



**Norfolk** County Council  
at your service

## Council

Date: **Monday 17 February 2014**  
Time: **10.00am**  
Venue: **Council Chamber, County Hall, Norwich**

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### Prayers

### To Call the Roll

### AGENDA

1. **Minutes**

To confirm the minutes of the meeting of the Council held on 20 January 2014 (Page **3**)

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

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. It is recommended that you declare that interest but it is not a legal requirement.

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 such an interest but can speak and vote on the matter.

4. **Recommendations from Cabinet meeting held on 27 January 2014:-**

- County Council ambition and priorities (Page 26 )
- Revenue Budget 2014/17 (Page 28 )
- Capital Programme 2014-17 and Prudential Indicators (Page 29 )
- Annual Investment and Treasury Strategy 2014/15 (Page 29 )

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Date Agenda Published: 7 February 2014

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**Norfolk County Council**

**Minutes of the Meeting Held on 20 January 2014**

<b>Present:</b>	Mr T Adams	Mr T Jermy
	Mr S Agnew	Mr C Jordan
	Mr C Aldred	Mr J Joyce
	Mr S Askew	Ms A Kemp
	Mr M Baker	Mr M Kiddle-Morris
	Mr R Bearman	Mr J Law
	Mr R Bird	Mrs J Leggett
	Mr B Borrett	Mr B Long
	Dr A Boswell	Mr I Mackie
	Mr B Bremner	Mr I Monson
	Mrs J Brociek-Coulton	Mr J Mooney
	Mr M Carttiss	Mrs E Morgan
	Mr M Castle	Mr S Morphew
	Mrs J Chamberlin	Mr G Nobbs
	M Chenery of Horsbrugh	Mr W Northam
	Mr J Childs	Mr R Parkinson-Hare
	Mr R Coke	Mr J Perkins
	Mr D Collis	Mr A Proctor
	Ms E Corlett	Mr D Ramsbotham
	Mrs H Cox	Mr W Richmond
	Mr D Crawford	Mr D Roper
	Mr A Dearnley	Mr M Sands
	Mrs M Dewsbury	Mr E Seward
	Mr N Dixon	Mr M Smith
	Mr J Dobson	Mr R Smith
	Mr T East	Mr P Smyth
	Mr T FitzPatrick	Mrs M Somerville
	Mr C Foulger	Mr B Spratt
	Mr T Garrod	Mr M Storey
	Ms D Gihawi	Dr M Strong
	Mr P Gilmour	Mrs A Thomas
	Mr A Grey	Mr J Timewell
	Mr A Gunson	Miss J Virgo
	Mrs S Gurney	Mrs C Walker
	Mr P Hacon	Mr J Ward
	Mr B Hannah	Mr B Watkins
	Mr D Harrison	Ms S Whitaker
	Mr S Hebborn	Mr A White
	Mr H Humphrey	Mr M Wilby
	Mr B Iles	Mrs M Wilkinson

**Total present: 80**

## **Apologies for Absence:**

Apologies were received from Mr A Byrne, Mr S Clancy, Mr N Shaw and Mr D Thomas.

## **1 Minutes**

- 1.1 The minutes from the Council meeting held on 25 November 2013 were agreed as a correct record and signed by the Chairman, subject to the following amendments:-

Item 7.1: Amend to 'Mr R Smith proposed...'  
Item 8.1.3 change word 'UNANIMOUSLY' to 'UNOPPOSED'.  
Item 9.1 change 'My Joyce' to 'Mr Joyce'  
Item 10.10 change 'Early Health' to 'Early Help'.  
Item 10.13 Amend to 'Mr R Smith proposed...'

## **2 Chairman's Announcements**

- 2.1 The Chairman announced with great sadness the death of former Chairman of Norfolk County Council, Dr Jim Norris. Dr Norris had represented the Feltwell division from 1997 to 2005, holding the office of Chairman in 2001/2002.
- 2.2 The Chairman reflected on the great sadness felt by the people of Norfolk following the helicopter crash in Cley earlier in the month. On behalf of the Council, the Chairman expressed her condolences to the family, friends and comrades of the four USAF airmen who were killed in the crash.
- 2.3 The Council stood in silence to remember Dr Norris and the four US airmen.

## **3 Declarations of Interest**

- 3.1 The following interests were declared:-

Dr Strong, as the owner of a residential property in Wells, as co-ordinator of the Wells Flood Plan, and as a representative on the Flood Forum, in respect of item 6(iv).

Mr Childs, as the owner of a business in the area that flood defences were being discussed, in respect of item 6(iv).

## **4 Questions to the Leader of the Council**

### **4.1 Question from Mr Borrett**

Given that the budget meeting is approaching on 17<sup>th</sup> February, councillors would be very keen to see the findings of the Efficiency Group. The report is ready but will not be made public until after the budget. Given how difficult and tight the budget will be could the Leader say why the report is not going to be available to Members in time for the budget setting meeting, so that the information and conclusions can be used?

The Leader replied that the budget was not dependent on the Efficiency Group's report, and that the efficiencies being proposed were not for the 2014/15 budget. The report was not complete which was why it was being presented at the March meeting.

#### 4.2 **Question from Mr M Smith**

In the September Full Council, Members passed a motion to continue the provision of free school bus travel for children already in receipt of this. Please could the Leader explain why, at the Cabinet meeting on 6<sup>th</sup> January 2014, he went against the expressed will of the Council and overturned this decision, especially as the adverse effect this will have on hard-pressed families across Norfolk outweighs the negligible savings it will offer.

The Leader replied that the issue would be debated later in the meeting and the matter was being considered by Cabinet Scrutiny Committee the following day. Therefore he considered that the debate by Full Council on the motion would cover the matter. The Leader did not feel that he had gone against the express will of the Council, which was that Cabinet look at the matter again.

#### 4.3 **Question from Dr Boswell**

The recent announcement by Mr Pickles to defer the planning decision on the Willows plant for an unspecified time has moved the residual waste project into the deep freeze. Will the Leader urgently instruct officers that planning for alternative waste solutions must start to be undertaken before Norfolk faces the impact of not diverting waste to landfill?

The Leader responded that the question inferred a decision by the Secretary of State in a particular way, and that the planning procedure was conducted in a proper manner, which had been confirmed within the independent QC's report. The Inspector had made his recommendations to the Secretary of State in early September and the Leader was surprised that a final decision had not yet been reached. The Leader suggested waiting for the decision before proceeding further.

#### 4.4 **Question from Dr Strong**

When officer's entitlement to payment for meals in certain circumstances was ceased, this was also applied to Members. At the recent Independent Remuneration Panel meeting it was suggested that this was a disincentive for people to give up their own time to be councillors. Since there were no names in the report and this was not justified in times of austerity, taxpayers should not have to pay particularly when people rely on food banks. Would the Leader ask the Group Leader who raised this issue to identify himself?

The Leader replied that it was up to the individual group leader to identify himself if he wished. Cllr Borrett confirmed that he had raised the point as he wanted to make it easier for women with young children to stand for election. The allowances paid to Members were an important part of making democracy accountable. Cllr Borrett suggested that young women were not standing for Council as the allowances paid did not reflect the time that they had to give up.

#### 4.5 **Question from Mr Bremner**

Mr Bremner asked the Leader to comment on his commitment to the new committee arrangements and to express a hope that the Conservative Group representatives would return to the Steering Group once they had had time to reflect on their walk out.

The Leader confirmed that he was committed to a better form of governance in the Council which was why he had supported the committee system since May 2013. It was important that the Council had a committee system that worked and which could be achieved if everyone worked together. The Council was seeking a more inclusive system which involved all parties, noting that he would welcome the return of the Conservative Group representatives to the Steering Group.

#### 4.6 **Question from Mr Wilby**

Does the Leader agree that the Cabinet Member for Economic Development should be the Council's representative on the New Anglia Local Enterprise Partnership?

The Leader replied that he believed that the Cabinet Member was fully qualified for the role, however the Leaders of both Norfolk County Council and Suffolk County Council were appointed to the LEP, and to pass responsibility across to a Cabinet Member could be seen as giving that organisation less priority than Suffolk County Council did.

#### 4.7 **Question from Mr Ramsbotham**

The funding of £20M for the Northern Distributor Road was still to be found. Where is this money coming from and what Council assets are going to be sold?

The Leader replied that as far as he was aware no Council assets were being sold to fund the NDR. The Cabinet Member for Finance, Corporate and Personnel commented that the Capital Programme reports would be published later that day. The Cabinet Member was looking to put together a proper capital programme for the future which would highlight how much money was needed, and what sources would be available to help fund these. Some capital funding would come from borrowing, and some from sale of assets which were no longer needed. The capital programme would be brought before members, and would include a number of areas including the NDR.

#### 4.8 **Question from Mr Watkins**

One of the first decisions made by the Council in June 2013 was to overturn the decision to discontinue adult education services from Wensum Lodge. This was part of a review which could have seen adult education transfer from County Council control to further and higher education establishments. Could the Leader confirm what further consideration has been given to the future of adult education in Norfolk since that early decision?

The Leader replied that Wensum Lodge would continue, and that the changes proposed would not be going ahead. A study had been carried out on the subject and the Leader agreed that the Director of Community Services would provide further information on the outcomes of the study. Wensum Lodge would continue as the centre for adult education in Norfolk, which was a self-funding service appreciated by many.

### 5 **Committee Governance**

5.1 The Chairman of the Committee Governance Steering Group, Mr P Smyth, gave a presentation on the work of the Group to date (Appendix 1).

5.2 Following the presentation, Group Leaders were invited to ask one question each regarding the work of the Steering Group. During this questioning it was suggested that Members with experience of committee governance could be invited to put forward their views on the new governance arrangements. It was **AGREED** that the Steering Group would consider this suggestion.

## 6 **Notice of Motions**

6.1 The following motion, proposed by Mr Borrett and seconded by Mr Coke, was moved:-

“This Council believes the new Head of Paid Service should be able to determine their own Senior Management arrangements and a reorganisation at this time does not represent a good use of Council resources, in monies, time or the goodwill of our staff. Therefore, Council RESOLVES to:

- rescind the decision by Council on 25<sup>th</sup> November 2013 to endorse the proposed Senior Management arrangements recommended by the Cabinet in its report from its 4<sup>th</sup> November meeting and as set out in Appendix B of the report
- change the title of the Head of Paid Service post from Chief Executive to Managing Director”

Note by Head of Democratic Services – In accordance with Council Procedure Rules 12.1 and 12.2, the notice of this motion was signed by 21 Members of the Council

6.1.1 Following a debate and recorded vote (Appendix 2), with 51 in favour, 28 against and 1 abstention, the motion was **CARRIED**.

6.2 The following motion, proposed by Mr Borrett and seconded by Mr M Smith, was moved:-

“On 16th September Council voted by 50 to 14 votes to ask for the school transport subsidy for pupils across Norfolk to be urgently reviewed due to safety concerns and the clearly voiced opinions of local residents.

This Council notes with considerable disappointment the undemocratic decision of the Cabinet on Monday, 6th January to go against the will of the County Council, local residents and elected representatives.”

6.2.1 Following a debate, with 52 in favour, 25 against and with 2 abstentions, the motion was **CARRIED**.

6.3 The following motion, proposed by Ms Corlett and seconded by Mr R Smith, was moved:-

“This council notes:

1 in 6 people will experience a mental health problem in any given year.

The World Health Organisation predicts that depression will be the second most common health condition worldwide by 2020.

Mental ill health costs some £105 billion each year in England alone.

People with a severe mental illness die up to 20 years younger than their peers in the UK.

There is often a circular relationship between mental health and issues such as housing, employment, family problems or debt.

This council believes:

As a local authority we have a crucial role to play in improving the mental health of everyone in our community and tackling some of the widest and most entrenched inequalities in health.

Mental health should be a priority across all this authority's functions.

All councillors can play a positive role in championing mental health on an individual and strategic basis.

By working with all our strategic partners we must develop a coherent mental health strategy for Norfolk

This council resolves:

To sign the "Local Authorities' Mental Health Challenge" run by Centre for Mental Health, Mental Health Foundation, Mind, Rethink Mental Illness, Royal College of Psychiatrists and YoungMinds.

And thereby agrees to:

1. Identify a 'lead officer' for mental health to link in with colleagues across the council
2. Follow the national mental health strategic partnership guidance for local authorities "no health without mental health"  
[http://www.centreformentalhealth.org.uk/pdfs/Mental\\_Health\\_Strategic\\_Partnership\\_LA.pdf](http://www.centreformentalhealth.org.uk/pdfs/Mental_Health_Strategic_Partnership_LA.pdf)
3. Work to reduce inequalities in mental health in our community
4. Work with the NHS to integrate health and social care support
5. Promote wellbeing and initiate and support action on public mental health
6. Encourage positive mental health in our schools, colleges and workplaces
7. Proactively engage and listen to people of all ages and backgrounds about what they need for better mental health
8. Sign the Time to change pledge to tackle mental health stigma and discrimination"

6.3.1 The following amendment was proposed by Mr Watkins:-

After 'This Council notes' insert:

"This Council welcomes:

- The steps taken by this Government to ensure that, for the first time ever, mental health is given equal priority to physical health across the NHS through the NHS Mandate.
- The significant progress made by this Government in responding to the worldwide challenges presented by dementia, culminating in the recent London G8 Summit agreement to significantly increase investment in dementia research, with an ambition to identify a cure, or a disease-modifying therapy, for



dementia by 2025.”

The amendment was accepted by Ms Corlett and became the substantive motion.

6.3.2 After a discussion the motion was **CARRIED** unanimously.

6.4 The following motion, proposed by Mr Childs and seconded by Mr M Smith, was moved:-

“This Council resolves to ask the Acting Managing Director to seek a meeting with the relevant Government Minister, local MP's and coastal County Councillors with the intent to procure additional central government funding to urgently enhance sea defences along some of our most vulnerable coastlines, in particular where homes and livelihoods are at risk. Despite some excellent work by Council and Emergency Services staff during the recent high-tide flood emergency, this Council acknowledges that Emergency Response teams were not universally adequate across the County and resolves to implement an action plan for improvement, especially with regard to the effects of coastal erosion.”

6.4.1 The following amendment was proposed by Dr Strong:-

Delete all and replace with:

“This Council resolves to require the Acting Head of Paid Service to seek a meeting with the relevant Government Minister, local Members of Parliament, the Environment Agency and coastal Councillors to consider if and where sea defences require not only repairing but upgrading in order to ensure the safety of our coastal residents and their livelihoods. Further if existing funding is inadequate for these purposes to seek additional central government funding.”

This amendment was accepted by Mr Childs and became the substantive motion.

6.4.2 After a discussion the motion was **CARRIED** unanimously.

6.5 The following motion, proposed by Mr Dobson and seconded by Mr Long, was moved:-

“This Council is aware that there is now evidence that the environmental permit awarded for the King's Lynn incinerator may have been the result of a flawed process. Important deficiencies appear to have been ignored which should have been addressed. They are:

- Some of Wheelabrator's incinerators in the USA are officially recorded as “HPV” (High Priority Violator) and have the current compliance status of “Significant Violation”. During the Environment Agency (EA) permit consultation many people raised concerns about the numerous violations of Environmental laws in North America by Wheelabrator incinerators. The US Environmental Protection Agency publishes details of compliance failures and the penalties levied against offending companies. If some of the violations associated with Wheelabrator were in future to be repeated at the proposed King's Lynn site the impact could be very serious for protected habitats, public health, farming and tourism. The EA response to these concerns was to ask Wheelabrator for information about their compliance record. Wheelabrator failed to disclose any of their violations or the substantial penalties levied against them; instead they responded indirectly via a letter to their own consultants. Their letter was ‘economical with the truth’ giving a strong impression

that Wheelabrator had an unblemished compliance record; when it was forwarded to the EA it was accepted at face value. As a result the EA did not consider important material facts that could have influenced the permit and conditions attached to it.

- The dispersal and impact of emission from the proposed incinerator should have been thoroughly assessed as part of the Environmental Impact Assessment (EIA); unfortunately a scientifically robust assessment has not been conducted. Usually the industry Air Dispersal Modelling Standard (ADMS) Software provides a sound basis for such an assessment. The King's Lynn site has unique conditions that were not given proper consideration. Cory Wheelabrator (CW) failed to notice the revised orientation of the Centrica 'B' power station (already permitted but not yet constructed). This is significant because it now places a bank of air-cooled condensers immediately upwind and adjacent to the incinerator stack and this has a major impact on the incinerator's plume. The authors of the ADMS software acknowledged in a letter that ADMS is incapable of modelling the impact on the plume under these complex conditions. Other software is available which can cope with the site-specific conditions but this was not used. Cory Wheelabrator's own site plans continue to show the Centrica condensers in their previous location where they would not affect the plume. Until opponents of the incinerator drew this problem to the attention of the EA's permitting team the EA had not noticed it. The EA did not insist on remodelling using the appropriate software. It is the professional opinion of a qualified local environmental consultant "this is a fundamental breach of the EIA regulations" With so many other assessments dependent on it, accurate modelling is essential.
- Standard permitting rules for Incinerator Bottom Ash (IBA) processing facilities require them to be 250 meters from the nearest Sensitive Receptors. In the case of King's Lynn a combined bespoke permit was issued to cover both the IBA facility and the Incinerator. Bespoke permits should afford the same level of protection for public health and the environment as standard permit rules. The King's Lynn IBA facility cannot comply with standard permitting rules due to the close proximity of sensitive receptors (within 50 meters). When applying for the bespoke permit Cory Wheelabrator failed to identify the nearest sensitive receptors. The applicant and the EA have still not acknowledged the existence of sensitive receptors within 50 meters of the IBA facility, namely "C and A" Superbikes, the Police Investigation Centre and the Borough Council's Recycling Site.
- King's Lynn's Air Quality Management Areas (AQMA) are located downwind of the proposed incinerator's site. The AQMA's records show that they are currently in excess of the annual air quality standard of (40µg/m<sup>3</sup>) for oxides of nitrogen (NO<sub>2</sub>), which are injurious to health. The incinerator and HGV traffic serving the incinerator will further add to the NO<sub>2</sub> burden in the AQMA. The full extent of the increase and its impact, have not been scientifically assessed. As previously mentioned the emissions modelling used standard ADMS software under circumstances that render the results meaningless. Therefore the health and environmental assessments based upon the ADMS model are all fundamentally flawed. In a situation such as this where existing standards are already exceeded the EA can impose permit conditions that afford greater protection.

In the light of the above and recognising the Council's responsibility and duty to be quite sure that the safety of Norfolk's populations, environment and habitats is properly guaranteed, this Council directs the ETD Overview and Scrutiny Panel, as a matter of

urgency, to examine the issues raised in this Motion, and if necessary to recommend that the environmental permit be suspended until those concerns are satisfactorily resolved.”

6.5.1 Following a debate and recorded vote (Appendix 3), with 33 in favour and 42 against, the motion was **LOST**.

6.6 The following motion, proposed by Mr Dobson, was moved:-

“If the Secretary of State, in the near future and after the date of submission of this Motion, decides in favour of the planning application for a mass-burn incinerator at the Willows, King's Lynn, this Council would have no confidence, on such an announcement being made, in the present Leader, Councillor George Nobbs, because of his unprincipled refusal to honour the Labour Party's special election pledge, which he wrote and published in their manifesto, and which promised to seek means other than mass-burn incineration for disposing of Norfolk's residual solid domestic waste if such a course were legally possible. A formal opportunity for this of course occurred, on 28th October last year, but the Council Leader resolutely refused to espouse it, indeed he acted vigorously against it, in defiance of the wishes of many of those electors in Norfolk who voted for him and other Labour election candidates. A motion such as this on the part of the Council at this time will serve, if nothing else, a moral purpose, by balancing any undue influence which may have been exerted on the Secretary of State by the Council Leader's pro-incinerator actions prior to and after 28 October, even if it can only be retrospective.”

