boiler room at the adjacent sheltered housing complex (1 Depwade Court) to provide alternative accommodation for the Independence Matter's staff currently working out of 26 Depwade Court. The works are complete and the accommodation comprises an office, rest room and kitchen.

3.5 The County Council has negotiated with Saffron Housing Trust the:

- Surrender of 26 Depwade Court on the basis of no claim for dilapidations, no consideration for surrender and each party bear their own costs.
- Lease of the room adjacent to 1 Depwade Court on the same terms as the existing lease to no 26, on an internal repairing lease at a peppercorn rent for the duration of the existing agreements linked with the supported living scheme until August 2039.

3.6 The County Council will then sublet the room adjacent to 1 Depwade Court to Independence Matters as per the standard lease terms as approved in the hierarchy report of December 2014.

3.7 P&R are asked to agree to the surrender of the lease to 26 Depwade Court, to approve the lease acquisition of the room adjacent to 1 Depwade Court and its subsequent sub-letting to Independence Matters.




**Scottow Enterprise Park - Former Officer's Mess and Former Sergeant's Mess**

3.8 Scottow Enterprise Park is owned freehold by the county Council. The council has actively exploited the opportunities provided by this site to promote jobs and gain income to support council services.

3.9 In relation to the former “Officer’s Mess’ part of the site the Council has been working with partners to develop proposals for residential use. Furthermore it is possible the Former Sergeant’s Mess area can also be developed for a similar use.

3.10 As part of the process to enable these two areas, see map of locations in **appendix 1**, amounting to approximately 6.7ha (16.5 acres), to be exploited for these uses a formal declaration is required to declare they are surplus to County Council service use.

3.11 P&R are asked to declare the former “Officer’s Mess” and the former “Sergeant’s Mess” areas at Scottow Enterprise Park surplus to NCC service use. The Council’s Corporate Property Team are authorised to dispose of the property is accordance with policy or exploit the sites to maximise the receipt or revenue income.

**Scottow Enterprise Park - Solar Park and Battery storage and distribution plant**

3.12 The County Council and Scottow Moor Solar Ltd have entered in to five separate leases relating to phases 1 and 2 of the solar farm, see map **appendix 2**. Each lease is for a term of 25 years, the phase 1 lease ending 30 March 2040 and the 4 leases relating to phase 2 all ending 30 March 2041.

3.13 The terms of all five leases include provision for the annual review of the rent payable based on the consumer price index.

3.14 The lessee has requested that phase 1 lease term is extended by an additional five years expiring in 2045 and the 4 phase 2 leases extended by 4 years so as to expire in the same year and also to be co terminus with the planning consent for the solar farm use on the site.

3.15 The County Council sought expert advice to assess the value of such extensions to each lease term to reflect the additional value to the tenant. The Council’s consultant has negotiated a premium of £100,000 based on the available market evidence. This premium is a one off payment in addition to the annual rent that will be continued to be received for each of the additional years. Costs will be paid for by the lessee.

3.16 P&R are asked to agree to the extension of the leases for part of Scottow Enterprise Park for an additional 5 years for the existing phase 1 lease and additional 4 years for the phase 2 leases all to expire in 2045 for a premium of £100,000 plus costs.

3.17 Scottow Moor Solar 2 Ltd has proposed the installation of a battery storage facility to store electricity generated by the existing solar farm which will then be distributed at times of high demand or when the solar farm itself is not generating electricity.

3.18 The proposals are at an early stage and the facility will be located within the curtilage of the Scottow Enterprise Park and will require a new lease once the final location on the Scottow Enterprise Park has been determined.

3.19 The developer of the facility requires up to one year to seek planning permission and other necessary consents. The Head of Property will enter negotiations with Scottow Moor Solar 2 Ltd and subsequently any recommendations will be submitted to P&R Committee for consideration.

## 4.0 Financial Implications

4.1 Decisions in this report will ultimately result in sale proceeds which will support funding of the Capital Programme or the repayment of debt. Other financial implications include:

- Reduction in property expenditure and financial efficiency through reduction in the number of buildings retained.
- Generating revenue income/capital receipts from the exploitation of surplus property assets.
- Disposal and development costs to fund planning and assessment work. The cost of these will be funded from future receipts.