6.6.1 The motion had no seconder and it therefor **FELL**.

*The meeting adjourned at 1.15pm and reconvened at 1.45pm.*

## 7 **Cabinet Recommendations**

7.1 Mr Joyce moved the recommendations from the Cabinet meeting held on 2 December 2013.

### 7.2 **RESOLVED:**

1. To approve the Mid Year Treasury Management Monitoring Report 2013-14.
2. That delegated authority be given to Kings Lynn and West Norfolk Borough Council in respect of the County Council's powers in Sections 143 and 149 of the Highways Act 1980 in relation to the area of West Norfolk defined at Appendix B of the Cabinet report to be carried out in accordance with a defined street activities code, commencing on a date to be determined by the Interim Director of Environment, Transport and Development and on such terms as he shall approve in consultation with the Head of Law and Cabinet Member for Environment, Transport, Development and Waste.
3. That delegated authority be given to the Interim Director of Environment, Transport and Development, in consultation with the Head of Law and Cabinet Member for Environment, Transport, Development and Waste, to implement the above recommendation with other district councils in Norfolk if they request such a delegation.

4. To approve the Statement of Purpose and Functions for the Local Authority Adoption Service to comply with the Care Standards Act 2000.
5. To approve the Statement of Purpose and Functions for the Local Authority Fostering Service to comply with the Care Standards Act 2000.
6. To approve the Statement of Purpose and Functions for the Local Authority's Children's Homes to comply with the Care Standards Act 2000.

## 8 Reports of Cabinet 2 December 2013 and 6 January 2014

### Questions to the Cabinet Member for Finance, Corporate and Personnel

#### 8.1 Question from Mr Dearnley

The Corporate Resources Overview and Scrutiny Panel papers state that there is a balance of £16.8M remaining in the General Balance Reserve, stating that this could be used but that it would only be available on a one-off basis. Members were previously informed that should this balance fall below £16M, the minimum level which the Council has set, that the Council would effectively be bankrupt. Could the Cabinet Member please advise which of these two conflicting positions is the correct one?

The Cabinet Member replied that the budget papers being published for Cabinet would give some outline of the strategy for budget reserves for next year. Reserves could only be spent once, and the Council was only prepared to use reserves of any description for 'spend to save' activities, not for the maintenance of existing services to backfill revenue cuts. The definition of bankruptcy would be to not have enough money to meet the ongoing obligations of the Council, and the previous advice had been specific to that issue. The motion to rescind the previous decision around senior management review would need to be taken into account for the budget planning process.

#### 8.2 Question from Mrs Leggett

What progress has been made in the disposal of underused corporate assets?

The Cabinet Member replied that the programme of change was being worked through, and Council approval of the budget in February would give a clear view of what was to be achieved. The Cabinet Member was working on the disposal of under-utilised assets, as well as the refurbishment of County Hall to ensure that more redundant assets could be disposed of quickly. A review of the method of disposal of property was underway, which would include a greater challenge mechanism and a staged disposal programme. Progress was being made, and needed to be shifted into a different context with a more streamlined approach in future.

#### 8.3 Question from Mr R Smith

The Cabinet papers of 6<sup>th</sup> January 2014 gave a position of forecast reserves, particularly 'earmarked reserves non-schools' which started the financial year at £90M and is forecast to be £64M at the end of March 2014. This reflects a £26M decline in this reserve. Where has this money gone? Were these reserves for committed spend or for ongoing repairs and maintenance? Mr Smith hoped that a future report to

Cabinet would indicate where this money had gone.

The Cabinet Member replied that the money had been spent on the purposes for which it was reserved. The earmarked reserves had also been scrutinised to ensure that they were required for necessary expenditure, and if not then they had been removed. This did not mean that projects were underfunded, but that the reserve was no longer required. The projected spend of the earmarked reserves had been studied to ensure that money would be required for the purposes identified for the spend pattern over the next three years. This position would be much clearer once the budget papers were published. Cllr Morpew would be happy to answer individual questions on that matter.

### **Questions to the Cabinet Member for Public Protection**

#### **8.4 Question from Mrs Thomas**

At the Corporate Resources Overview and Scrutiny Panel meeting there had not been an opportunity for Cllr Roper to present the budget proposals for Public Health to Members. The budget for Public Health is ring-fenced therefore proposals are not savings within themselves, however could the Cabinet Member share with the Council the likely knock-on effect that the Public Health budget would have on other services? It is hoped that Public Health will effect some savings in other areas through their work.

The Cabinet Member agreed to circulate a full response after the meeting.

#### **8.5 Question from Mr Seward**

Would the Cabinet Member consider the establishment of a Member Working Group to ensure that there is the required impetus to examine what can be done to improve sea defences and associated inland drainage systems.

The Cabinet Member replied that lessons were being identified from the recent flooding incident, and there was a commonality between coastal areas across Norfolk in the challenges that they faced. He agreed to investigate Mr Seward's suggestion of a working group.

#### **8.6 Question from Dr Strong**

While recognising the financial situation that the Council is in, can the Cabinet Member give assurance that the cuts to the Trading Standards service will not impinge on the work carried out in safeguarding vulnerable residents against criminal acts, legally or morally, regarding the sale of dangerous foods and electrical goods?

The Cabinet Member acknowledged that services and budgets had to be scrutinised during times of cuts, and that the most vulnerable in the community were the Council's top priority.

#### 8.7 Question from Mr Hebborn

Following the vicious and unprovoked assault on a police officer recently, which left him with a broken leg and back injuries, would the Cabinet Member record that the Council expects the full weight of the law to be asserted on the offender and that all those who put themselves in harms way to protect society are reminded of this council's continued and unequivocal support.

The Cabinet Member spoke for the Council in giving total support for those who put themselves in harms way, and extended this to all professionals within the criminal justice system and emergency services. He expressed best wishes for the police officer with a speedy recovery, together with his female colleague who was also injured in the incident. He expected the law to deal with the offenders accordingly.

#### 8.8 Question from Mr Childs

Please could the Cabinet Member convey the Council's thanks to the Winterton Coastguard Team who acted uncalled, and helped people from their chalet homes as they were falling into the sea. Could the Cabinet Member also explain why there was no emergency response within Mr Childs' division on the night of the floods until 9.28pm, and why this seaside area was left to the mercy of the elements?

The Cabinet Member replied that the points had been raised at the debrief the previous week and that there were lessons to be examined in relation to the events last December.

### **Questions to the Cabinet Member for Safeguarding**

#### 8.9 Question from Mr Watkins

In August 2013, the Cabinet approved an additional £5M from the 2013/14 revenue budget for the employment of additional social workers to help improve the availability of provision and services for looked after children and vulnerable young people in Norfolk. Could the Cabinet Member confirm what impact this investment has had so far, and what further actions are planned in the coming months?

The Cabinet Member reported that the Directions Notice, dated 18<sup>th</sup> December 2013, had been received. The Notice provided that the Council should submit their plans for improvement within two calendar months, which gave until 18<sup>th</sup> February 2014. The £5M funding was part of a package which changed the management structure of Children's Services. Five interim members of staff were in place, together with the best Children's Services Director. The funding had contributed towards the cost of these members of staff. The recruitment campaign for permanent social workers was ongoing, including targeted Tube advertising in London. The recruitment website had received 4,400 hits. This showed to the Department for Education that everything was moving in the right direction. Another element of the Notice was to demonstrate that the Council's Members were behind improving Children's Services, which was being supported by a new focus within the Children's Services Overview and Scrutiny Committee.

#### 8.10 Question from Ms Kemp

At the last Full Council meeting, a reference was made to missing looked after children

which was an issue of great concern. Could the Cabinet Member inform Council what has been done since last Council to improve performance in that area, and how this is being measured, and what more needs to be done?

The Cabinet Member replied that a report on this would be presented at the Children's Services Overview and Scrutiny Panel.

8.11 Question from Mrs Leggett

Council has heard in the past about 'Good' or 'Outstanding' OFSTED ratings for residential settings for children and young people, which are run by Norfolk County Council. Could the Cabinet Member report on the residential settings that are used by the Council, but that are run by other providers?

The Cabinet Member replied that every looked after child in Norfolk was under the care of the Council. Some private care providers were more efficient than others, and further information on this matter would be reported to the Children's Services Overview and Scrutiny Panel.

**Questions to the Cabinet Member for Schools**

8.12 Question from Mr Wilby

Has the Cabinet Member written and congratulated Dickleburgh Primary School, its governors, and community, on their tremendous achievement of being one of only 159 schools in the country to achieve 100% Level 4 attainment in all core subjects?

The Cabinet Member replied that the school deserved the Council's commendation and thanked Mr Wilby for bringing this to his attention. The Cabinet Member confirmed that he would write to the school with his congratulations.

8.13 Question from Mr Bearman

Mr Bearman commended the council on promoting walking and cycling as a health option for travel to and from school. Would the Cabinet Member support an area-wide default 20mph speed limit in urban areas, improving safety on the roads for children on their whole journey to school, not just for the last 100 metres outside the school gate?

The Cabinet Member replied that he saw the merits of 20mph limits in streets near schools but would not wish to pass judgement on a district-wide implementation of such limits as this was not always appropriate. However this made sense in the vicinity of schools, for public and road safety.

8.14 Question from Mrs Thomas

Mrs Thomas questioned the exemption to contract standing orders relating to the specialist resource bases, which stated that the Cabinet resolved "to note". Does the Cabinet not have to make a decision to undertake the exemption to contract standing orders?

The Cabinet Member responded that this was an officer delegated power and was therefore noted.

8.15 Question from Mr R Smith

In some parts of the county there is an increasing need for school places. Could the Cabinet Member comment generally on the council's capacity to deliver future school improvements and school building?

The Cabinet Member replied that the allocation from government of capital funding for the next three years had recently been received. Section 106 money from developers would still be required in some areas over the longer period, however the existing programmed looked set to meet demand in the near future.

8.16 Question from Mr Bremner

Would the Cabinet Member consider writing to all the schools that improved their results for the children in the 'value added' category?

The Cabinet Member agreed that he would write, and agreed that there was a need to recognise improvement in many areas as well as academic results.

8.17 Question from Mr Collis

Would the Cabinet Member comment on the benefits of the appointment of the Interim Director of Children's Services?

The Cabinet Member replied that this had been an excellent appointment for the council, and that she had brought real experience from other authorities in a similar position to Norfolk. She had infused confidence in the staff around her, and given a new focus on the essential needs of the department. There was a need to be focussed on outcomes, with special regard to the statutory duties of the council. She had brought focus, experience and confidence.

**Questions to the Cabinet Member for Adult Social Services**

8.18 Question from Mrs Brociek-Coulton

Is there anything in particular that could be carried forward from the findings of the Fuel Poverty Working Group report?

The Cabinet Member replied that two main recommendations of the report which would be presented to Cabinet were centred around the roll-out of mains gas, with 80% of Norfolk not having access to this. The second recommendation suggested that the Council should subscribe to the Energy Bill, which would spend the carbon tax revenue of around £4BN per year nationally on making homes more energy efficient. It was noted that many homes in Norfolk relied on expensive oil heating.



#### 8.19 Question from Mrs Gurney

Mrs Gurney expressed concern about the budget proposals to heavily rely on NHS money to supplement the Swifts and Night Owls service. Could the Cabinet Member give assurance that this service would be protected should the NHS money not be forthcoming, noting that there had been commentary on the local radio suggesting that the Ambulance Service relied on this service for less critical emergencies.

The Cabinet Member replied that the Swifts was not an emergency medical service and that anyone suffering a fall should call the ambulance service, who would then assess the risk and determine whether another agency should respond. Swifts and Night Owls were not medically trained however they did have equipment to lift someone who had fallen. The Swift and Night Owl service was designed for lower level assistance, employing 40 full time equivalent staff with eight on duty at a time. The Cabinet Member was disappointed that the ambulance service were no longer routinely responding to falls.

Around £7M per year was spent on the Swift and Night Owl service, with the main benefit being prevention of admission to hospital. The NHS contributed around £1M to the service. Discussions were underway to seek a more equitable division of financial contribution.

#### **Questions to the Cabinet Member for Communities**

#### 8.20 Question from Mr Humphrey

Mr Humphrey noted the ongoing review within the Adult Education Service and asked when the outcome of the Wensum Lodge investigation would be known so that the review of adult education could be completed.

The Cabinet Member confirmed that a report would be presented to the Community Services Overview and Scrutiny Panel in March 2014, and had understood that an answer to the question raised at the previous meeting had been provided. The Leader added that he had earlier confirmed that services would continue to be provided from Wensum Lodge and that the Director would provide further information.

#### 8.21 Question from Mr Humphrey

Would the Cabinet Member congratulate the Library Service and the Customer Services for the information that is given within her report, and also the Norfolk Museums Service for the great efforts that they are making on income generation, finding ways of getting money for that service to increase the service? Mr Humphrey noted that he hoped that all services would follow this example.

The Cabinet Member agreed with Mr Humphrey's comments.

#### 8.22 Question from Mr Ward

In the recent consultation there was reference to libraries sharing buildings and possibly being moved. Has the administration any concrete plans for libraries to be closed in the future?

The Cabinet Member replied that the administration never had and never would propose to close libraries. They were of great value to the community across all age groups with

lots of activities, and were a resource that needed to be kept.

8.23 Question from Ms Kemp

Regarding the increased footfall in Norfolk's museums last year, and the plans for a Foundation in order to maximise income generation, have there been any plans to bring this into force?

The Cabinet Member replied that there were plans for the Foundation which were not yet finalised, but would be very welcome when implemented.

8.24 Question from Mr Wilby

Will the Cabinet Member support the running of the Pride in Norfolk Awards during 2014?

The Cabinet Member replied that no decision had been made at present.

**Questions to the Cabinet Member for Economic Development.**

8.25 Question from Mr Timewell

Would the Cabinet Member update Members on the Coltishall project?

The Cabinet Member reported that a meeting had taken place with Norman Lamb MP, and that people with interests in the site had been invited to declare these by the end of March 2014 with a closing date of April 2014. A development partnership relating to the former Officers' Mess was being set up, however this had not yet reached the planning stage. Draft proposals were ready for submission in relation to other prospective occupiers. These would be submitted if and when the Council agreed to enter into a lease agreement. The modern runway extension would be used for aggregate which would be used on the new Postwick Hub build, recouping the cost of purchasing the site. The original runway would remain in situ and there were plans to reinstate a small hamlet, Batley Green, which had to be demolished when RAF Coltishall was established, to make way for the runway.

8.26 Question from Mr Wilby

When will Norfolk County Council take over the INTERREG project and when will the 30 new jobs be advertised that are required to run the programme?

The Cabinet Member agreed to provide a written response.

8.27 Question from Mrs Thomas

Would the Cabinet Member thank the staff involved in Apprenticeships Norfolk for achieving 287 new apprenticeships in this programme?

The Cabinet Member supported Mrs Thomas's comments and noted that the Council intended to continue supporting this programme as best it could.

**Questions to the Cabinet Member for Environment, Transport, Development and Waste**

8.28 Question from Dr Boswell

The recent consultation submitted to the Planning Inspectorate shows 460 residents opposed a three quarter Northern Distributor Road whilst only 171 supported it. Given this growing lack of support, and that this council has to find £189M of cuts, will the Cabinet Member freeze any start of construction within the financial year 2014/15, saving the Council at least £3M?

The Cabinet Member responded that the answer was no.

8.29 Question from Mr R Smith.

The Cabinet Member advised Cabinet about the reports from PriceWaterhouse Cooper and Queen's Counsel regarding the waste incineration project. Could the Cabinet Member advise Council as to how much each of those report cost?

The Cabinet Member agreed to provide a written response.

8.30 Question from Mr Spratt

With their budget release, the Conservative Group priced in the four recommendations which were passed on Tuesday 14<sup>th</sup> January 2014 at the Environment, Transport and Development Overview and Scrutiny Panel. Could the Cabinet Member support and propose these recommendations to Cabinet?

The Chairman disallowed the question as it related to the budget which would be discussed at the next meeting.

8.31 Question from Mr East

Is the recent A47 announcement by the Prime Minister when he visited Norfolk just hollow and empty rhetoric?

The Cabinet Member replied that he had listened very carefully to what the Prime Minister had said, and noted that an NCC delegation had visited Westminster to discuss the matter there. The Cabinet Member was glad that the Prime Minister had made the announcement and hoped that this was delivered.

8.32 Question from Mr Dobson

Referring to the PriceWaterhouse Cooper and Queen's Counsel reports, given that the reports self-evidently contain irregularities, omissions and material, intellectual and moral conflicts in their detailed content, would the Cabinet Member agree that it would be unusual if the Cabinet Scrutiny Committee did not wish as a matter of expediency to learn more of the Cabinet's detailed views on both reports, and to seek to challenge them if they are considered to be wrong?

The Cabinet Member replied that he did not think so.

8.33 Question from Mr Childs

Would the Cabinet Member convey the Council's thanks to Mr McCabe for the sterling

work that the ETD staff did during the floods?

The Cabinet Member agreed to convey this message.

8.34 Question from Mrs Gurney

Could the Cabinet Member give assurance that more rigorous checks will be made to ensure that minor road works such as re-lining of white lines are completed properly? This is mentioned as a result of re-lining in Hellesdon where the contractors sent the bill when only half the work had been completed.

The Cabinet Member replied that he would pass these comments to the Director.

9 **Reports**

9.1 **Report of the Cabinet Scrutiny Committee 19 November 2013.**

Mr Borrett moved the report. Council **RESOLVED** to note the report.

9.2 **Report of the Personnel Committee 22<sup>nd</sup> November 2013 and 2 December 2013**

Mr Nobbs moved the report. Council **RESOLVED** to note the report.

9.3 **Report of the Norfolk Health Overview and Scrutiny Committee 28 November 2013.**

Mr Carttiss moved the report. Council **RESOLVED** to note the report.

9.4 **Report of the Planning (Regulatory) Committee 6 December 2013**

Mr Bremner moved the report. Council **RESOLVED** to note the report.

9.5 **Report of the Norwich Joint Highways Committee Meeting 28 November 2013.**

Mr Adams moved the report. Council **RESOLVED** to note the report.

9.6 **Report of the Norfolk Joint Museums Committee Meetings 22 November 2013 and 3 January 2014.**

Mr Ward moved the reports. Council **RESOLVED** to note the reports.

9.7 **Report of the Norfolk Records Committee Meetings 22 November 2013 and 3 January 2014.**

Mr Chenery moved the reports. Council **RESOLVED** to note the reports.

10 **Overview and Scrutiny Panels**

Council **RESOLVED** to note the report.

11 **Appointments to Committees / Panels etc**

It was noted that the following appointments to committees and panels had been made:

- Mr Bremner to the vacancy on the Community Services Overview and Scrutiny Panel.
- Mr Jermy to the vacancy on the Fire and Rescue Overview and Scrutiny Panel.
- Mr Seward to replace Mr Hannah on the Health Overview and Scrutiny Committee.
- Mr Thomas to replace Mr Hannah on the Fire and Rescue Overview and Scrutiny Panel.

**12 To Answer Questions on notice under rule 8.3 of the Council Procedure Rules**

There were none.