4.2 In respect of charging market rents overall there may be no reduction in property costs to the council, however individual service are budgets may be affected to reflect the proposed policy.

4.3 Where new rents are achieved from individual organisations this income will be collected by P&R (as the Corporate Landlord) but made available to the relevant service committee to bid for. This will enable the committee to award a grant to an organisation towards its property costs, if the organisation is delivering outcomes in line with the service committee's priorities.

## 5.0 Issues, risks and innovation

5.1 For disposals and acquisitions 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.

5.2 This policy may have an impact on organisations that previously enjoyed below market value rents. Possible mitigation may involve circular grant funding to aid the transition.

## 6.0 Background

6.1 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) and subsequent approval by Policy & Resources Committee on 31 May 2016 of a new prioritised work plan for 2016-19 as part of a refreshed AMP.
- The adoption of an updated property savings plan, that calls for £5.1m of savings for 2016-19.
- The Norfolk One Public Estate Programme that is supporting the joint strategic exploitation of the combined public sector property estate.
- The medium term financial strategy includes commercialisation of NCC property assets as a priority to help diversify the Council's funding.

6.2 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" property assets that are to be retained over the long term.

6.3 There are several key targets in the new prioritised work plan in the refreshed AMP that support these proposals:

- Ongoing implementation of the property savings plan.
- Continued focus on office rationalisation.
- Ongoing implementation of a 5-year disposals programme, allied with seeking opportunities for development.
- Surplus Highways land – implement disposals of packages of land parcels no longer required for road schemes.
- Develop options for "top 5" sites with development potential.
- Deliver strategy to promote surplus/fringe sites for housing.