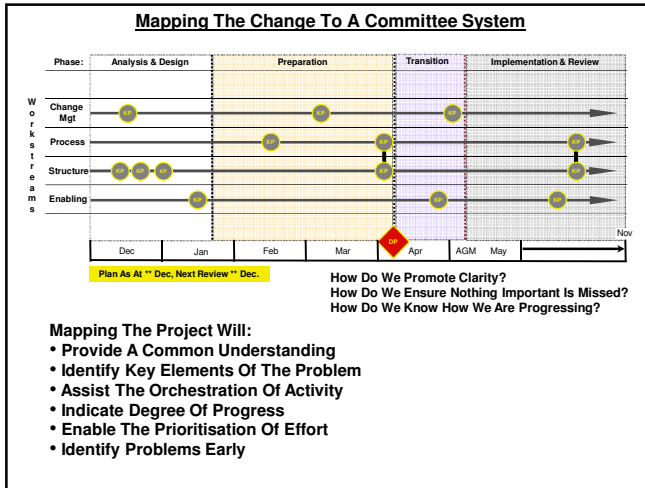
The meeting concluded at 3pm.

**Chairman**

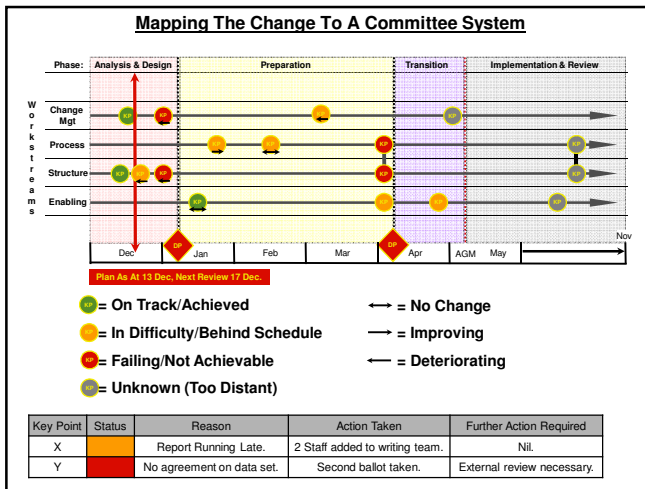
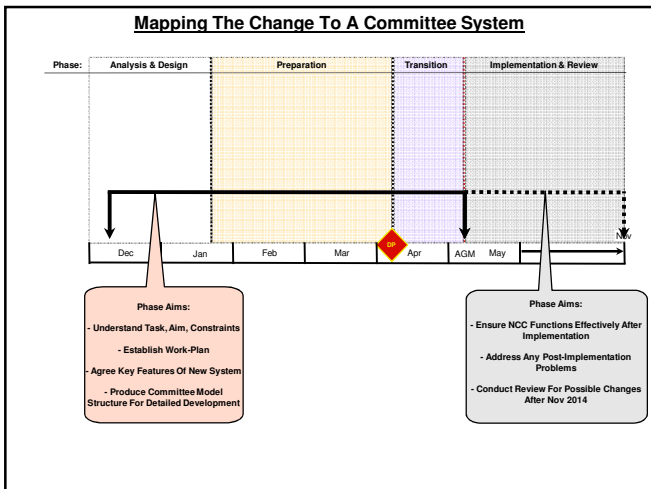
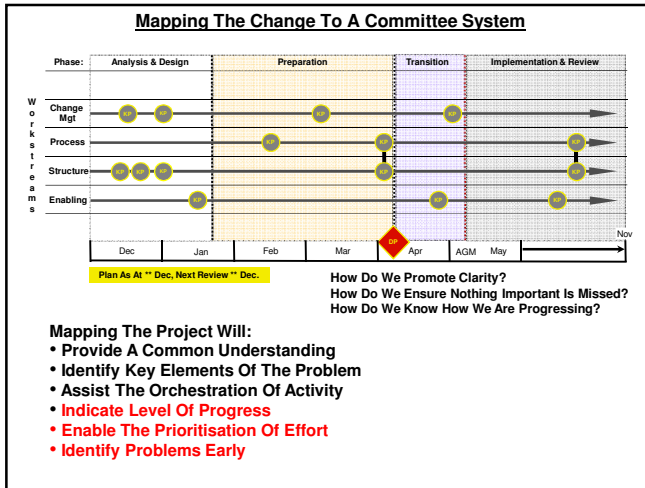
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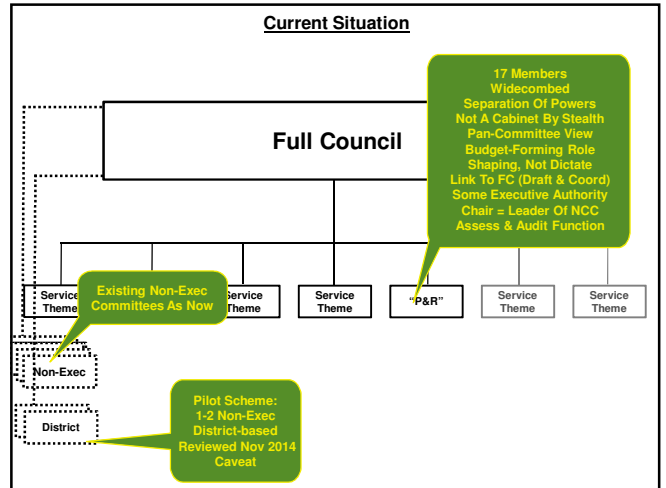
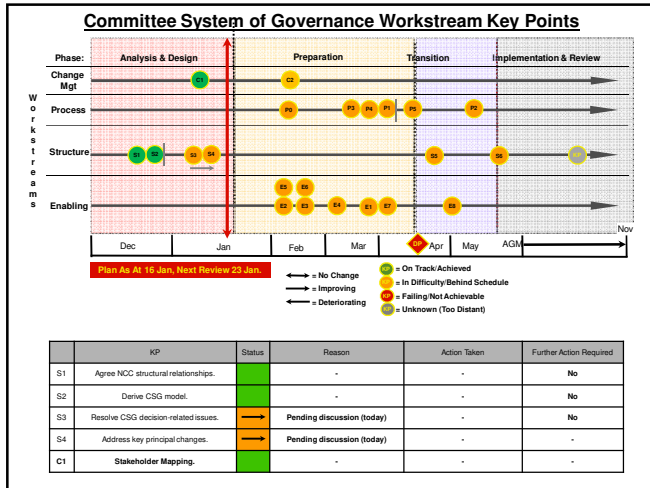
"This Council agrees to the introduction of a Committee system for Norfolk County Council which includes a Policy and Resources Committee. This Council further agrees to the establishment of a cross party Steering Group consisting of two members of each political group and the independent member. This Steering Group will produce a detailed committee system proposal to be voted on at an extraordinary meeting of the Council in April 2014 to come into effect from May 2014."

25 Nov 13



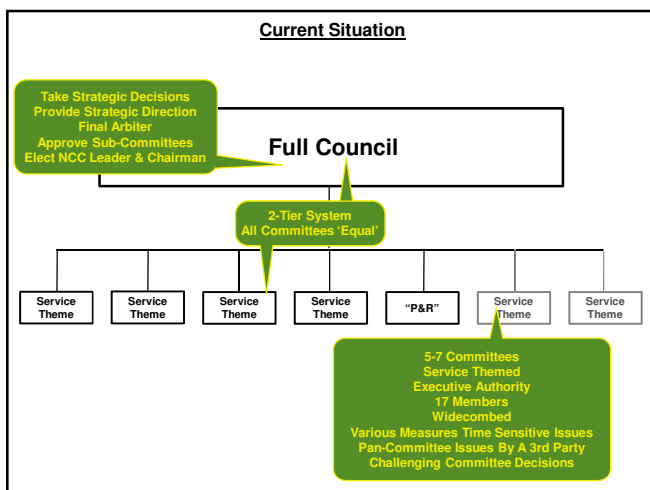
1. An Update During Analysis & Design Phase = Detail In April
2. Requirement Focus (Work From First Principles)
3. First Task...
4. Detail In April





KP	Status	Reason	Action Taken	Further Action Required
S5	On Track/Achieved	-	-	-
S6	On Track/Achieved	-	-	-
P0	On Track/Achieved	-	-	-
P1	On Track/Achieved	-	-	-
P2	On Track/Achieved	-	-	-
P3	On Track/Achieved	-	-	-
P4	On Track/Achieved	-	-	-
P5	On Track/Achieved	-	-	-
E1	On Track/Achieved	-	-	-
E2	On Track/Achieved	-	-	-
E3	On Track/Achieved	-	-	-
E4	On Track/Achieved	-	-	-
E5	On Track/Achieved	-	-	-
E6	On Track/Achieved	-	-	-
E7	On Track/Achieved	-	-	-
E8	On Track/Achieved	-	-	-
C1	On Track/Achieved	-	-	-
C2	On Track/Achieved	-	-	-

1. Scope & Scale Of The Task
2. Analysis & Design Phase = Detail In April
3. Steering Group members
4. The Ability To Review
5. Common Ground & Objectives



**Norfolk County Council  
20 January 2014**

**Appendix 2**

**Recorded Vote – Minute 6.1 – Mr Borrett Motion**

<b>Name</b>	<b>For</b>	<b>Against</b>	<b>Name</b>	<b>For</b>	<b>Against</b>
<b>Adams</b> Tony	x		<b>Jermy</b> Terry		x
<b>Agnew</b> Stephen	x		<b>Jordan</b> Cliff	x	
<b>Aldred</b> Colin	x		<b>Joyce</b> James		x
<b>Askew</b> Stephen	x		<b>Kemp</b> Alexandra		x
<b>Baker</b> Michael	x		<b>Kiddle-Morris</b> Mark	x	
<b>Bearman</b> Richard		x	<b>Law</b> Jason	x	
<b>Bird</b> Richard	x		<b>Leggett</b> Judy	x	
<b>Borrett</b> Bill	x		<b>Long</b> Brian	x	
<b>Boswell</b> Andrew		x	<b>Mackie</b> Ian	x	
<b>Bremmer</b> Bert		x	<b>Monson</b> Ian	x	
<b>Brociek-Coulton</b> Julie		x	<b>Mooney</b> Joe	x	
<b>Byrne</b> Alec	ABSENT		<b>Morgan</b> Elizabeth		x
<b>Cartiss</b> Michael	x		<b>Morphew</b> Steve		x
<b>Castle</b> Mick		x	<b>Nobbs</b> George		x
<b>Chamberlin</b> Jenny	x		<b>Northam</b> Wyndham	x	
<b>Chenery of Horsbrugh</b> Michael	x		<b>Parkinson-Hare</b> Rex	x	
<b>Childs</b> Jonathon	x		<b>Perkins</b> Jim	x	
<b>Clancy</b> Stuart	ABSENT		<b>Proctor</b> Andrew	x	
<b>Coke</b> Toby	x		<b>Ramsbotham</b> David	x	
<b>Collis</b> David		x	<b>Richmond</b> William	x	
<b>Corlett</b> Emma		x	<b>Roper</b> Daniel		x
<b>Cox</b> Hilary	x		<b>Sands</b> Mike		x
<b>Crawford</b> Denis	x		<b>Seward</b> E		x
<b>Dearnley</b> Adrian		x	<b>Shaw</b> Nigel	ABSENT	
<b>Dewsbury</b> Margaret	x		<b>Smith</b> Matthew	x	
<b>Dixon</b> Nigel	x		<b>Smith</b> Roger	x	
<b>Dobson</b> John	x		<b>Smyth</b> Paul	ABSTAIN	
<b>East</b> Tim		x	<b>Somerville</b> Margaret	x	
<b>FitzPatrick</b> Tom	x		<b>Spratt</b> Bev	x	
<b>Foulger</b> Colin	x		<b>Storey</b> Martin	x	
<b>Garrod</b> Tom	x		<b>Strong</b> Marie		x
<b>Gihawi</b> Deborah		x	<b>Thomas</b> Alison	x	
<b>Gilmour</b> Paul	x		<b>Thomas</b> David	ABSENT	
<b>Grey</b> Alan	x		<b>Timewell</b> John		x
<b>Gunson</b> Adrian	x		<b>Virgo</b> Judith	x	
<b>Gurney</b> Shalagh	x		<b>Walker</b> Colleen		x
<b>Hacon</b> Pat		x	<b>Ward</b> John	x	
<b>Hannah</b> Brian		x	<b>Watkins</b> Brian		x
<b>Harrison</b> David		x	<b>Whitaker</b> Sue		x
<b>Hebborn</b> Stan	x		<b>White</b> Tony	x	
<b>Humphrey</b> Harry	x		<b>Wilby</b> Martin	x	
<b>Iles</b> Brian	x		<b>Wilkinson</b> Margaret		x

For 51, Against 28, Abstentions 1 – **CARRIED**



**Norfolk County Council  
20 January 2014**

**Appendix 3**

**Recorded Vote – Minute 6.5 – Mr Dobson Motion**

<b>Name</b>	<b>For</b>	<b>Against</b>	<b>Name</b>	<b>For</b>	<b>Against</b>
<b>Adams</b> Tony		x	<b>Jermy</b> Terry		x
<b>Agnew</b> Stephen	x		<b>Jordan</b> Cliff		x
<b>Aldred</b> Colin	x		<b>Joyce</b> James		x
<b>Askew</b> Stephen		x	<b>Kemp</b> Alexandra	x	
<b>Baker</b> Michael	x		<b>Kiddle-Morris</b> Mark		x
<b>Bearman</b> Richard	x		<b>Law</b> Jason	x	
<b>Bird</b> Richard	x		<b>Leggett</b> Judy		x
<b>Borrett</b> Bill		x	<b>Long</b> Brian	x	
<b>Boswell</b> Andrew	x		<b>Mackie</b> Ian		x
<b>Bremmer</b> Bert		x	<b>Monson</b> Ian		x
<b>Brociek-Coulton</b> Julie	x		<b>Mooney</b> Joe		x
<b>Byrne</b> Alec	ABSENT		<b>Morgan</b> Elizabeth	x	
<b>Carttiss</b> Michael	ABSENT		<b>Morphew</b> Steve		x
<b>Castle</b> Mick		x	<b>Nobbs</b> George		x
<b>Chamberlin</b> Jenny		x	<b>Northam</b> Wyndham		x
<b>Chenery of Horsbrugh</b> Michael	x		<b>Parkinson-Hare</b> Rex	x	
<b>Childs</b> Jonathon	x		<b>Perkins</b> Jim	x	
<b>Clancy</b> Stuart	ABSENT		<b>Proctor</b> Andrew		x
<b>Coke</b> Toby	x		<b>Ramsbotham</b> David	x	
<b>Collis</b> David	ABSENT		<b>Richmond</b> William		x
<b>Corlett</b> Emma		x	<b>Roper</b> Daniel	x	
<b>Cox</b> Hilary	x		<b>Sands</b> Mike		x
<b>Crawford</b> Denis	x		<b>Seward</b> E	x	
<b>Dearnley</b> Adrian	x		<b>Shaw</b> Nigel	ABSENT	
<b>Dewsbury</b> Margaret	ABSENT		<b>Smith</b> Matthew	x	
<b>Dixon</b> Nigel		x	<b>Smith</b> Roger		x
<b>Dobson</b> John	x		<b>Smyth</b> Paul	x	
<b>East</b> Tim	x		<b>Somerville</b> Margaret		x
<b>FitzPatrick</b> Tom		x	<b>Spratt</b> Bev		x
<b>Foulger</b> Colin		x	<b>Storey</b> Martin	x	
<b>Garrod</b> Tom		x	<b>Strong</b> Marie	ABSENT	
<b>Gihawi</b> Deborah	x		<b>Thomas</b> Alison		x
<b>Gilmour</b> Paul	x		<b>Thomas</b> David	ABSENT	
<b>Grey</b> Alan	x		<b>Timewell</b> John	x	
<b>Gunson</b> Adrian		x	<b>Virgo</b> Judith		x
<b>Gurney</b> Shalagh		x	<b>Walker</b> Colleen		x
<b>Hacon</b> Pat		x	<b>Ward</b> John		x
<b>Hannah</b> Brian	x		<b>Watkins</b> Brian	ABSENT	
<b>Harrison</b> David		x	<b>Whitaker</b> Sue		x
<b>Hebborn</b> Stan	x		<b>White</b> Tony		x
<b>Humphrey</b> Harry		x	<b>Wilby</b> Martin		x
<b>Iles</b> Brian		x	<b>Wilkinson</b> Margaret		x

For 33, Against 42, – **LOST**

**RECOMMENDATIONS FROM THE CABINET  
MEETING HELD ON 27 JANUARY 2014**

- **COUNTY COUNCIL AMBITION AND PRIORITIES**
- **REVENUE BUDGET FOR 2014-17**
- **CAPITAL PROGRAMME 2014-17 AND PRUDENTIAL INDICATORS**
- **ANNUAL INVESTMENT AND TREASURY STRATEGY 2014/15**

**1. Consideration of Revenue and Capital Budget for 2014-17**

1.1 Cabinet received seven reports which set out the Revenue and Capital budget for 2014-17. These are:

- Findings from the Putting People First Consultation and the outcome of the Equality Impact Assessments of budget proposals
- Revenue Budget 2014-17
- Adequacy of reserves and provisions 2014-17
- Robustness of estimates 2014-17
- Capital Strategy and Programme 2014-17
- Medium Term Financial Strategy 2014-17
- Annual Investment and Treasury Strategy 2014-15

**1.2 Findings from the Putting People First Consultation and the Outcome of the Equality Impact Assessments of Budget**

1.2.1. Cabinet received a report which set out the main findings of the Putting People First Consultation and the Equality Impact Assessment process. By way of background information, to support its decision-making, Cabinet members were provided with key findings from the public consultation and from the Equality Impact Assessment of the budget proposals.

1.2.2 Similarly, to support Full Council's decision making, the Cabinet report is included here at **Appendix 1 (Page 30 )**, together with the detailed findings set out in the Putting People First Consultation and Equality Impact Assessments as presented to Overview & Scrutiny Panels throughout January, and compiled in one place on the Putting People First web page [www.norfolk.gov.uk/budgetconsultationfindings](http://www.norfolk.gov.uk/budgetconsultationfindings) .

**1.2.3 RESOLVED TO RECOMMEND TO COUNCIL** that the ambition and priorities, at section 5.1 of the Cabinet report, be confirmed as:

The Council's ambition for Norfolk is for everyone in Norfolk to succeed and fulfil their potential. By putting people first we can achieve a better, safer future, based

on education, economic success and listening to local communities. The Council's priorities are:

- **Excellence in education** – We will champion our children and young people's right to an excellent education, training and preparation for employment because we believe they have the talent and ability to compete with the best. We firmly believe that every single child matters.
- **Real jobs** – We will promote employment that offers security, opportunities and a good level of pay. We want real, sustainable jobs available throughout Norfolk.
- **Good infrastructure** – We will make Norfolk a place where businesses can succeed and grow. We will promote improvements to our transport and technology infrastructure to make Norfolk a great place to do business.

### **1.3 Revenue Budget 2014-17**

1.3.1 The Cabinet received a report which set out the detailed revenue budget proposals covering 2014-15 and the proposed level of Council Tax/Precept for 2014-15 and a report on the adequacy of provisions and reserves for 2014-17.

1.3.2 The Cabinet also received the following reports that set the framework for the 2014-17 budget planning and should be taken into account by County Council in setting the revenue budget for 2014-15 and agreeing actions for 2015-17.

- Robustness of Estimates 2014-17
- Medium Term Financial Strategy 2014-17

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

1.3.4 As a result of the Final 2014-15 Local Government Finance Settlement, which was announced on 5<sup>th</sup> February 2014 and final District Council forecasts of business rates reported by 31<sup>st</sup> January 2013, there are some changes to the overall revenue budget reported to Cabinet on 27 January 2014. The variations are detailed in **Appendix 2 (Page 65)**. The following information and Table 1 below reflect the position following the final grant settlement. The final settlement and the latest business rates forecasts increase income by £446,620. The additional funding of £446,620 has been reflected in the 2014-15 budget within Finance General.

#### **1.3.5 Note by the Head of Finance (Interim)**

1.3.6 As part of considering its budget recommendations, Cabinet also agreed a minimum level of General Balances for 2014-15 and a forecast minimum level for planning purposes for 2015-16 for 2016-17. The Financial Regulations require that the Head of Finance advise both Cabinet and County Council on the level of reserves and balances and this should be taken into account when considering decisions on the revenue budget.

The advice and issues were set out in the report to Cabinet on the adequacy of reserves and provisions for 2014-17. **This report is attached at Appendix 3 (Page 66)**. County Council is requested to approve the following level of General Balances as agreed by the Cabinet on the advice of the Head of Finance;

- a) for 2014-15, a minimum level of General Balances of £19m, and
- b) a forecast minimum level for planning purposes of £22.4m for 2015-16 and £24.1m for 2016-17.

### 1.3.7 RESOLVED TO RECOMMEND TO COUNCIL:-

- 1) An overall County Council Net Revenue Budget of £308.397m for 2014-15, including budget increases of £113.707m and budget reductions of £107.897m as set out in Table 1 below and the actions required to deliver the proposed savings. **The Cabinet report is attached at Appendix 4 (Page 91 ) and revised appendices (B and C to that report) are included at Page 112 and Page 115.**

**Table 1: 2014-15 Revenue Budget £m**

	2014-15 Base Budget	Budget increase incl. costs & Funding decreases	Budget decrease incl. savings & Funding increases Note 1	2014-15 Recommended Budget
Children's Services	176.637	17.217	-31.951	161.903
Community Services – Adult	257.454	14.393	-23.250	248.597
Community Services – Cultural	16.980	0.380	-2.034	15.326
Environment Transport and Development	116.609	6.936	-15.078	108.467
Fire Service	29.556	0.355	-2.107	27.804
Resources	48.933	19.315	-12.791	55.457
Finance General	-343.582	55.111	-20.687	-309.158
<b>TOTAL</b>	<b>£302.587m</b>	<b>£113.707m</b>	<b>-£107.897m</b>	<b>£308.397m</b>

- 2) A freeze in Council Tax for 2014-15.
- 3) The budget proposals set out for 2015-16 and 2016-17, including authorising Chief Officers to take the action required to deliver budget savings for 2015-16 and 2016-17 as appropriate. **The Cabinet report is attached at Appendix 4 (Page 91 ) and the 2015-16 and 2016-17 proposals are detailed at Appendix C to that report (Page 115 ).**
- 4) That further plans to meet the shortfall, be brought back to Members before June 2014, as part of the 2015-16 budget planning process timetable set out in Appendix F of the Cabinet report, as the current proposals are not adequate to deliver a balance budget in future years.
- 5) The Council Tax calculations in Appendix D of the Cabinet report and the precept be collected from the District Councils. **This is attached at Page 131.**
- 6) The Head of Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2014-15 Budget, to make payments, to raise and repay loans and to invest funds.

## 1.4 Capital Strategy and Programme 2014-17

1.4.1 The Cabinet received a report (item 10.6) which presented the proposed capital programme 2014-17 and included information on the funding available to support the programme. **The Cabinet report is attached at Appendix 5 (Page 136 ).**

### 1.4.2 RESOLVED TO RECOMMEND TO COUNCIL

1. The proposed 2014-17 capital programme of £391.138m
2. The Minimum Revenue Provision statement attached at Appendix C of the Cabinet report;
3. The Prudential Indicators in Appendix D of the Cabinet report.

## 2. ANNUAL INVESTMENT AND TREASURY STRATEGY 2014-15

The Cabinet received a report (item 11), which presented the Council's investment and borrowing strategies for 2014-15, including the criteria for choosing investment counterparties. It was a regulatory requirement that the strategy be produced and was an integral part of the County Council's financial planning. **The Cabinet report is attached at Appendix 6 (Page 160 ).**

**RESOLVED TO RECOMMEND TO COUNCIL** the Annual Investment and Treasury Strategy for 2014-15, including the treasury management Prudential Indicators detailed in Section 9 of the Cabinet report.

### CHAIRMAN



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

**Cabinet**27<sup>th</sup> January 2014

Item No 10.1

**Findings from the Putting People First Budget Consultation and the Outcome of the Equality Impact Assessments of Budget Proposals**

Report by the Head of Planning, Performance &amp; Partnerships

**Summary**

This report sets out the main findings of the Putting People First consultation and the Equality Impact Assessment (EQIA) of proposals. This paper is one of a suite of reports to this Cabinet meeting that support decisions for the budget recommendations to County Council.

The report presents details of:

- The consultation and EQIA process
- Who responded to the consultation
- Feedback from Overview & Scrutiny Panels
- Responses to the Council's priorities and strategy
- The findings of the EQIA
- Actions and considerations affecting the implementation of these proposals emerging from the EQIA process

Appendices present detailed findings from the EQIA of all proposals, and feedback on proposals from Overview & Scrutiny Panels.

**Recommendation:**

Cabinet is asked to review and comment on the findings from the Putting People First consultation

Cabinet is asked to recommend to Council that the ambition and priorities, as set out in section 5.1 is confirmed.

Cabinet is asked to agree the overall Equality Impact Assessment findings (in Appendix A) and the mitigating actions in relation to individual assessments.

**1. Background**

- 1.1. On 19 September 2013 the County Council launched Putting People First, a consultation about the future role of the County Council, and about specific budget proposals for 2014/17. The 12-week consultation closed on the 12 December. Since then Overview & Scrutiny panels have also considered the proposals in the light of the consultation feedback and made comments and recommendations to inform Cabinet's recommendations.
- 1.2. During this period the Council has also used consultation responses, alongside a wide range other sources of evidence, to conduct detailed Equality Impact

Assessment (EQIA) of proposals.

- 1.3. To help inform budget recommendations, this paper brings together:
  - Key findings from the public consultation
  - Key findings from the Equality Impact Assessment of the budget proposals.
- 1.4. This paper should be read alongside other budget reports on this Cabinet agenda, and the detailed findings set out in the Putting People First Consultation and Equality Impact Assessments as presented to Overview & Scrutiny Panels throughout January, and compiled in one place on the Putting People First web page [www.norfolk.gov.uk/budgetconsultationfindings](http://www.norfolk.gov.uk/budgetconsultationfindings).

## 2. **Details of the Council's approach to the consultation, its analysis of responses and Equality Impact Assessments**

- 2.1. People were encouraged to respond in any of a number of ways, and responses have been received via the online 'web form', email, letter, phone call (via the Customer Service Centre) and through social media such as Twitter and Facebook.
- 2.2. In addition the Council organised or took part in 40 consultation events that people attended to discuss the proposals. In many instances these events were organised to engage with specific groups of people – for example older people, people with disabilities and carers. Events specifically helped the Council ensure that it heard the views of groups – for example younger people – who are less likely to respond online or via email.
- 2.3. Every response has been read and objectively analysed to identify:
  - The impact that people anticipate the proposals would have on them, their families or communities
  - The range of people's views
  - Any repeated or consistently expressed views
  - Any alternative suggestions
- 2.4. To undertake the EQIA the views and impacts identified by respondents were evaluated alongside other evidence – for example statistical analysis about people's access to services or demographic analysis about who uses services – to understand both the direct and indirect impacts of the proposals. Specifically the EQIA process seeks to identify:
  - The overall impact of proposals
  - Whether any specific groups of people might be disproportionately affected by proposals
  - Any possible mitigating actions to reduce the impact of proposals on any groups disproportionately affected

## 3. **Who responded to the consultation?**

- 3.1. Over 4,400 respondents commented on proposals. This number includes:
  - Nearly 1,200 people attending 40 consultation events
  - Over 2,400 individual members of the public
  - Over 170 voluntary and community groups, statutory organisations or businesses
  - Nearly 130 Norfolk County Council staff
  - Nearly 500 people who commenting without specifying whether they were

responding on behalf of themselves or others

In addition petitions were received with a total over 2,100 signatures

Many respondents commented on several of the proposals. Taking this into account, the consultation prompted around 15,700 individual responses.

- 3.2. Many of the organisations responding did so through official letters signed by senior officers, directors or trustees. Whilst it is not possible to name all of these, responses were received by a range of local NHS organisations, district councils, service providers and voluntary sector agencies. Details of the organisations responding to specific proposals can be found in Overview & Scrutiny Panel reports.

#### 4. **Feedback from Overview & Scrutiny Panels**

- 4.1. During January each departmental Overview & Scrutiny Panel has reviewed the responses relating to their area.
- 4.2. Feedback from panels is included in Appendix B. Feedback has been taken from the draft unconfirmed minutes of the panel meetings.
- 4.3. Because two of the panel meetings, for Children's Services and Fire & Rescue, take place after the posting date for Cabinet Papers an addendum to Appendix B of this paper will be sent out and posted on the Committees web site on Friday 24<sup>th</sup> January.

#### 5. **Responses to the Council's priorities, overall approach and to the proposal to freeze Council Tax**

##### 5.1. **The Council's priorities and overall approach**

- 5.1.1. As outlined in the consultation document, the Council's ambition for Norfolk is for everyone in Norfolk to succeed and fulfil their potential. By putting people first we can achieve a better, safer future, based on education, economic success and listening to local communities. The Council's priorities are:
- **Excellence in education** – We will champion our children and young people's right to an excellent education, training and preparation for employment because we believe they have the talent and ability to compete with the best. We firmly believe that every single child matters.
  - **Real jobs** – We will promote employment that offers security, opportunities and a good level of pay. We want real, sustainable jobs available throughout Norfolk.
  - **Good infrastructure** – We will make Norfolk a place where businesses can succeed and grow. We will promote improvements to our transport and technology infrastructure to make Norfolk a great place to do business.
- 5.1.2. A significant number of respondents commented on the Council's priorities and its proposed approach to bridging the funding gap. Overall more people supported these than disagreed with them.
- 5.1.3. Various respondents offered reasoned support for each priority, with 'Excellence in Education' receiving particular backing as a building block for Norfolk's longer term prosperity. A smaller number of people disagreed with one or more of the priorities, questioning the role of the Council in supporting 'Real Jobs' and disagreeing with existing plans around 'Good Infrastructure' and in particular proposals for the Willows waste recycling scheme and the Norwich Northern Distributor route.



Several respondents also felt, irrespective of their support for the priorities, that they were “aspirational”, “fine in principle” or “easy to say”.

- 5.1.4. Those supporting the Council’s strategy and approach felt that it was “sound”, “pragmatic” or “common sense”. Of those who didn’t agree with the approach, several suggested that it was not radical enough and argued that the Council was “salami slicing” services bit-by-bit when a bolder approach was required. A number of ‘hot topics’ emerged in the responses. For some of these there were differing views – for example, several people argued for and against the increased use of technology, the sale of assets and the outsourcing of services. Other ‘hot topics’ generated a more consistent response. There was a broad consensus that the Council should collaborate more with other organisations, improve its processes, get better at procurement and do more to lobby central government. Finally, a large number of responses suggested that the Council should address what many regarded as problems with public sector organisational culture. Suggestions included reducing officer and member pay, reducing bureaucracy and ‘red tape’, having fewer meetings and stopping ‘silo working’
- 5.1.5. One consistent concern amongst respondents commenting on the council’s priorities and approach was the importance of supporting vulnerable people. A significant number of respondents felt that supporting vulnerable people should be a priority, and were concerned that the Council’s approach and proposals would affect vulnerable people the most
- 5.1.6. In response to these views, Cabinet may want to reflect on the rationale behind the vision and priorities, which very clearly did not exclude vulnerable people, but rather through the title ‘Putting People First’ put people at the centre of the Council’s work. The Council’s priorities were developed to help it focus on the specific areas of its business where it needs to make the fastest improvements to secure Norfolk’s long term future. This is not to say that other areas of the Council are not important or do not require improvement. The priorities simply describe the areas that the Council will look to make the biggest impact on.

For this reason, **Cabinet is asked to recommend to Council** that the ambition and priorities, as set out in section 5.1 is confirmed.

## 5.2. **The Council’s proposal to freeze its share of Council Tax**

- 5.2.1. Around 515 people responded to the question about freezing Council Tax,
- 5.2.2. Around 26% of people stated that they agreed with the proposal. A small proportion felt that Council Tax should be cut. Those agreeing with the freeze either felt that an increase in Council Tax would be unaffordable and unfair, or disagreed with an increase because they principally or ideologically felt that tax should be kept to a minimum.
- 5.2.3. Around 55% of people stated that they disagree with the freeze (with the remainder neither agreeing nor disagreeing). Those rejecting the Council Tax freeze had quite consistent views, with most suggesting that a small increase of 1 or 2%, or in line with inflation, would be better. They felt that the increase would be justified on logical or commercial grounds. Many people qualified their support for an increase stating that it should be directly spent on vulnerable people or on specific service areas. Some also suggested that the Council would need to be very clear about what an increase would be spent on.
- 5.2.4. Of those people who neither agree nor disagree with the proposal, several acknowledged the practical and political difficulties of ‘unfreezing’ Council Tax given central government pressure and incentives. Others felt that a Council Tax freeze is

appropriate now, but that an increase should be applied in future years. A number of people felt that increasing Council Tax should have been an option in the consultation.

**Recommendations are about Council Tax are set out in the accompanying 2014/15 Revenue Budget report at Section 3.**

**6. Findings of the Equality Impact Assessment of all proposals**

- 6.1. When making decisions the Council must give due regard to the need to promote equality of opportunity and eliminate unlawful discrimination of people with protected characteristics. Our impact assessment process for the 2014-17 budget has sought to identify the potential for adverse disproportionate impacts on protected groups and rural communities, providing a clear understanding of these impacts so that decisions can be informed, and where appropriate action can be taken to address the impacts identified.
- 6.2. This section of the report provides an overview of the key findings from this assessment process. The full impact assessment report can be viewed in Appendix A, and individual impact assessments are publically available for every proposal on the Putting People First website ([http://www.norfolk.gov.uk/Council\\_and\\_democracy/Interact\\_with\\_us/Norfolk\\_putting\\_people\\_first/Findings/index.htm](http://www.norfolk.gov.uk/Council_and_democracy/Interact_with_us/Norfolk_putting_people_first/Findings/index.htm))
- 6.3. Overall, our assessment shows that the proposals would make life more difficult for some people in Norfolk, who would receive less money and might also experience an increase in the cost of accessing some everyday services. Family members may be required to take on additional caring responsibilities, which include young carers. This may result in poorer outcomes for some people, including declining quality of life or increasing mental health problems.
- 6.4. The proposals to change the care services people receive could have a significant impact on the lives of Norfolk's most vulnerable people, including older and disabled people. In particular those people in receipt of a personal budget could be affected by a number of the proposals, and as a result they may experience a reduction in their material wellbeing.
- 6.5. People living in rural communities, and particularly the most isolated villages, may have less capacity to cope with the changes proposed. This is because access to alternative or mainstream services for these people will be limited.
- 6.6. There are a number of proposals that will impact on how people travel – and for some will change their entitlement to free or heavily subsidised transport. This could limit people's choices and impact on their independence, particularly if they live in a rural community where alternative travel options are limited.
- 6.7. Some proposals will affect the quality, cost or availability of some mainstream services for children. Taken together these could impact on self-esteem, attainment and language outcomes for some children.
- 6.8. There will be a positive impact on some groups if the proposals are delivered in their current form. In particular there could be benefits for disadvantaged children and their families of increasing the provision of early help services and the availability of specialist support for complex needs at schools in Norfolk.
- 6.9. A number of significant mitigating actions are recommended should these proposals be delivered in their current form. These include actions that will affect the detail of how proposals will be implemented, how the changes will be communicated, and alternative or parallel services that should be delivered alongside the proposal. We

have also recommended the careful monitoring of impacts for some proposals.

**Cabinet is asked to agree the overall Equality Impact Assessment findings and the mitigating actions in relation to individual assessments.** (See 6.2 to the link to all the EqlAs).

## 7. **Changes to key budget proposals**

7.1. Following the consultation, and in the light of an additional £7.1 million of funding that is being restored to the 2014-15 budget (see the 2014/15 Revenue Budget report), Cabinet has indicated that it is minded to make changes to the following specific budget proposals:

- P27 'Reduce the transport subsidy provided to students aged 16-19'
- P31 'Reduce funding for wellbeing activities for people receiving support through a personal budget'

In addition Cabinet is minded, again in response to comments in the consultation, to allocate some additional funds to support Children's Services improvement.

The Leader's report sets out the context for the changes; this section analyses the views from the consultation on those proposals.

### 7.2. **P27 'Reduce the transport subsidy provided to students aged 16-19'**

7.2.1. P27 'Reduce the transport subsidy provided to students aged 16-19' prompted both the largest numbers of responses, and arguably the most conclusive views, with over 1,200 of the 1,383 people responding to the proposal clearly opposing it. In addition two petitions, totalling 1,579 signatures, were submitted opposing the proposal.

7.2.2. People disagreed with the proposal on a number of grounds. Most practically a large number of young people and parents stated that the change would mean that getting to college would become unaffordable. For some this would mean that they would only be able to go to their nearest college, and that they would not be able to pursue their preferred course. For others this would mean dropping out of further education altogether. Respondents emphasised the impact this would have on young people's opportunities and aspirations, and in particular the disproportionate affect this would have on families with low incomes and/or in rural areas. Some respondents disagreed with the timing of the proposal given incoming national legislation that will make further education compulsory. Others questioned the proposal in the light of the Council's 'Excellence in Education' priority.

7.2.3. The impact assessment process highlighted that, if implemented, the proposal will mean an increase of approximately 40% on what they currently pay and could prevent some students accessing further education or restrict their choices about what and where they study. There will be disproportionate impacts on young people who:

- Live in rural areas with limited alternative travel options (almost 80% of those who currently rely on transport provided by the County Council)
- Have a disability that means they are unable to use alternative travel options
- Come from low income families

7.2.4. Furthermore the mitigating actions that have been identified are unlikely to negate or significantly reduce these impacts.

7.2.5. Given this, and as outlined in the Leader's Statement, the overall budget to be

recommended to Full Council proposes to restore £1 million to the budget for 16-19 school transport for 2014/15.

**7.3. P31 ‘Reduce funding for wellbeing activities for people receiving support through a personal budget’**

7.3.1. Proposal P31 ‘Reduce funding for wellbeing activities for people receiving support through a personal budget’ received a large number of responses, particularly from people using services and from organisations involved in providing and commissioning social care. In addition a petition of over 500 signatures was submitted opposing the proposal.

7.3.2. Those disagreeing with the proposal objected to it on a number of grounds. Some felt that the changes represent a backward step for disabled people who have benefitted from the choice provided by personal budgets in recent years. Others emphasised the importance of wellbeing services in maintaining people’s overall health and suggested that the proposal amounts to a reduction in ‘preventative services’. A small number of respondents and organisations argued that the proposal would be legally challengeable. A significant number of people also reflected on the importance of wellbeing activities to their own lives, suggesting that they are a key part of their care rather than a luxury. This was particularly the case for people with mental health problems and learning disabilities whose care packages are more likely to have a significant ‘wellbeing’ element.

7.3.3. Whilst the mitigating actions that were identified within the EQIA help to mitigate some of the impacts, and clarify the Council’s legal and professional responsibilities, they present difficult practical challenges as it looks to implement the proposal.