## 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:

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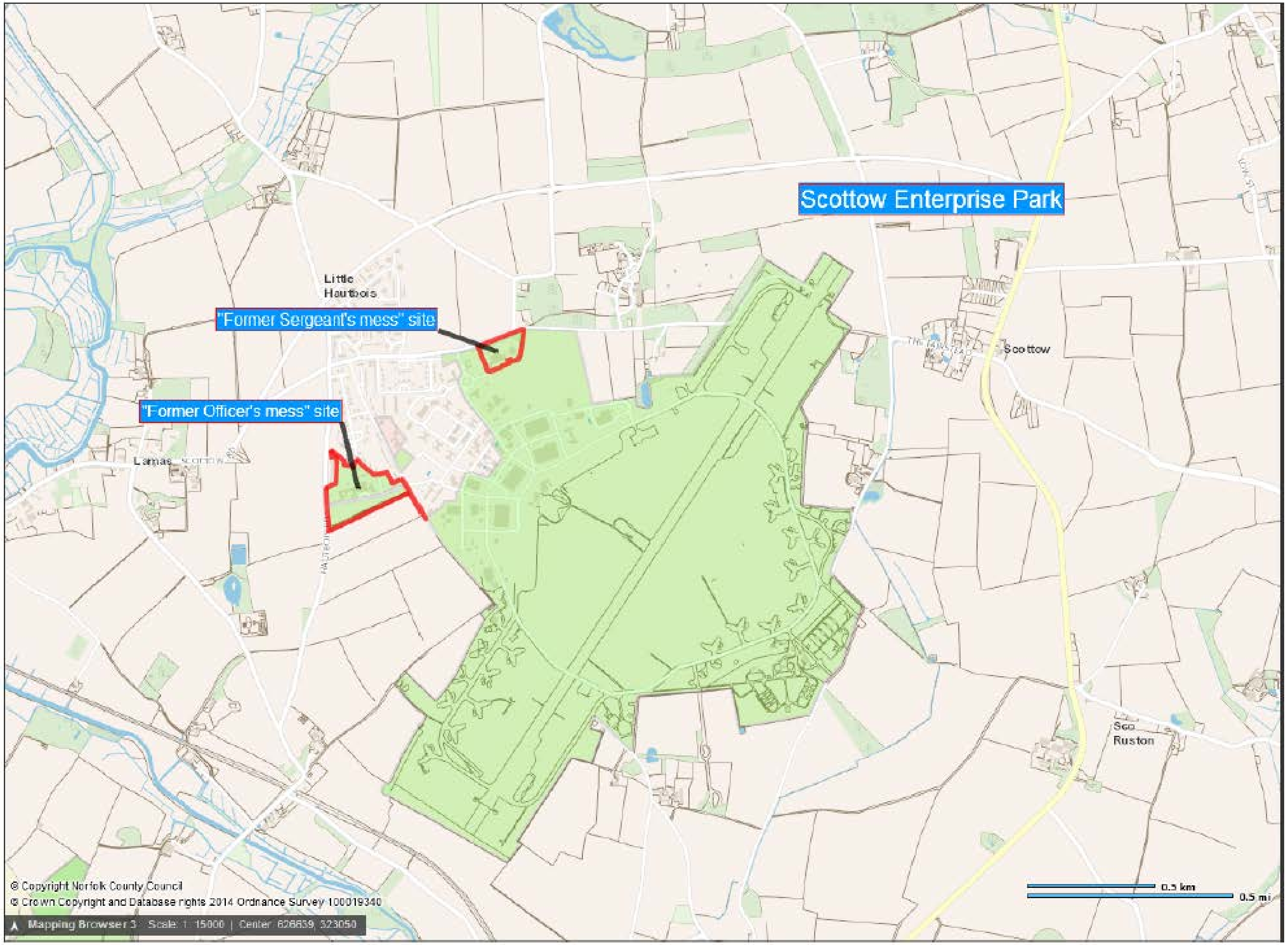
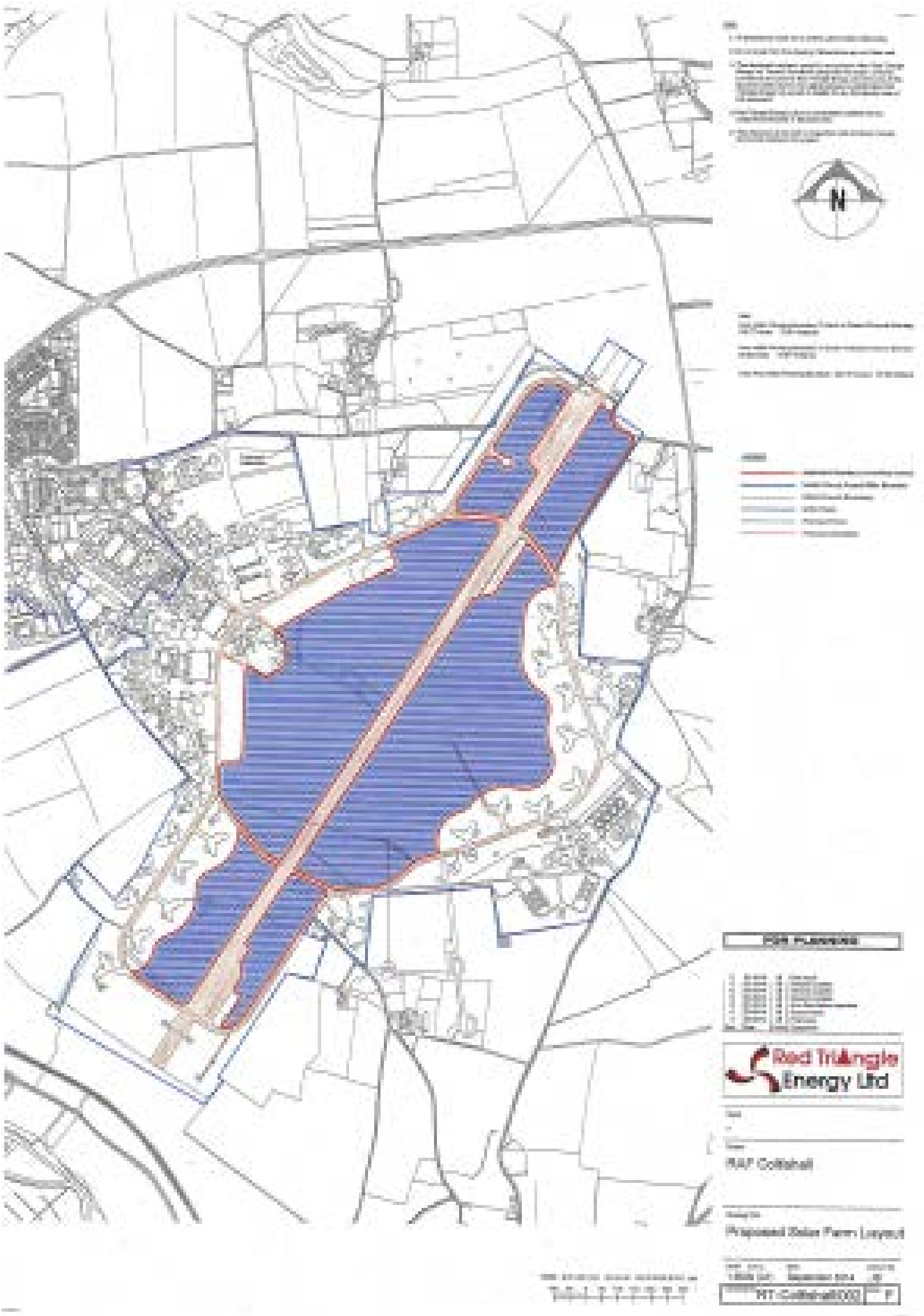
**Appendix 1**