7.3.4. The Council recognises the concerns raised by respondents, and the practical challenges that services face whilst supporting some of Norfolk’s most vulnerable people. In response, and as outlined in the Leader’s Statement, the overall budget to be recommended to Full Council proposes to restore £3 million to the wellbeing element of the adult social care personal budgets.

**7.4. Feedback on planned improvement to Children’s Services and the impact of budget proposals**

7.4.1. Throughout the consultation the required improvements within Children’s Services generated a high number of comments. People strongly supported the need to improve, and welcomed the proposals to raise performance, but expressed concerns about the Council’s ability to deliver, especially in the context of savings. Some respondents sought greater reassurances that the Council was able to deliver the improvements, whilst others felt that improvements would be difficult given the savings still required by Children’s Services.

7.4.2. The Council recognises these concerns and is also aware that its capacity to improve services faces additional demand pressures as the Service’s new management team’s comprehensive review of data and plans has shown. In short, more children and young people are likely to need our services.

7.4.3. As a result, whilst it is important that the service consistently reviews the efficiency of its operation and delivers the necessary savings, it must also be resourced sufficiently to be confident of their effectiveness. To assure this, and as outlined in the Leader’s Statement, the overall budget to be recommended to Full Council proposes to restore £3 million to consolidate the improvement programme of safeguarding children.

## 8. Delivering other proposals

There are proposals which it is recommended should proceed, despite a high level of concern among people who responded. Comments on these are set out below, including where mitigating actions have been identified through the Impact Assessment process.

- 8.1. P24 'Stop our contribution to the Schools Wellbeing Service, Teacher Recruitment Service, Norfolk Music Service and Healthy Norfolk Schools Programme and explore if we could sell these services to schools'.

This proposal generated a large number of comments, and whilst many supported the proposal, a high proportion of the respondents expressed concern about the part of the proposal relating to the Norfolk Music Service. The Council recognises these concerns, and in particular the element of the proposal affecting the Norfolk Music Service, which is clearly highly value by young people that use it. Nevertheless given the priorities for Children's Services and the difficult financial situation, it is recommended that the proposal goes ahead.

Specific actions to mitigate some of the negative impacts include:

- Using joint NHS and Healthy Schools funding to continue the service until March 2015
- Looking to trade the Teacher Recruitment service and link it to the existing traded support offered to Newly Qualified Teachers
- Seeking interim funding to enable the School Wellbeing service to continue for the duration of the 'Norfolk – Good to Great initiative – before moving to a traded services model

- 8.2. P28 'Reduce the amount of funding we contribute to the partnerships that support young people who misuse substances and young people at risk of offending'

This proposal prompted a large number of responses, and in general people were concerned about its impact on young people and communities. Some organisations also highlighted that the proposal would create costs elsewhere in the health and criminal justice system.

Whilst the Council feels that the amount of savings required by this proposal reflects those being made in other services affecting children and young people, it also recognises the concerns and impacts suggested. The levels of proposed savings will continue to be required, but the Council plans to work with the partnership concerned in the next year to secure alternative sources of funding for the services. In addition it will review the need for further mitigating actions in 2015 should it not be possible to secure alternative funding.

- 8.3. P29 'Reduce funding for schools crossing patrols'.

Whilst more people supported than disagreed with this proposal, significant concerns were raised about the safety of children.

The Council acknowledges these concerns, but on balance feels that with the right mitigating actions that the saving can be made. In addition to encouraging volunteers to run the service, it plans to continue to offer road safety training in schools, review each crossing individually, and identifying alternative funding options for school crossing patrols where appropriate.

- 8.4. P30 'Change the type of social care support that people receive to help them live at home'.

Whilst the overall response to this proposal revealed a balanced weight of opinion, and with roughly similar numbers of people agreeing and disagreeing with it,

significant concerns were raised by people who use services and their carers about the possible use of volunteers to deliver what respondents understood to be home care tasks.

The Council acknowledges these concerns, but is reassured by the mitigating actions identified through the impact assessment, and by clarifications from the service prompted by the consultation. Specifically personal care and similar key social care services will always, in line with legislation, be carried out by registered providers following a personal assessment that takes into account their specific circumstances. The proposal will focus on instances where people with a low number of hours of home care each week could be supported in another way; where there are opportunities to combine existing services; and where there are appropriate opportunities for more flexible and 'outcome based' services (as an alternative to sticking to a set number of hours).

- 8.5. P38 'Reduce spend on library books and other materials' and P39 'Reduce the number of library staff'.

Significant concerns were raised about the impact of these proposals on the quality and availability of services, and disproportionate impacts were identified on older people, younger people and disabled people.

In implementing the proposals the Council will re-focus its book and material buying strategy. This will include ring fencing money for stock and resources to meet the needs of older people, children and disabled people. It will also look for ways to ensure that 'single staffing' is only used at less busy times, and staff remain available for one-to-one support for customers that need it.

- 8.6. P40 'Charge for some activities provided in libraries'.

Whilst the responses to this proposal presented an evenly balanced weight of opinion – a similar number of people supported and disagreed with it – particular and consistent concern was expressed about the impact of the proposal on young people and on numeracy and literacy.

In implementing the proposal the Council will therefore make no charge for activities supporting children's reading and writing.

- 8.7. P42 'Reduce how often mobile libraries call at some places'.

Again responses to this proposal presented quite even balance of 'for' and 'against' views, but consistent concerns were expressed about its impact on people at risk of isolation, and suggestions were received about changing borrowing arrangements.

Accordingly, in implementing the proposal, the Council will continue to allow people using mobile libraries to borrow up to 50 books at a time and will continue to apply no overdue charges. In re-drawing mobile library routes the service will undertake an analysis of demographic information and patterns of usage to minimise the impact on people who are particularly isolated.

- 8.8. P44 'Close Norfolk Record Office on Saturday mornings'.

Whilst this proposal was broadly supported, respondents felt that closing at the weekend would mean that people that work during the week would not be able to access records.

In implementing the proposal the Council plans to open the Norfolk Record Office one weekday evening to allow people who work during office hours to continue to access the facilities.

- 8.9. P53 'Reduce our subsidy for the Coasthopper bus service'.

A significant majority of respondents expressed concerns about this proposal, citing

the importance of the service in supporting local tourism and in helping those without a car to get around. The Council recognises these concerns and on the whole would like to protect rural bus services. However a substantial amount of the total bus subsidy we provide goes on the Coasthopper, which is just one of the 140 bus services the Council supports. Any changes to the funding provided to other services could have a similar impact.

Research and discussion during the consultation period has confirmed that the bus service will run on a more commercial basis during the summer. This means that the Council's residual support will be focussed on providing the winter service. Accordingly we will re-commission the winter element of the service, which may include further consultation with residents affected.

8.10. P54 'Reduce highway maintenance for one year'

A significant majority of respondents disagreed with this proposal. Some respondents referred to the current condition of Norfolk's roads was too bad already without the proposal, others felt that it would compromise road safety, and others felt that it was "short sighted" and would lead to higher costs and insurance claims in the long term. Environment, Transport and Development Overview and Scrutiny Panel also disagreed with the proposal and suggested stopping it.

The Council understands and notes the concerns of respondents, including ETD panel, but feels that the levels of savings proposed are in line with those required in other service areas. Moreover it is reassured that the nature of the proposal means that savings will mainly be achieved through cost reductions and efficiency improvements, and reductions to 'front line' road maintenance will be kept to a minimum. The service will be required to monitor the impact of any such reductions on local communities, and to work with communities to mitigate them.

8.11. P56 'Stop supplying and fitting free smoke detectors'.

Whilst this proposal received a high level of support, quite practical concerns were raised about its possible impact on older and vulnerable people who might not be able to source their own smoke detectors, and who are likely to be most at risk of household fires.

The Council therefore intends to continue to require that the savings are made, but will seek alternative funding sources to allow the service to continue to supply and fit free alarms.

8.12. P57 'Reduce funding to organisations that support and represent the local voluntary sector'.

Whilst the consultation prompted mixed views on this proposal, respondents generally highlighted the value of the voluntary sector to both communities and the Council. In addition several respondents highlighted opportunities for better coordination of public and voluntary sector activities.

The Council recognises the value of the voluntary sector and the specific concerns and opportunities highlighted by respondents. Whilst the savings will continue to be delivered, the Council will review and rethink how it works with voluntary infrastructure organisations through its commissioning.

8.13. P62 'Charge at some recycling centres' and P63 'Reduce opening hours at some recycling centres'.

These proposals received a significant number of responses. Comments on both of these proposals highlighted that, whilst in principle the proposals might work, they were likely to prompt more fly tipping in the areas affected.

Whilst recognising these concerns the Council feels that the proposals affect some

of the least used recycling centres, with only five sites affected by both proposals. It also feels that, as the service will still be available, the service should go ahead with the proposals as planned.

8.14. In addition to the proposals described above, a limited number require more work to assess their impact, and in some cases may require additional consultation with the public and service users. This is because the proposals depend on factors out of our control, for example anticipated legislation. These are:

- P22 Change services for children and young people with Special Educational Needs and Disabilities in response to the Children and Families Bill
- P25 Change how we support child minders, nurseries and other childcare providers
- P32 Cut the costs of the contract we have with the provider delivering community health support to people with a learning disability
- P41 Share library buildings with other organisations

8.15. The Council included details of 20 proposals for 'Cutting our own costs' within its original consultation document. Whilst these were not formally consulted upon, a large number of comments were made.

Many respondents broadly supported the proposals, though felt that the council should be doing many of them already. Respondents particularly supported proposals for improving procurement arrangements, generating income and for reviewing management, staffing and accommodation arrangements in services.

Others expressed concerns about some of the proposals, with respondents worried about reductions in staff, spending on ICT projects and reduced staff training.

Given the difficult impacts caused by reductions in front line services described elsewhere in this report the Council proposed to require all of these savings to be made, accepting that their implementation will be subject to the mitigating actions suggested by the Equality Impact Assessment.

8.16. In addition to the proposals discussed above, 22 other proposals were included in the consultation. We have not covered these in detail within this report. This is because the findings either:

- Showed respondents were clearly in support of the proposals
- Did not prompt any significant mitigating actions
- Were based on a relatively small number of responses

The findings from these are, nevertheless, covered in the more detailed overview and scrutiny panel reports

([http://www.norfolk.gov.uk/Council\\_and\\_democracy/Interact\\_with\\_us/Norfolk\\_putting\\_people\\_first/Findings/index.htm](http://www.norfolk.gov.uk/Council_and_democracy/Interact_with_us/Norfolk_putting_people_first/Findings/index.htm)). It is assumed, accepting any mitigating actions recommended by Equality Impact Assessments, that these savings go ahead as planned.

## 9. Reason for decision

9.1. The report includes findings from the public consultation on the budget and the outcome of the Equality Impact Assessment of budget proposals. The findings presented in this report inform Cabinet's budget recommendations to Full Council.

## 10. Resource Implications



10.1. Proposals presented in this paper have clear financial, risk, staffing, property and IT implications. These are described within the report and within accompanying background papers (including previous papers to Overview & Scrutiny Panels).

## 11. **Other Implications**

### 11.1. **Equality Impact Assessment (EqIA)**

Details of the overall EQIA are included in section 6, and in more detail in Appendix A

## 12. **Section 17 – Crime and Disorder Act**

12.1. Several proposals have potential crime and disorder implications, with the most obvious being covered in paragraph 8.2. Measures to mitigate adverse impacts are included here and throughout the report.

## 13. **Overview & Scrutiny Panel Comments**

13.1. Overview and Scrutiny Panel Comments formally form part of the response to the consultation. Draft unconfirmed minutes from each panel are included in Appendix B for consideration by Cabinet and Council.

## 14. **Recommendations**

14.1. Cabinet is asked to review and comment on the findings from the Putting People First consultation

Cabinet is asked to recommend to Full Council the ambition and priorities to form the high level objectives for the County Council Plan. (Section 5)

Cabinet is asked to consider the overall Equality Impact Assessment for the budget proposals, as set out at Appendix A, including the mitigating actions.

## **Background Papers**

There are seven individual panel papers containing more detailed findings, and referred to in this report. These are:

- Findings from the public consultation and the outcome of the equality impact assessment for proposals affecting Corporate Resources (<http://www.norfolk.gov.uk/view/NCC131180>)
- Findings from the public consultation and the outcome of the equality impact assessment for proposals affecting Cultural Services (<http://www.norfolk.gov.uk/view/NCC130831>)
- Findings from the public consultation and the outcome of the equality impact assessment for proposals affecting Public Protection - Trading Standards (<http://www.norfolk.gov.uk/view/NCC131579>)
- Findings from the public consultation and the outcome of the equality impact assessments for proposals affecting Adult Social Services (<http://www.norfolk.gov.uk/view/NCC130832>)
- Findings from the public consultation and the outcome of the equality impact assessments for proposals affecting Children's Services (<http://www.norfolk.gov.uk/view/NCC132190>)

- Findings from the public consultation and the outcome of the equality impact assessments for proposals affecting Environment, Transport, Development and Waste (<http://www.norfolk.gov.uk/view/NCC131578>)
- Findings from the public consultation and the outcome of the equality impact assessments for proposals affecting Public Protection - Norfolk Fire & Rescue Service (<http://www.norfolk.gov.uk/view/NCC132231>)

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# Equality Impact Assessment for budget planning 2014-17

## Final Report January 2014

### 1. Introduction

This report summarises the findings of Norfolk County Council's impact assessments on budget proposals for 2014-17. It sets out the legal framework for undertaking Equality Impact Assessments (EqIAs), the process adopted, the potential cumulative impacts across proposals, and presents an individual assessment for each proposal.

### 2. Background

Norfolk County Council is facing a budget gap of £189 million over the next three years, due to a reduction in Government funding, increasing council costs, inflation and demand for services. To address the gap and balance the budget, the Council proposed and consulted on 43 service changes and cuts. These are in addition to 20 proposals that relate to cutting the Council's own costs and becoming more efficient as an organisation. People were asked for their views generally on these, but not on the merits of individual proposals.

An individual impact assessment has been undertaken for all of the 43 proposals that will bring about service changes or cuts. There is also an overarching assessment that covers the 20 efficiency proposals.

The impact assessment process undertaken combines an EqIA and rural impact assessment (rural proofing). It was felt that given the rural nature of the county, with over half of residents living in rural communities, that importance should be placed on ensuring that decision makers were fully aware of the rural implications of proposals.

### 3. What is an Equality Impact Assessment

When making decisions the Council must give due regard to the need to promote equality of opportunity and eliminate unlawful discrimination of people with the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The purpose of an EqIA is to identify any adverse disproportionate impacts that proposals will have on people with protected characteristics. Assessments are evidence based, taking into account analysis of user data and the views of residents and service users.

Where disproportionate impacts are identified consideration should be given to how these can be avoided or mitigated. It is recognised that it is not always possible to adopt the course of action that will best promote equality; however the equality impact assessment process enables informed and transparent decisions to be made.

There is a clear legal framework setting out the Council's responsibilities for undertaking EqIAs.

### 4. What is a rural proofing

Norfolk is predominantly a rural county with just over half of the population (52.5%) living smaller towns and their fringes, villages and hamlets. Rural proofing has been undertaken to ensure that the needs and special considerations of rural communities are objectively considered as part of the budget decision making process.

Our assessment has considered for each proposal whether there is evidence that people in rural areas will be impacted differently from those living elsewhere because of particular characteristics of rural communities – for example lack of local service provision, fewer travel options etc.

To assist with rural proofing the Norfolk Rural Community Council ran a rural proofing workshop for Council officers engaged in the process, and facilitated a consultation event with rural residents and stakeholders. Thirty representatives from rural communities or local voluntary sector organisations attended the consultation event to provide their views on proposals.

## 5. Overview of the Impact Assessment process

The Council undertook a comprehensive and robust approach to impact assessing the budget proposals:

A **high level assessment** of proposals was published on 19 September. This identified which protected groups and communities were likely to be affected and provided an early indication of the overall impact of proposals to inform evidence gathering and public consultation.

The **Putting People First Consultation** took place between 19 September and 12 December, to seek people's views on the Council's approach to meeting the budget gap and individual proposals for 2014-17. As part of this we held 16 consultation events with protected groups to ensure their views were heard.

An **individual assessment** of each proposal that relates to a service change or cut, and an overarching assessment of efficiency measures, took place between 19 September and 15 January. These were evidence based, taking into account analysis of user data and the views of residents and service users. These assessments focussed on service delivery issues, drawing out impacts on the public. There is a separate impact assessment that considers the implications for Norfolk County Council's workforce.

An **analysis of impacts** was provided to each of the Overview & Scrutiny Panels in January. Individual impact assessments for proposals were published in full as appendices to these.

This **overall equality impact assessment summary report** will be presented to Cabinet on 27 January 2013, to help inform Cabinet's recommendations to Full Council on the budget, which will take place on 17 February.

## 6. Gathering evidence from protected groups

On 19 September the County Council launched Putting People First, a consultation about the future role of the County Council, and about specific budget proposals for 2014/17. The consultation ran for 12 weeks until 12 December and set out the Council's plans for bridging a £189 million budget gap over the next three years.

The consultation attracted over 4,500 responses from individuals, groups, stakeholders and businesses, containing 15,000 individual comments.

Putting People First was designed to be accessible and ensure that everyone had the opportunity to participate. People were encouraged to respond in a number of different and a range of measures were put in place to publicise the proposals. Significant coverage in the local press helped generate responses. In addition, the Council held or attended 30 targeted events for protected groups across the county, which included:

- 5 events for disabled residents and 3 events for residents with learning disabilities
- 3 events for carers
- 5 events for mental health service users (including 4 Norfolk and Suffolk Foundation Trust Locality Group meetings)
- 7 meetings with older people's forums

- 2 events for Black, Asian and Minority Ethnic groups
- 1 event for people who identify as Lesbian, Gay, Bisexual or Transgender (LGBT)
- 4 events for children and young people

Approximately 650 people attended these events, both as individuals and representatives of voluntary and community groups, to give their views on the proposals.

All events were fully accessible, and the materials were made available in Easy Read, Braille, Audio and large print. British Sign Language interpreters and a palantypist attended the events for disabled residents.

## **7. Key findings across all proposals**

The proposals will make life more difficult for some families in Norfolk, who will receive less money but also experience an increase in the cost of accessing some everyday services. Family members may also be required to take on additional caring responsibilities, which includes young carers. This may result in poorer outcomes for some people, including declining quality of life or increasing mental health problems.

The proposals to change the care services people receive could have a significant impact on the lives of Norfolk's most vulnerable people, including older and disabled people. In particular those people in receipt of a personal budget could be affected by a number of the proposals, and as a result they may experience a reduction in their material wellbeing.

People living in rural communities, and particularly the most isolated villages, may have less capacity to cope with the changes proposed. This is because access to alternative or mainstream services for these people will be limited.

There are a number of proposals that will impact on how people travel – and for some will change their entitlement to free or heavily subsidised transport. This could limit people's choices and impact on their independence, particularly if they live in a rural community where alternative travel options are limited.

Some proposals will affect the quality, cost or availability of some mainstream services for children. Taken together these could impact on self-esteem, attainment and language outcomes for some children.

There will be a positive impact on some groups if the proposals are delivered in their current form. In particular there could be benefits for disadvantaged children and their families of increasing the provision of early help services and the availability of specialist support for complex needs at schools in Norfolk.

## **8. Findings by service area**

### **• Adult social care proposals**

All of the proposals have been assessed as having adverse disproportionate impacts on protected groups. Overall there will be a significant impact on people with a mental health condition, older and disabled people and their carers. Although proposals will not result in a change to the eligibility criteria for people who receive our support and there will continue to be an emphasis on addressing people's core care needs, some people will receive less money or experience a change in the support package they receive. These changes could lead to a loss of quality of life and independence for some people.

Those people living in rural communities could be most adversely affected due to higher costs of living, fewer travel options and local services. People with specific needs due to their cultural background or sexual orientation may also be affected as specialist services may only be available in larger towns or urban centres, making them more expensive to access.

Two proposals are looking to save significant sums of money – proposal 31 to reduce funding for wellbeing activities as part of people's personal budgets, estimated to save £12

million over three years, and proposal 33 to reorganise care for people with learning and physical disabilities, which aims to save £6 million over three years. Due to the level of saving required the impacts of these proposals in particular could be significant.

### • **Children's Services proposals**

All of the nine children's services proposals have been assessed as having adverse disproportionate impacts on protected groups. Overall there will be a significant impact on children, particularly vulnerable and disabled children, their families and carers. Other protected groups may be affected to a lesser extent, including people from the Black, Asian and Minority Ethnic community and young people who identify as gay or bisexual.

Proposal 21 (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) will have a positive impact, preventing the need for some children to come into our care by increasing early help and support services to families. Though this will only affect a small number of vulnerable children and their families, the impact on their longer term wellbeing will be substantial. It should be noted that the proposed cuts to services that support young people who misuse substances and young people at risk of offending (P28) may be detrimental to this – placing additional pressure on looked after children and other mainstream services like GPs or A&E.

There could be an impact on educational outcomes including attainment and attendance for some children and young people. In particular around 10% of young people aged 16-19 are likely to be affected by a forty percent increase in the cost of travel to school or college. The increase could be unaffordable for some students and their families, leading to people dropping out / not attending further education, and may limit the choice of education establishment and courses for others. Proposal to reduce funding for school services, including music lessons, and restorative approaches, could also impact on learning outcomes, but to a much lesser extent.

Families of children with a disability or statement of Special Educational Need could experience a change in approach to the care they receive (in line with the Children and Families Bill), and may be offered alternative school provision which is nearer to where they live. There could be positive impacts from these proposals, but further assessment work and consultation is required on the one that will impact on care once the Bill has passed through parliament.

### • **Corporate Resources proposals**

Neither of the two proposals relevant to Corporate Resources were assessed as having adverse disproportionate impacts on protected groups.

### • **Cultural Services proposals**

Of the 10 cultural services proposals, six have been assessed as having adverse disproportionate impacts on protected groups:

- Reduce spend on library books and other materials
- Reduce the number of library staff
- Charge for some activities provided in libraries
- Sharing library buildings with other organisations
- Reduce how often mobile libraries call at some places
- Reduce funding for the arts service, including arts grants

Overall the EqlAs identified that together the proposals in Cultural Services might have a disproportionate adverse impact on younger people, older people, people with disabilities, and people whose first language is not English. As a result of the proposals, these groups could find it more difficult to access reading materials, learning and other cultural activities. The proposals could lead to an increase in isolation for some vulnerable groups.

In particular the EqlAs identified that people from these groups who come from low income families and or who live in rural areas would be affected most. For example some of the services that libraries are proposing to charge for are used by families with lower levels of

income, who would find it harder to either pay for the services or find an alternative. Possible outcomes as a result of this include fewer learning opportunities and less opportunities for social or community engagement.

- **Environment, Transport, Development and Waste proposals**

Of the 11 proposals for Environment, Transport and Development three have been assessed as having adverse disproportionate impacts on protected groups, this includes::

- P50 Reduce our costs of consulting on planning applications - there is likely to be an impact on people with access requirements, which mean they require information in alternative formats or need to discuss issues in person. Any reduction in the range of methods and time given to consultation may exclude these people from engaging. Given the nature of the applications determined by the Council, the impact has not been assessed as significant.
- P53 Reduce our subsidy for the Coasthopper bus service – as the primary users of this bus service, any changes to the Coasthopper will have an impact on older and disabled people. For those living in villages along the North Norfolk coast this could lead to poorer accessibility to services, and has the potential to increase in rural isolation during the winter months. As the bus will continue to operate and offer good levels of service the impact has not been assessed as significant.
- P59 Cut the cost of providing school transport - this proposal will impact on children, particularly those in rural communities and those with a disability, some of whom may lose their entitlement for free school transport because there is an appropriate walking or cycling route they can use instead. Transport applications will be reassessed in cases where pupils have a physical disability or other severe medical condition which means they are unable to walk or cycle to school. The proposal will not disadvantage children in rural areas over others in Norfolk, as the travel policy will remain the same for all school children regardless of where they live. As such, the impact has not been assessed as significant.

- **Norfolk Fire and Rescue Service**

Of the two fire and rescue proposals, one P56 – stop supplying and fitting free smoke detectors – has been assessed as having adverse disproportionate impacts on protected groups.

Should this proposal go ahead, Norfolk Fire and Rescue Service will continue to provide home fire risk checks for residents, but will no longer supply free smoke alarms. This means that should a smoke alarm be required, it will be down to the homeowner to purchase and fit one. The impact of this is that it could take some time before alarms are fitted, some homeowners may choose not to take the advice of fitting a new smoke alarm, and others may face difficulties in doing so. Some older or disabled residents, for example, may have limited capacity to make improvements around their homes and may need to ask someone else to fit the alarm for them. This could result in an additional cost burden on them. In addition, there could be a disproportionate impact upon rural residents; people will need to travel further to buy a smoke alarm as there are likely to be fewer shops locally selling these.

This proposal is most likely to impact on vulnerable residents, including older and disabled people who we know are less likely to have a working smoke alarm in their homes, and are slower to react should a fire break out in their homes.

These impacts could reduce the effectiveness of the preventative work we do around fire safety, which could increase the risk of accidental dwelling fires causing injury or death in Norfolk.

No adverse disproportionate impacts on protected groups have been identified for proposal 55 – purchase different, cost effective fire vehicles for some stations.

- **Trading Standards proposals**

Of the two trading standards proposals one P47 - Scale back Trading Standards advice to focus on the things we have to do by law - has been assessed as having adverse disproportionate impacts on protected groups.

The proposal will lead to reduction in the number of community based initiatives, for example: a reduction in the number of new no cold calling zones established; fewer consumer champions; and fewer businesses signing up to the Trusted Trader and Trusted Business schemes. This may have an impact on older and vulnerable people, particularly those living in more isolated, rural areas. It may lead to an increase in the level of doorstep crime or fear of crime as people are targeted by rogue traders.

No adverse disproportionate impacts on protected groups have been identified for proposal 48 - charge for advice to business from our Trading Standards Service.

## 9. Cumulative impacts on key groups

Overall, the findings of the individual impact assessments confirm the findings of the high level impact assessment published by the Council on 19 October 2013. This high level assessment concluded that if implemented in their current form proposals could significantly impact on older and disabled people, their carers and families.

The key findings of individual impact assessments and their potential cumulative impact on protected groups and rural communities is set out below. It is important to note that this is the potential impact based on proposals being delivered in their current form and in full.

### • Older and disabled people (of all ages)

The potential cumulative impact on older and disabled people is a reduction in their quality of life, mental health and financial wellbeing, which may impact on their independence. For this purposes of this report we have taken older and disabled (young and adults) people together as there is a strong link between age and disability, and whilst many older people will not identify as disabled, statistically many of them will face similar issues to those faced by disabled people.

**Financial wellbeing** – A number of the proposals will directly affect the amount of money that people receive to buy social care services. Whilst we will ensure people's assessed community care needs are still being met and they will continue to have choice and control over how this money is spent, it may lead to them having to change their pattern of service use or contribute their own money towards activities and services. We know that disabled people are twice as likely as non-disabled people to live in low income households, so may be less able to absorb these financial changes<sup>1</sup>, which could impact on their quality of life, mental health and independence.

**Quality of life** – Taken together the proposals could substantially change the services or activities some older and disabled people have access to. This includes some social care services, but also community based activities – such as the library or arts activities. These changes are likely to impact on people's quality of life, particularly if it reduces the amount of time people are able to get out and about of their homes or interact with other people socially. Disabled people may already be restricted in their ability to access activities outside of their home.

**Mental health** – The changes identified above could also lead to worsening mental health for some people, which may result in them finding it difficult to execute daily tasks, or becoming more reliant on family and friends. It could lead to greater vulnerability to loneliness and social isolation.

**Independence** – There is a risk that some older and disabled people's ability to live independently will be affected by the proposals and they might require greater help and support from both friends and family and health and social care services in the future as a

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<sup>1</sup> Leonard Cheshire Disability (2008) *Disability Poverty in the UK* <http://www.lcdisability.org/?lid=6386>



result. This may particularly be the case for people affected by the proposals that will reduce or remove low levels of support from people – for example help for a couple of hours a week or a service that is available just in case.

Some people affected by our budget proposals may already be experiencing a reduction in support for everyday living, as a result of national welfare changes.

- **Race**

The cumulative impact on the Black, Asian and Minority Ethnic (BAME) community relates to reduced access to information and a reduction in preventative services that particularly benefit or are disproportionately used by this group of residents. This includes short term housing related support services and services that work with young offenders or those at risk of offending. In terms of information, a number of the library proposals could lead to a reduction in the availability of books and resources available to support those people whose first language is not English.

- **Religion or belief**

No potential cumulative impact of proposals on religion or belief has been identified.

- **Men & women (gender)**

Analysis has shown that women will be affected to a greater extent than men by the adult social care proposals because they make up a greater proportion of service users. This means the cumulative impacts identified above under 'older and disabled people' may in particular be felt by women.

There will also be a cumulative impact on informal carers – who may be required to provide additional support to friends or family members as a result of the proposals that will affect the care services people receive. Evidence shows that the responsibility for providing care particularly falls on women.

- **Young people**

The cumulative impact of proposals on young people, and particularly those who are vulnerable, is that they will experience a change in the services, both mainstream and specialist, they can access. For some there will be a positive impact due to proposals to enhance early help and reduce the number of people coming into local authority care, but for a smaller group of vulnerable people, there could be a negative impact with preventative services for those at risk of homelessness, offending or drug and alcohol use reducing.

Children will also be affected by the cumulative impact proposals will have on family life, and family finances in particular. Overall, proposals could make accessing a range of everyday services (including education) more expensive for families, or result in them having less money. Children may be particularly affected if they have a family member with a disability. A number of proposals could affect the independence of that family member, or reduce their capacity to leave the house. This may result in an increase in young carers.

Some young people affected by our budget proposals may already feel less valued by society or be experiencing a reduction in the services available to them. This is as a result of previous change made locally, for example to the youth service and Connexions, or national changes like the scrapping of Education Maintenance Allowance.

- **Pregnancy & maternity**

No potential cumulative impact of proposals on people who are pregnant or on maternity has been identified. The main disproportionate impact on this group is in relation to a change in housing related support available to teenage parents (proposal 35).

- **Marriage and civil partnership**

The law sets out that people entering into a civil partnership should not be treated any differently from those getting married. There are no impacts on this arising from our budget proposals.

- **Sexual orientation**

No potential cumulative impact of proposals on people who identify as lesbian, gay or bisexual has been identified. The main disproportionate impact on this group is in relation a reduction in the funding contributed to the Norfolk Drug and Alcohol Partnership (N-DAP) which commissions substance misuse services for young people. Evidence shows that people who are gay or bisexual are more likely to have taken drugs in the last year.

- **Rural communities**

Fifteen of the 42 proposals have been assessed as having a greater impact on those living in rural communities than elsewhere. In most cases this is because the proposals will result in people needing to access mainstream or alternative services to those that they are currently receiving, and people living in rural areas may have fewer opportunities to do. The cumulative impact is that some residents could find it more difficult to access the services and activities they need, with this impacting on their quality of life and potentially their independence. It could also lead to an increase in isolation.

There may also be a greater impact on financial wellbeing for those people and families living in rural communities who are affected. People will likely need to travel further to access alternative or mainstream services, travel options could be limited or more expensive - for example public transport may not be available, so people could be required to pay for a taxi.

## 10. Mitigating Actions

Our impact assessment process has sought to identify the potential for adverse impacts on protected groups and rural communities, providing a clear understanding of these impacts so that decisions can be informed, and where appropriate action can be taken to address the impacts identified.

A number of significant mitigating actions are recommended should these proposals be delivered in their current form. These include actions that will affect the detail of how proposals will be implemented, how the changes will be communicated, and alternative or parallel services that should be delivered alongside the proposal. We have also recommended the careful monitoring of impacts for some proposals. It should be noted that for proposal 31 – reduce funding for wellbeing activities for people receiving support from Adult Social Care through a personal budget – the mitigating actions will fundamentally change some aspects of the proposal.

Below are some examples of some of the mitigating actions that are recommended. All mitigating actions will be incorporated into the proposals that are approved for implementation by Full Council on 17 February.

Actions that relate to how we **implement** proposals:

- All individuals affected by proposal 31 will have a face to face review of their personal budget allocation based on their own personal needs
- Where we propose to change where people live, we will allow a long period of time for the move to be carried out so people are able to adjust slowly.
- We will not prescribe what personal budgets can be used for, or introduce a list of authorised or excluded activities
- Re-focus our book and material buying strategy to ensure that we meet the needs of our library customers - ring fencing money to meet the needs of older, disabled people and children
- In re-drawing mobile library routes in depth analysis of demographic information and patterns of usage will be undertaken to minimise the impact on people who are particularly isolated

Actions that relate to how changes will be **communicated**:

- We will work with Citizens Advice and others to ensure that self-help resources are continually improved and that tailored advice is targeted at disadvantaged groups, including older and disabled residents.
- A menu of charges will be developed so that it is clear which activities will have a charge and how much they will cost

Actions that relate to how we **monitor** impacts:

- We will monitor the profile of foster carers so that wherever possible these reflect the identity and diverse needs of the child in these placements (in relation to religion, ethnicity etc.)
- Monitor the impact that charging at some recycling centres has on recycling rates.

Actions that relate to **alternative services** that should be delivered alongside:

- We will seek additional funding to develop a project to work with communities to address rural isolation through mobile libraries
- We will work with colleges and sixth forms to further support transport and the cost of travel for students aged 16 to 19
- Use the Homeshield Service to ensure that all agencies visiting vulnerable older residents check and pass on referrals to other service providers where there is a need for their intervention or support

It is important to note that these mitigating actions will help to reduce the impact of individual proposals but not the package of proposals as a whole.

## 11. Conclusion

The purpose of this report has been to outline the key findings of the Council's impact assessment process for 2014-17 budget proposals. The process has been objective and evidence based, drawing on substantial data about service use as well as the views of protected groups.

In making their recommendations on the budget to Full Council, Cabinet must give due regard to the need to promote equality of opportunity and eliminate discrimination in relation to protected groups. Careful consideration of the impacts identified through assessment process should be given.

The assessment has identified that proposals could impact on all residents in Norfolk, but there is evidence that older people, disabled adults and children, their families and carers will be most affected. Some families will find life more difficult, experiencing less money and an increased cost of accessing some services they need. People living in rural communities, may have less capacity to cope with the changes.

Some positive impacts have also been identified through the assessment, in particular on disadvantaged children and their families who could benefit from greater support that would prevent them from coming into our care.

A number of significant mitigating actions are recommended should these proposals be delivered in their current form. These include actions that will affect the detail of how proposals will be implemented, how the changes will be communicated, and alternative or parallel services that should be delivered alongside the proposal. We have also recommended the careful monitoring of impacts for some proposals. All mitigating actions will be incorporated into the proposals that are approved for implementation by Full Council on 17 February.

## 12. Further Information

For further information about this report or the impact assessment process for the 2014-17 budget please contact the Planning, Performance and Partnerships service on:

Tel: 01603 228891

Email: [PPPService@norfolk.gov.uk](mailto:PPPService@norfolk.gov.uk)

The following Appendix presents the unconfirmed draft minutes of the five Overview and Scrutiny Panel meetings at which the findings of the consultation were discussed.

**Appendix B1****Draft Un-confirmed minutes from Community Services Overview & Scrutiny Panel****9. Putting People First – Service and Budget Planning 2014/17**

The annexed report (9) by the Director of Community Services (which was part of the main and supplementary agendas) was received.

The Panel received a report that set out the latest information on the Government's Local Government Finance Settlement and specific information on the financial and planning context for Community Services for the next three years. The report also set out any changes to the budget planning proposals for Community Services and the proposed cash limit revenue budget for the service based on all current proposals and identified pressures and the proposed capital programme.

It was pointed out in the meeting that assumptions had been made in relation to the financial settlement, but until a final grant and the outcome of the planning enquiry into the residual waste treatment contract were received, two planning scenarios had been made. If planning permission for the site was denied then the County Council would be faced with additional costs.

The Cabinet Members for Adult Social Care, and Cultural Services presented the findings from the Norfolk: Putting People First budget consultation and the outcome of the Equality Impact Assessments.

The Cabinet Member for Adult Social Care confirmed that if planning permission regarding the Waste Incinerator was granted and some leeway could be found within the budget there were areas in the Putting People First consultation such as refocusing personal budgets which the Cabinet might like to reconsider.

In the course of discussion, and in response to Members' questions, the following key points were made:

- It was proposed that the smallest reductions in Council expenditure would involve personal services for adults and children.
- It was also proposed that the eligibility criteria for adult social services would remain unchanged.
- During the previous round of budget reductions the Purchase of Care budget, from which personal budgets are paid, had been protected and slightly more money was spent on this budget heading due to funding of demographic growth. This could, however, no longer remain the case because of the level of funding reduction that the Department was being asked to identify. The Department had taken legal advice on what was proposed and this had confirmed the County Council could reduce funding for non-core social care activities.
- The Director of Community Services said that he had written to all service users alerting them to the specific budgetary proposals for Community Services as part of the Consultation.
- It was important that the needs of carers as well as of service users should continue to be addressed.

- In order to achieve the proposed reduction in transport for Adult Social Services there would need to be more careful checks made on if a person had a disability vehicle or required a mobility component in their DLA.
- There was considered to be a substantial risk as to whether all the savings for the Department were achievable.
- The Member Champion for Mental Health said that she was concerned about how the reduction in personal budgets would impact on those with mental health needs, some of the most vulnerable people in society, and in particular on plans for the integration of mental health services that was essential in order to achieve seamless, efficient services that best met the needs of these individuals.
- Members expressed some concern about the impact that budget reductions would have on the Strong and Well initiative that was due to be delivered through voluntary and community sector organisations across the county in the coming years.
- Members of the Panel and the Cabinet Member for Adult Social Care spoke about how it was important that the budget savings that Adult Social Services had to identify were not viewed by the NHS as “cost shunting” between the two organisations.
- It was pointed out that Additional NHS Health funding for Adult Social Care and the Better Care funding would continue to be used to promote further effective integration of community health and social care. It was said that this money needed to continue to be focused on the key challenges for both Adult Social Services and for the NHS of preventing hospital admissions (and re-admissions) and for facilitating hospital discharge, and preventing substantial long-term social care packages and care home placements and for the Department to maintain and improve what it did for individuals at a time of severe financial pressures.
- The budgetary pressures that arose from demographic changes while remaining substantial were considered by the Director of Community Services to be less than had previously been predicted and had been reduced according to the proposed budget plan. Members said that where money was available for demographic growth it needed to be directed at those individuals in the most need rather than allocated on purely age related grounds.
- It was considered important for the Department to strengthen its attempts to obtain new sources of funding (such as European funding) for key core services and for Members to be kept up to date on any proposals for joint working with Suffolk County Council, and for further integration with the NHS, such as for the integration of senior management posts.
- It was suggested that Children’s Services should be encouraged to make greater use of the services that were provided by Cultural Services, including holding meetings in libraries and other cultural services establishments.
- It was pointed out that the budget proposals involved no increase in Council Tax. It was suggested by some Members that the Council should consider raising Council Tax by up to 2 % (a maximum amount before invoking a local referendum) which officers said would raise £6m pa; while other Members pointed out that this option had already been rejected by the Council.
- Members considered the potential additional funding pressures on the County Council as a result of the changes to social care mentioned in the new Care Act to be very significant but the impact of these changes were not yet clear as Government guidance on the interpretation of the Act was still awaited.
- It was pointed out that where the Norfolk MPs had responded as part of the consultation exercise none of the Norfolk MPs had made specific reference to services run by the Department.
- Thanks were placed on record to those Officers within Planning, Performance and Partnerships who had assisted with the public consultation exercise.
- It was noted that this part of the Panel meeting was still part of the consultation process, and that draft unconfirmed minutes would form part of the Cabinet report on the consultation that would be presented to the Cabinet on 27 January 2014.