Scottow Enterprise Park
Little Hautbois
"Former Sergeant's mess" site
"Former Officer's mess" site
Lamas
Scottow
Sco Ruston
© Copyright Norfolk County Council
© Crown Copyright and Database rights 2014 Ordnance Survey 100019340
Mapping Browser 3 Scale: 1: 15000 | Center: 628639, 323050
0.5 km
0.5 mi

**Appendix 2**


N
Red Triangle
Energy Ltd
RAF Coltishall
Proposed Solar Farm Layout

# Policy and Resources Committee

**Item No 12**

| | |
|---|---|
| **Report title:** | **Norse Consents – NPS Infinity ltd** |
| **Date of meeting:** | **6th February 2017** |
| **Responsible Chief Officer:** | **Executive Director of Finance & Commercial Services – Simon George** |

**Strategic impact**

Norse requires the consent of the County Council before it can make certain decisions.

The formation of new limited companies is one of those.

This report seeks approval from P&R for the creation of NPS Infinity ltd.


**Executive summary**

**Policy and Resources Committee is recommended to:**

1. **Approve the creation of NPS Infinity as a ltd company.**


## 1. Background

1. Norse requires the consent of the County Council before it can create new Ltd Companies.
2. This is undertaken on the advice of the Executive Director of Finance & Commercial Services.

3. The Executive Director of Finance & Commercial Services has:

   - reviewed the business case and papers in detail
   - Attended and contributed to the discussions on the proposal at the Norse Board

<u>And subsequently recommends that the Policy and Resources Committee approve the creation of NPS Infinity ltd.</u>

4. Appendix A contains more details of the proposed company.

## 2. Financial Implications

2.1. Although there are no direct financial implications for the Council, the further expansion of NPS activities is envisaged to further enhance the financial return to the Council.

## 3. Issues, risks and innovation

3.1. There are no significant risks or implications beyond those set out in the financial implications section of the report.

## 4. Background Papers

### 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:

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**Appendix A**

**'NPS Infinity Limited' which would aim to commence trading no later than 1 April 2017, either as a subsidiary of NPS Property Consultants Ltd or NPS North West Ltd, depending on whether the Leigh Building Services opportunity progresses prior to that point.**

NPS NW is delivering compliance and maintenance functions from within its structure, with significant success. There is a large growth potential for the correct offering to dominate this market because some local Contractors specifically target larger contracts, so don't give compliance and maintenance works the right level of attention and many of the smaller Contractors have not been able to keep up with their clients' growing quality expectations. NPS Infinity Limited' aims to fill this gap by providing a professional and quality service, delivering on promises and having the correct professional backing.

Along with compliance services, clients are requesting assistance with the completion of small buildings, property upgrades and maintenance works. These are commissioned direct or through the purchasing portals.

The financial projections for Year 1 would be £1M turnover delivering a 20% gross profit before overheads with a net profit margin in excess of 10%. As this is a new business, projections would be for 5% growth for each successive year.