## **Resolved-**

That the Panel note-

The provisional finance settlement for 2014-15 and the latest planning position for Norfolk County Council.

The updated information on spending pressures and savings for Community Services and the cash limited budget for 2014-15 in context with the feedback from the Consultation.

The proposed list of new and amended capital schemes and the proposed capital Programme for Community Services.

**Draft Un-confirmed minutes from Corporate Resources Overview & Scrutiny Panel**

**Corporate Resources Overview and Scrutiny Panel  
Monday 13<sup>th</sup> January 2014  
Putting People First Excerpt**

**9 Putting People First: Service and Budget Planning 2014/17**

- 9.1 The annexed report (9) by the Heads of Shared Services was received. The report set out the latest information on the government's Local Government Finance Settlement and specific information on the financial and planning context for Shared Services Resources for the next three years. It also set out any changes to the budget planning proposals and the proposed cash limit revenue budget for the service based on all current proposals and identified pressures and the proposed capital programme.

The Head of Budgeting noted that there were now no proposals to removed the New Homes Bonus from Norfolk County Council control. The settlement was in line with forecasts, with additional funding from business rates pooling. Pooling would encompass five of the seven districts:- Norwich and Great Yarmouth were not included for financial reasons, but have been included within discussions.

Three changes were noted to page 31:

- Committed element of 2<sup>nd</sup> year 13/14 CT Freeze Grant – propose to remove completely (-£1.168M in 14/15 and +£1.168M in 15/16).
- Local Government Information Unit Affiliation – remove completely (+£0.021M in 14/15).
- Cross cutting savings to be allocated - change 14/15 to -£0.468M, and 15/16 to +£0.194M.

The Cabinet Member for Finance, Corporate and Personnel presented an overview of responses from the Putting People First consultation (Appendix 1). He reported that the delay of the final decision for the incinerator would place pressure on the budget, and that it was unclear when the Secretary of State would be announcing a decision. The criteria for funding for Health and Social Care had not been announced by central government. Cabinet was looking at practicalities around raising council tax, including the referendum threshold set by government. Although efficiencies were being identified, it was acknowledged that these would take time to implement.

- 9.2 During the discussion the following points were noted:

- The 2013/14 council tax freeze grant cost of £3.478M reflected a change in accounting presentation. In the previous financial year this had been a grant, however in the forthcoming financial year it was included within the base funding and sat behind the £25.121M government funding reduction figure.
- The £1.8M saving within ICT services related to restructuring of the service and associated staff savings. The Digital Norfolk Ambition programme meant that some ICT services would in future be provided externally rather than in-house.



- The threshold for referendum on council tax increase was set by national government and could be lowered to 1.5%.
- The £2M Highways Maintenance reduction related to the additional one-off funding in 2013/14 which was reversed out in 2014/15. The £1M within the ETD budget proposals was a one-off funding reduction for 2014/15.
- It was recognised that budgets would need to be adjusted, and income and efficiencies maximised. Although 55% of respondents had indicated that they supported an increase in council tax, it was felt that the overall consultation response rate had been low.
- It was suggested that the response rate for libraries was high because many libraries had been proactively encouraging people to respond to the consultation. MPs had campaigned against library closures, even though this had not been proposed.
- A report from the Efficiency Working Group to Cabinet in the next few weeks would identify further savings.
- There was concern that cuts in support to the voluntary sector could have an impact on vulnerable people who used those services. It was acknowledged that a new approach of sustainable and targeted funding would be of benefit in the future.
- The Council required a more commercial focus with increased income generation. It was suggested that further income generation avenues could be explored, and that other local authorities could provide a source of new ideas.
- It was anticipated that £795,000 would be retained in the county from business rates pooling, and agreements were in place for how this money would be used.
- It was not yet clear whether the funding associated with integration of Health and Social Care could be used on existing services, or whether it was ring fenced for new projects. The Council continued to lobby government on this matter. It was clarified that this was not new funding on top of the County Council/Clinical Commissioning Group funding, and that some of the money would be found from NHS efficiencies. The additional element around the money related to how it could be spent.
- A 1.5% rise in council tax equated to around £4.5M. The government had set the council tax freeze grant at approximately £3.5M which was calculated on the tax base figures before the changes to the council tax support scheme which had reduced the tax base. A 2% rise in council tax would equate to approximately £6M, however in reality this would result in an extra £2.5M budget as the council tax freeze grant of £3.5M would not be received. If the council tax was increased, this would result in a higher base figure for the following year.
- It was suggested that alternative ideas such as contracting services out, and community budget setting could be explored. The effect of accepting the council tax freeze grant on future budgets was noted. It was suggested that freezing council

tax could result in less money being spent in the local economy and would not address the budget deficit. However concern was expressed that some residents would not be able to afford this increase.

- Work had been undertaken during the previous three years of budget cuts to reinvest money in income-generating schemes, efficiencies, and initiatives such as apprenticeships.
- It was confirmed that proposed cuts to ICT services did not include the Better Broadband for Norfolk project.

The Cabinet Member closed the discussion by noting that the Council was in a difficult position to produce a budget within the financial constraints that it was experiencing. He acknowledged that there were further opportunities for closer working within the public sector. Norfolk County Council could be a key partner within this and could proactively promote a culture shift. The council was seeking to review its involvement with the voluntary sector infrastructure organisations, offering support to those that offered best value for the council. Efficiency within the council remained a key priority.

9.3 The Panel RESOLVED to recommend the above comments to Cabinet.

## Draft Un-confirmed minutes from Environment, Transport and Development Overview & Scrutiny Panel

### Environment, Transport and Development Overview and Scrutiny Panel Tuesday 14 January 2014 Putting People First Excerpt

#### 12 Putting People First – Findings from the public consultation and the outcome of the Equality Impact Assessments for the proposals affecting Environment, Transport, Development and Waste.

12.1 The Panel received and noted the annexed report setting out the proposals for Environment, Transport, Development and Waste. The Panel also received a presentation by the Cabinet Member for Environment, Transport, Development and Waste a copy of which is attached to these minutes at Appendix B.

#### 13 Putting People First – Findings from the public consultation and the outcome of the Equality Impact Assessments for the proposals affecting Public Protection – Trading Standards.

13.1 The Panel received and noted the annexed report setting out the proposals for Trading Standards and noted the presentation by the Director of Environment, Transport and Development given on behalf of the Cabinet Member for Public Protection.

#### 14 Putting people First – Service and Budget Planning 2014/17

14.1 The Panel received the annexed report by the Interim Director of Environment, Transport and Development setting out the latest information on the Government's Local Government Finance Settlement and specific information on the financial and planning context for Environment, Transport and Development for the next three years. It also set out any changes to the budget planning proposals for Environment, Transport and Development and the proposed cash limit revenue budget for the service based on all current proposals and identified pressures and the proposed capital programme.

14.2 The points below were noted following questions from the Panel:

- The standard for treating potholes within 72 hours of receiving notification had not changed under the proposed cuts. The proposal within the consultation was to reduce the highways maintenance budget for one year by £1.0m which would not have an impact on the way potholes were currently treated.
- Proposal 62 – Charge £2 per visit for customers to visit recycling centres. Members were reassured that significant costs of clearing fly-tipped rubbish were unlikely to be passed on to the Environment Agency or district council. Previously, when recycling centres had reduced their opening hours, there had been some instances of fly-tipping for a short period of time, but the overall trend in Norfolk was showing a downward turn.

It was important to note that fly-tipping was a criminal offence. If fly-tipping occurred on private land it was the responsibility of the land-owner to pay for the disposal the rubbish. If fly-tipping occurred on publicly accessible land it was the responsibility of the Local Authority to clear the rubbish.

- Proposal 61 – Stop routine disposal of paint at recycling centres. It was hoped that using the annual amnesty for the public to dispose of unwanted paint would encourage people to keep their unwanted paint until the amnesty period and then recycle it through a repaint scheme. Members felt that this recycling initiative should receive additional publicity so the public were aware that such a scheme existed.
- Proposal 53 – Reduce subsidy for the Coasthopper bus service. The Coasthopper service was acknowledged as a highly valued service and a lifeline for the communities living in north Norfolk, although it was recognised that there was also 142 other highly valued services across Norfolk who also provided a valuable lifeline for users. The Assistant Director Travel and Transport explained that the Coasthopper service would be able offer a good winter service with the proposed reduction in the level of subsidy it received.

The cuts proposed in the report did not include the additional £11m of savings which had now been identified and further consultation would be required to make additional cuts.

- Proposal 47 – Scale back Trading Standards advice to focus on the things we have to do by law. A broad range of activities was being carried out to try to prevent people from becoming victims of scams and other targeted crimes and the value of helping and supporting people was well recognised. Trading Standards would not be able to do as much work in this area in the future but would continue to try to find solutions and provide support and educational help using all available assets.
- In the past a Regional Advice Centre had provided general first tier advice with Trading Standards delivering a more specialist consumer support service alongside its statutory duties in enforcing laws. The Government had now introduced a first tier advice service, with funding provided to Citizens Advice, which fielded calls for residents in England and Wales. This filter fielded first tier calls to a citizens advice service and other calls referred to Trading Standards, including issues which may be of a criminal nature. Trading Standards would continue to respond to the most detrimental cases and once the budget proposals had been finalised.
- Proposal 5 – Reduce the cost of waste. The increase in cost for the Landfill Tax were set at £8 per tonne, with extra costs due to the increase in tonnage to landfill. Norfolk County Council had experienced an increase in the amount of waste sent to landfill recently and although a two year fall in landfill waste had been predicted, the true picture was that the reduction in waste had fallen in the first year, then plateaued out. It was very difficult to predict the amount of waste which may be generated in the future. The figures within the report included the food waste schemes operated by King's Lynn and West Norfolk Borough Council, Norwich City Council and Broadland District Council.
- Cost Neutral Adjustments The extra funding for Public Rights of Way (listed under cost neutral adjustments) was not money that could be used for maintenance costs and mainly comprised of the external funding granted for the city cycling scheme.
- Additional Costs for Concessionary Fares Travel Scheme. £8.7m had been allocated to Norfolk County Council through the revenue grant support scheme to cover the concessionary fares travel scheme, although the

cost of the scheme to Norfolk County Council to cover its mandatory duty was estimated at £11m.

- Proposal 59 – Cut the Cost of Providing School Transport

The reduction in the cost of providing school transport would mainly be made up from revoking bus passes from those pupils who were not entitled to receive a pass as they lived within the statutory travelling distances, or from those who were no longer entitled to receive a pass.

- There were 40 potential areas where school routes could be improved and introduced and once the feasibility studies had been completed the Assistant Director of Travel and Transport would ensure Members were made aware of proposed changes.

14.3 The comments made by the Panel at its previous meeting and included in the report within section 6, were discussed with a view to proposing the removal of these items from the proposed list of cuts. Some members expressed their disagreement with removing the items from the list in the light of the savings required within Adult Social Services personal budgets, Safeguarding and 16-19 transport, as well as the reductions required in other departments. It was reiterated that there was no choice to the County Council in making these savings with the cuts forced on it by the Government and that if the Panel proposed removing items from the list, then additional savings would need to be found by other departments if alternative options for savings could not be proposed for consideration.

14.4 It was proposed and seconded to **recommend to Cabinet** the removal of the following proposals from the savings list and these items were individually voted on as follows:

- Remove the reduction in the refilling of grit bins, as the Panel felt this could be a danger, especially if prolonged wintery conditions were experienced this winter. With 10 votes for, 2 against and 2 abstentions it was agreed this item would be removed.
- Remove the proposed £2 recycling charge as the Panel felt this could result in more instances of fly-tipping which could cost the Council additional money to clean up. With 10 votes in favour, it was agreed that this item would be removed.
- Remove the proposal that Parish Council contributions to schemes under the Parish Partnership Fund remain at 25%. With 7 votes for, 4 votes against and 4 abstentions it was agreed that this item would be removed.
- Delete the £1m saving from the maintenance budget as this was only for one year and maintenance on some roads was urgently required. With 8 votes for, 3 votes against and 3 abstentions, it was agreed this item would be removed.

14.5 **RESOLVED** to:

- Note the provisional finance settlement for 2014-15 and the latest planning position for Norfolk County Council.
- Note the updated information on spending pressures and savings for Environment, Transport and Development and the cash limited budget for 2014-15 in context with the feedback from the consultation report.
- Note the proposed list of new and amended capital schemes and the proposed capital programme for Environment, Transport and Development, **recommending to Cabinet that the following items be removed** from the list

of proposed savings, although no alternative proposals were offered to replace those which were removed:

- Remove the reduction in the refilling of grit bins, as the Panel felt this could be a danger, especially if prolonged wintery conditions were experienced this winter.
- Remove the proposed £2 recycling charge as the Panel felt this could result in more instances of fly-tipping which could cost the Council additional money to clean up.
- Remove the proposed Parish Council contributions to schemes under the Parish Partnership Fund to remain at 25%.
- Delete the £1m saving from the maintenance budget as this was only for one year and maintenance on some roads was urgently required.

Bev Spratt  
Chairman

**Draft Un-confirmed minutes from Fire & Rescue Overview & Scrutiny Panel**

[To be circulated/updated 24/01/14]

**Draft Un-confirmed minutes from Children's Services Overview & Scrutiny Panel**

[To be circulated/updated 24/01/14]



## Final Local Government Finance Settlement and final forecasts for business rates

### Final Local Government Finance Settlement 2014-15

- 1 The Government announced the final Local Government Finance Settlement for 2014-15 on 5<sup>th</sup> February 2014. There were minimal changes resulting in a £28,620 net increase on the provisional figures Table 1 below shows the final figures, for the elements of funding that have been revised. No changes were made to the illustrative figures for 2015-16, with the Government Settlement Funding Assessment still forecast to be £274.730m - a £39.4m reduction on 2014-15.

<b>Table 1</b>	<b>2014-15 Provisional £</b>	<b>2014-15 Final £</b>	<b>Change £</b>
Settlement Funding Assessment (RSG/ Business Rates Retention)	314,154,436	314,194,874	40,438
New Homes Bonus	3,214,077	3,213,265	(812)
New Homes Bonus Adjustment	477,321	466,315	(11,006)
Additional Funding			28,620

### NNDR1 Forecast of Business Rates

- 2 District Councils have now submitted to DCLG, their updated forecast of business rates for 2014-15. In addition, the Government has confirmed the position on Small Business Rates Relief, which will be received as Section 31 Grant in 2014-15. The 2014-15 budget plans included a forecast increase in business rates income of £2.123m, which was based on the districts mid year estimates for 2014-15 and the Government's best estimate of Section 31 grant, prior to receiving the NNDR1 information from councils. The latest forecast position based on the NNDR1s is that this should be increased by £418,000 (see Table 2 below).

<b>Table 2</b>	<b>2014-15 January forecast £</b>	<b>2014-15 NNDR1 £</b>	<b>Change £</b>
Surplus above previous estimates	170,000	175,000	5,000
Section 31	1,466,000	1,879,000	413,000
Additional funding			418,000

- 3 The additional funding of £446,620 has been reflected in the 2014-15 budget within Finance General.

**County Council Budget 2014-17**  
**Statement on the Adequacy of Reserves and Provisions 2014-17**

**Report by the Head of Finance (Interim)**

**Summary**

This report details the County Council's reserves and provisions, including an assessment of their purpose and expected usage during 2014-17. 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 to this Cabinet meeting that support decisions for the budget recommendations to County Council.

**Recommendation:**

Cabinet is asked to,

- 1 Note, that excluding the arrangements to manage the Willows risk, the reduction in non-schools earmarked and general reserves of just under 65%, from £112m (March 2013) to £39.6m (March 2017);
- 2 Agree, based on current planning assumptions and risk forecasts set out in Appendix D:
  - (a) for 2014-15, a minimum level of General Balances of £19m and,
  - (b) a forecast minimum level for planning purposes of
 

2015-16,	£22.4m and,
2016-17,	£24.1m

as part of the consideration of the budget plans for 2014-17 and reflecting the transfer of risk from Central to Local Government.
- 3 Agree the use of non-school Earmarked Reserves, as set out at Appendix E,
- 4 Agree that the Head of Finance further reviews the level of the Council's Reserves and Provisions as part of closing the 2013-14 accounts in summer 2014.
- 5 Note the updated policy on reserves and provisions.

**1. Background**

- 1.1 As part of budget reporting to Cabinet and the County Council, the Head of Finance 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 appropriate level for councils' reserves, the Audit Commission states that 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 Councils 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 insufficient and the minimum level is proposed to be raised to £19m, given the downward trajectory of the Earmarked Reserves (Appendix E), and the reduced room for manoeuvre.

## **2. Purpose of holding provisions and reserves**

- 2.1 The Council holds both provisions and reserves.

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 which they will arise. The Council complies with the definition of provisions contained within CIPFA's Accounting Code of Practice.

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 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 Head of Finance is required to form a judgement on the level of the reserve and to advise Cabinet accordingly.

- 2.2 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 £16m. The projected actual level at 31 March 2014 is £16.811m, prior to allowing for the revenue budget year end position, which is currently forecasting an overspend of £0.434m. The budget proposals reported to Cabinet 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 Cabinet on a monthly basis and are subject to continual review. They are also reported to the relevant Overview and Scrutiny Panel. In comparison with other county councils, the council holds a lower than average percentage of general balances – an unallocated reserve which is held as a contingency to meet unexpected financial pressures and emergencies.
- 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 years 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. As a percentage of our net 2013-14 budget it is presently 5.5%. The average for shire counties is some 10%.

#### 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. These 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 that 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.

- Cost of disasters. The Bellwin Scheme 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 under which the Council would have to fund the first £2.099M (0.2% of the 2013-14 budget requirement and Dedicated Schools Grant. Central Government would provide grant funding of 85% for expenditure incurred above this amount. Examples of natural disasters are severe flooding, hurricane damage etc.
- The risk of major litigation, both currently and in the future.
- 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.
- Changes in the economic climate which may influence certain levels of income to be received at a lower level than previous years.
- 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 2014-17 £m**

2013-14 (31-3-2013 Actual)		2014-15	2015-16	2016-17
22.694	Assessment of the level of General Balances	19.000	22.400	24.100

- 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 elsewhere on the agenda forecasts general balances at 31<sup>st</sup> March 2014 of £16.8m, prior to allowing for the revenue budget end of year position, which is currently forecasting an overspend of £0.434m.
- 4.5 The increase in the minimum level of risk based balances needed in the following two years, reflects the increased level of risk around government funding and inflation assumptions, such as pay awards. It is anticipated that the level of risk will be reduced during the 2015-16 budget cycle as further information is received and there is an increased level of confidence in the budget assumptions for key areas of funding and spend.