NPS are in discussions with Wigan Council about taking over the operation of Leigh Building Services. This would involve the transfer of staff under TUPE Regulations, along with a revenue stream estimated at £12M per annum. A separate business case would be put forward for this, should approval by Wigan Council be granted. If this goes ahead, NPS Infinity would be set up as a subsidiary company of NPS NW Ltd, if it does not then NPS Infinity Ltd will be a standalone company with all the profit retained by the NPS Group

# Policy and Resources Committee

**Item No 13**

| | |
|---|---|
| **Report title:** | **Notification of Exemptions Under Contract Standing Orders** |
| **Date of meeting:** | **6 February 2017** |
| **Responsible Chief Officer:** | **Simon George, Executive Director of Finance** |

## Brief outline of the paper:

Under the Council's Contract Standing Orders, paragraph 9.11, the Head of Procurement and the Head of Law have the authority to approve the letting of a contract without competition or the negotiation of a contract with one or more suppliers without prior advertisement, subject to the relevant law. Exemptions resulting in the letting of contracts valued at more than £100,000 must be made in consultation with the Chairman of Policy and Resources Committee.

Under paragraph 9.12 an exemption under 9.11 outlined above, relating to the award of a contract valued in excess of £250,000 is to be notified to the Policy and Resources Committee.

The report sets out the exemptions that have been made up to 12 January 2017 under paragraph 9.11 of Contract Standing Orders and that are over £250,000 and therefore need to be notified to the Policy and Resources Committee.

**Key decisions/recommendations that Committee need to make:**

**Recommendation:**

As required by paragraph 9.12 of the Council's Contract Standing Orders, Policy and Resources Committee is asked to note the exemptions that have been granted under paragraph 9.11 of Contract Standing Orders by the Head of Procurement and Head of Law in consultation with the Chairman of Policy and Resources Committee that are over £250,000.

| Supplier | Value, term and ref | Short description of Contract and Reason for Extension | Date seen by the Chairman of Policy and Resources Committee |
|---|---|---|---|
| **Child & Adolescent Mental Health Services (CAMHS)** | £2,800,000 plus any additional NHS allocations | **Targeted pathways of care for children and young people.** This exemption is to enable sufficient time to re-design to a genuine single point of access and put in place a single end-to-end service. The proposed exemption was endorsed by Children's Services Committee on 15 November 2016. | 1 December 2016 |

## Officer Contact

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

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# Policy and Resources Committee

**Item No 14**

| | |
|---|---|
| **Report title:** | **Decisions taken under Delegated Authority** |
| **Date of meeting:** | **6 February 2016** |
| **Responsible Chief Officer:** | **Wendy Thomson, Managing Director** |
| **Strategic impact**<br><br>It is important that there is transparency in decision making processes to enable Members and the public to hold the Council to account. | |


**Executive summary**

This report sets out decisions taken in relation to property matters by officers under the scheme of delegation and "hierarchy of decision making" since the last report to the Committee.

**Recommendations: To note the report.**


## 1. Proposal

1.1 This report sets out "for information" decisions taken by Officers in relation to property matters under the "hierarchy of decision making". Appendix A sets out the property decisions made.

## 2. Evidence

2.1 Property Decisions are set out in Appendix to this report

## 3. Financial Implications

There are no direct financial implications flowing directly from members noting this report. However the delegated decisions themselves often have significant financial implications, for example capital receipts from the sale of land/property.

## 4. Issues, risks and innovation

4.1 There are no other relevant implications to be considered by members.

**Background Papers** – There are no background papers relevant to the preparation of this report.

## Officer Contact

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**Property Decisions taken under Delegated Powers** **Appendix A**

| Property | Transaction | Cost | Benefit | Date Approved |
|---|---|---|---|---|
| Knapton, Land at Paston Way | Sale | | £16,500 | 17/11/2016 |
| Scole, Land at old bridge | Sale to Parish Council | | £1 | 26/09/2016 |
| Thorpe St Andrew, part of Woodland at The Oaks | Sale | | £25,000 | 21/07/2016 |
| Kings Lynn, Land at Purfleet Street | Sale | | £120,000 | 21/07/2016 |