## 5. Review of Earmarked Reserves and Provisions

- 5.1 As part of the 2014-15 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 Head of Finance to be adequate and appropriate to reflect the risks they are intended to cover. However, it is considered that changes could be made to the some reserves, due to changing circumstances. Table 2 summaries the earmarked reserves for each service and where it is recommended that the medium term financial plan includes movement from or to reserves, these are detailed at the foot of the table. The detail balances for individual reserves is shown at [Appendix C](#).

**Table 2: Summary of Earmarked Reserves 2014-17 £m**

Service	Forecast at 31.3.15	Forecast at 31.3.16	Forecast at 31.3.17
Children's Services	0.000	0.000	0.000
Community Services	5.959	3.552	0.359
ETD	10.871	7.272	6.079
Fire	0.748	0.350	0.277
Resources	0.306	0.306	0.306
Corporate and joint services	15.039	10.613	8.485
<b>Total (excluding schools, April 2013 £89.334m)</b>	<b>32.923</b>	<b>22.093</b>	<b>15.506</b>
Energy to Waste (April 2013 £0m) –budget recommendations include increasing this reserve by £8m in 2014-15 to £19m	11.000	11.000	11.000
Reserves for capital use (April 2013 £1.587m)	6.270	6.270	6.270
Schools (April 2013 £50.145m)	37.661	37.661	37.661

Key Changes to support the medium Term Financial Plan			
Organisational Change and Redundancy Reserve	-4.000		
Modern Reward Strategy Reserve	-4.359		
Icelandic Bank Reserve	-1.445		
<b>Total</b>	<b>-9.804</b>		

- 5.2 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.
- 5.3 During the 2013-14 financial year a new reserve was created to provide a contingency for potential costs that the Council could incur if the Willows Power and Recycling Centre contract is terminated. A planning decision is still awaited from the Secretary of State. However, regardless of the decision, uncertainty will remain and for the purposes of budget planning for 2014-15, it is recommended that the contingency remains in place, in full, even if planning is granted. Risk of further challenge remains and therefore delays, which will result in an increase in price. It is recommended that the reserve remain in place until the plant is operational.

- 5.4 It proposed to utilise the reductions in reserves outlined above for the following one-off purposes. The usage and funding is reflected in the budget proposals in a separate report to County Council.

**Table 3: Use of released funds for one-off purposes £m**

	2014-15	Further information
Invest to save Children's Services	2.000	Savings to be made in 2015-16
Invest to save Adult Social Care	1.804	Savings to be made in 2015-16
Digital Norfolk Ambition	3.000	
Increase in General Balances	3.000	
	9.804	

- 5.5 As reported elsewhere on the agenda, a forecast revenue budget overspend of £0.434m is projected in 2013-14 and general balances are forecast to be £16.811m at 31<sup>st</sup> March 2014. The current recommended level of general balances is £16m and as such the current level of overspend is not expected to reduce balances below this level. Therefore for planning purposes no more than £3m is forecast to be needed to increase balances to the revised recommended level for 2014-15 of £19m.
- 5.6 In view of the need to keep all financial risk 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 2014.
- 5.7 Attached at Appendix C is the updated 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 expected usage over the medium term period. The forecast year end position of all reserves and provisions is reported to each meeting of the Cabinet.

## 6. Resource Implications

- 6.1 The resource implications are set out in Sections 3, 4 and 5 of this report. Excluding the Energy from Waste specific, the change in non-schools reserves is a reduction of just under 65%:

**Table; Change in Reserves 2013 to 2017 £m**

	March 31, 2013	March 31, 2017	Reduction %
General Balances	22.694	24.100	
Earmarked Reserves	89.334*	15.514	
<b>Total</b>	<b>112.028</b>	<b>39.614</b>	<b>64.6</b>

\*excludes reserves for capital use of £1.587m.

### 6.2 Equality Impact Assessment (EqIA)

- 6.3 There are not considered to be any implications relating to equality impact arising from the content of this report.

### 6.4 Environmental Implications

- 6.5 There are no environmental impacts in relation to this report.

## 7 **Any Other implications**

- 7.1 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to take into account.

## 8 **Section 17 – Crime and Disorder Act**

- 8.1 There are not considered to be any implications relating to Section 17, Crime & Disorder Act in relation to this report.

## 9. **Alternative Options**

- 9.1 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.

## 10. **Reason for decision**

- 10.1 As part of budget reporting to Cabinet and the County Council, the Head of Finance 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.

## 11. **Recommendation**

Cabinet is asked to,

- 1 Note, that excluding the arrangements to manage the Willows risk, the reduction in non-schools earmarked and general reserves of just under 65%, from £112m (March 2013) to £39.6m (March 2017);
- 2 Agree, based on current planning assumptions and risk forecasts set out in Appendix D:
  - (a) for 2014-15, a minimum level of General Balances of £19m and,
  - (b) a forecast minimum level for planning purposes of

2015-16,	£22.4m and,
2016-17,	£24.1m
- 3 Agree the use of non-school Earmarked Reserves, as set out at Appendix E,
- 4 Agree that the Head of Finance further reviews the level of the Council's Reserves and Provisions as part of closing the 2013-14 accounts in summer 2014.
- 5 Note the updated policy on reserves and provisions.



## Background Papers

### Officer Contact

If you have any questions about matters contained in this paper please get in touch with:  
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If you need this Agenda in large print, audio, Braille, alternative format or in a different language please contact **Susanne Baldwin** 0344 800 8020 or 0344 800 8011 (textphone) and we will do our best to help.

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

No	Area of risk	Explanation of risk
1	Legislative changes	<p>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 based on firm government announcements. Key elements include:</p> <ul style="list-style-type: none"> <li>- Government grant – based on provisional government funding announcements. Future estimates reflect the direction of travel within headline figures for public funding set out in Spending Round 2013.</li> <li>- Business Rates. Councils' funding is affected by the level of business rates collected. The risk is considered low as NCC is affected by the combined rates across all Norfolk councils, which helps smooth out any specific peaks and troughs.</li> <li>- Council Tax base and collection. The council funding is affected if there is a reduction in the taxbase 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.</li> <li>- NHS/Social Care Funding – There is significant uncertainty around how much additional social care funding will be available to NCC and the responsibilities attached to this. The budget forecasts include estimates for receiving part of the expected funding available.</li> <li>- Local Assistance Fund – The fund has been operational since April 2013. However funding will cease from 2015-16.</li> <li>- Landfill tax. The government has not announced landfill tax increases beyond 2014-15. Budget plans do not include an increase in tax in 2015-16 and 2016-17, however there is a risk that further increases will be announced.</li> </ul>
2	Inflation	<p>Pay inflation has been assumed at 1%; however the County Council is part of the national agreement and therefore will be subject to any agreements reached. There is a risk that pay awards could vary from this assumption over the three year planning period.</p> <p>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.</p> <p>Inflation on fees and charges is set by NCC – a 2% increase has been assumed. However, there is a risk that market forces may require this</p>

No	Area of risk	Explanation of risk
		to be varied during the planning period.
3	Interest rates on borrowing and investment	<p>Budgeted interest earnings on investments are based on the London Intra Bank Bid rate for money market trades. The current rates are low and there is not expected to be significant change. The risk of these reducing further is low and it is more likely that if the economy does not pick up that these rates remain unchanged.</p> <p>Revenue cost of borrowing is based on our current borrowing profile, policies and expected capital programme.</p>
4	Grants and funding	<p>The grant system does not provide long term guaranteed grant allocations and indicative grant settlements are usually only for an additional year. All grant announcements are subject to Government changes, which can also arise 'in-year'. In the absence of indicative forecasts at a council level, future forecasts are normally based on changes in the high level Government forecasts of Departmental Expenditure Limits for Local Government</p> <p>Currently there are 3 issues:</p> <ul style="list-style-type: none"> <li>• The drive to deliver deficit reduction targets means that the Government may place further reductions on government departments that may affect local government</li> <li>• On occasions general issues arise on grants which place the Council at risk of clawback.</li> <li>• 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.</li> </ul>
5	Employee related risks	<p>Staffing implications of budget planning proposals have been evaluated and reflected within the financial plans, including the cost of redundancy. However, variations could occur as detailed implementation plans are developed.</p> <p>A new high level organisational structure has been agreed by County Council. This will lead to restructure across services, the timing of which may impact on the planned delivery of savings.</p>
6	Volume and demand changes	<p>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. Cost could vary if the population varies or if the proportion of people either requiring or eligible for care is different to the forecast.</p> <p>Budgets for Looked After Children take into account both the expected increase in demand and the County Council's strategy for reducing the number of children in care.</p>

No	Area of risk	Explanation of risk
		<p>Financial risks include delivery of the strategy and external factors that can lead to an increase in the number of looked after children.</p> <p>Waste forecasts are based on a stable position for 2015-16 and 2016-17. If tonnage levels increase this will lead to an increased pressure.</p>
7	Budget savings	<p>The medium term financial plan includes £122m 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.</p> <p>In addition, further savings need to be identified to close the funding shortfall in 2015-16 and 2016-17.</p>
8	Insurance and emergency planning provision	<p>Unforeseen events and natural disasters can increase the level of insurance claims faced by the Council.</p> <p>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.</p>
9	Energy, security and resilience	<p>Were a disaster to occur, we must have a reserve in place to pick up costs that will fall to the Council.</p> <p>Norfolk includes flood risk areas and emergency procedures are in place to manage this.</p> <p>Resilience of ICT can create a risk. The DNA programme of work will aim to improve resilience of ICT.</p>
10	Financial guarantees /legal exposure	<p>The contracts containing obligations that, if not fulfilled, would attract a penalty.</p> <p>There remains a risk of contract termination costs in relation to the Willows Power and Recycling centre. A provision of £11m has been created in 2013-14. The latest position is reflected in the Revenue Budget Paper to Cabinet and the financial consequences that need to be taken into consideration as part of the budget decisions.</p> <p>The Council has PFI Schemes for street lighting, salt barns and schools. However there is no risk to the financing of these schemes at this present moment.</p>

## Appendix B: Balances calculation £m

Area of Risk	2013/14			2014/15			2015/16			2016/17		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
<b>Legislative Changes</b>												
Government Grant / Localised Business Rates (incl New Homes Bonus)	338.986	0.00%	0.000	310.986	0.00%	0.000	271.986	1.00%	2.720	247.986	1.50%	3.720
Business Rates	24.787	0.00%	0.000	25.826	0.00%	0.000	26.472	1.00%	0.265	27.133	1.00%	0.271
Council Tax Variation to Base/Collection	302.587	0.00%	0.000	307.566	0.00%	0.000	308.887	0.00%	0.000	310.214	0.00%	0.000
NHS/Social Care Funding	14.956	0.00%	0.000	17.956	0.00%	0.000	30.956	0.00%	0.000	30.956	0.00%	0.000
Local Assistance Fund	2.303	0.00%	0.000	2.275	0.00%	0.000	0.000	10.00%	0.000	0.000	10.00%	0.000
Landfill Tax - waste recycling (price)	20.600	0.00%	0.000	20.600	0.00%	0.000	20.600	1.00%	0.206	20.600	1.00%	0.206
	<b>704.219</b>		<b>0.000</b>	<b>685.209</b>		<b>0.000</b>	<b>658.901</b>		<b>3.191</b>	<b>636.889</b>		<b>4.197</b>
<b>Inflation</b>												
Employees	225.728	0.00%	0.000	227.728	0.50%	1.139	229.728	1.00%	2.297	231.728	1.00%	2.317
Premises	27.515	1.00%	0.275	27.515	1.00%	0.275	27.515	1.00%	0.275	27.515	1.00%	0.275
Transport	54.602	0.50%	0.273	54.602	0.50%	0.273	54.602	0.50%	0.273	54.602	0.50%	0.273
Supplies and Services	92.265	0.75%	0.692	92.265	0.75%	0.692	92.265	0.75%	0.692	92.265	0.75%	0.692
Agency and Contracted	437.651	0.25%	1.094	437.651	0.25%	1.094	437.651	0.25%	1.094	437.651	0.25%	1.094
Income (Fees and Charges excl Schools)	101.000	0.00%	0.000	101.000	0.00%	0.000	101.000	0.00%	0.000	101.000	0.00%	0.000
	<b>938.761</b>		<b>2.334</b>	<b>940.761</b>		<b>3.473</b>	<b>942.761</b>		<b>4.632</b>	<b>944.761</b>		<b>4.652</b>
<b>Interest Rates</b>												
Borrowing	32.316	0.50%	0.162	32.316	0.50%	0.162	32.316	0.50%	0.162	32.316	0.50%	0.162
Investment	1.701	0.50%	0.009	1.701	0.50%	0.009	1.701	0.50%	0.009	1.701	0.50%	0.009
	<b>34.017</b>		<b>0.170</b>	<b>34.017</b>		<b>0.170</b>	<b>34.017</b>		<b>0.170</b>	<b>34.017</b>		<b>0.170</b>
<b>Grants</b>												
Education Services Grant	12.132	4.00%	0.485	11.647	1.00%	0.116	11.530	1.00%	0.115	11.415	1.00%	0.114
Public Health Grant funding	29.798	0.00%	0.000	30.633	0.00%	0.000	30.633	2.00%	0.613	30.633	2.00%	0.613
Other General Fund Grants	31.223	0.50%	0.156	31.223	0.50%	0.156	31.223	0.50%	0.156	31.223	0.50%	0.156
	<b>73.153</b>		<b>0.641</b>	<b>73.503</b>		<b>0.273</b>	<b>73.386</b>		<b>0.884</b>	<b>73.271</b>		<b>0.883</b>

Area of Risk	2013/14			2014/15			2015/16			2016/17		
	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value	Budget	Risk Level	Value
<b>Employee Related Risks</b>												
Pensions actuarial evaluation	6.763	0.00%	0.000	7.934	0.00%	0.000	9.212	0.00%	0.000	10.612	2.00%	0.212
National single tier pension	0.000	0.00%	0.000	0.000	0.00%	0.000	0.000	0.00%	0.000	3.300	5.00%	0.165
	<b>6.763</b>		<b>0.000</b>	<b>7.934</b>		<b>0.000</b>	<b>9.212</b>		<b>0.000</b>	<b>13.912</b>		<b>0.377</b>
<b>Volume / Demand Changes</b>												
Capital Receipts	3.000	0.00%	0.000	3.000	0.00%	0.000	3.000	0.00%	0.000	3.000	0.00%	0.000
Customer and Client Receipts	101.000	0.75%	0.758	103.020	0.75%	0.773	105.080	0.75%	0.788	108.233	0.75%	0.812
Demand Led Budgets (Adult Social Care incl POC; Care Assessment; SLA)	198.113	1.00%	1.981	202.075	1.00%	2.021	206.117	1.00%	2.061	210.239	1.00%	2.102
Demand Led Budgets (Looked after Children)	84.038	1.00%	0.840	85.719	1.00%	0.857	87.433	1.00%	0.874	89.182	1.00%	0.892
Winter Pressures	3.800	25.00%	0.950	3.800	25.00%	0.950	3.800	25.00%	0.950	3.800	25.00%	0.950
Landfill Tax - waste recycling (volume)	20.600	1.20%	0.247	20.600	1.20%	0.247	20.600	1.20%	0.247	20.600	1.20%	0.247
Public Health contracts	29.804	0.00%	0.000	29.804	2.00%	0.596	29.804	2.00%	0.596	29.804	1.00%	0.298
	<b>440.355</b>		<b>4.776</b>	<b>448.018</b>		<b>5.444</b>	<b>455.834</b>		<b>5.517</b>	<b>435.054</b>		<b>5.301</b>
<b>Budget Savings</b>												
Budget Reductions	<b>51.501</b>	<b>5.00%</b>	<b>2.575</b>	<b>65.000</b>	<b>5.5%</b>	<b>3.575</b>	<b>32.000</b>	<b>6.00%</b>	<b>1.920</b>	<b>50.000</b>	<b>5.00%</b>	<b>2.500</b>
<b>Insurance/Public Liability Third Party Claims</b>												
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
Bellwin rules	1,077.673	0.20%	2.155	1,054.652	0.20%	2.109	1,016.973	0.20%	2.034	994.300	0.20%	1.989
	<b>1,077.673</b>		<b>6.155</b>	<b>1,054.652</b>		<b>6.109</b>	<b>1,016.973</b>		<b>6.034</b>	<b>994.300</b>		<b>5.989</b>
<b>Energy Security and Resilience</b>												
Carbon Tax Legislation	<b>0.250</b>	0.00%	0.000	<b>0.250</b>	10.00%	0.025	<b>0.250</b>	10.00%	0.025	<b>0.250</b>	10.00%	0.025
<b>TOTAL</b>			<b>16.652</b>			<b>19.069</b>			<b>22.372</b>			<b>24.094</b>

## 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 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 Cabinet on a monthly 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)

The Council complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.

Similar to provisions, reserves are reported to Cabinet on a monthly 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 can be specific e.g. Usable Capital Receipts can only be used for capital purposes.

A) 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 smoothes the impact of funding the replacement equipment when the existing equipment is no longer fit for purpose.

B) 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.

## C) General Balances

The General Balances reserve is held to enable the County Council to manage unplanned or unforeseen events. The Head of Finance is required to form a judgment on the level of this reserve and to advise the Cabinet accordingly.

In forming a view on the level of General Balances, the Head of Finance 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 2 categories:

- Disasters
- Departmental Overspends

In a disaster situation, the Council can have recall to the Government using the Bellwin rules under which the Council would have to fund the first £2.099m (0.2% of the 2013-14 net budget requirement and Dedicated Schools Grant). Central government would provide grant funding of 85% for expenditure incurred above this amount. Examples of natural disasters are severe flooding, hurricane damage, etc.

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 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 Cabinet monitoring report, the forecast level of General Balances at 31 March 2014 is £16.811m, prior to allowing for the revenue budget year end position. The County Council holds balances of 5.5% as a percentage of its net 2013-14 revenue expenditure. 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.

## 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
- Any financial risks associated with Companies where the Council is a shareholder

In evaluating the level of General Balances, as part of producing the 2014-15 Budget, the Head of Finance 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 Cabinet 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 Head of Finance currently advises that the Council holds the following minimum level of General Balances for 2014-15 and indicative minimum levels for planning purposes for 2015-16 and 2016-17.

	2014-15 £M	2015-16 £M	2016-17 £M
Assessment of the level of General Balances	19.0	22.4	24.1

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 £19m above.

If the level of General Balances is reduced to below the minimum balance, currently £19m, 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
<b>PROVISIONS</b>	
<b>Adult Social Services Doubtful Debts</b>	
A provision to cover bad debts.	This provision will decrease as bad debts are written off. A significant proportion is for specific debts.
<b>ETD Doubtful Debts</b>	
A provision to cover bad debts.	No current specific requirement.
<b>Insurance</b>	
Provision for insurance claims.	Contractual commitment based on reported claims and provision for incurred but unreported claims.
<b>Pension liability re: Norfolk and Waveney Mental Health Trust</b>	
Provision for the potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust.	A £600k liability exists that will be settled shortly. In addition this provision will also be used to meet an Age UK pension contribution. The liability could arise in 2013-14, but is assumed over two years, with the provision ceasing in 2014-15.
<b>Redundancy</b>	
A provision to meet redundancy & pension strain costs.	This is expected to be used in part in 2014-15, with an improved forecast for future years prepared as the savings programme is developed and detailed organisational and staffing plans are finalised.
<b>Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regulations</b>	
This provision is to meet the variable demand on Retained Turnout costs.	This is required to cover the contractual commitment, but currently there is no specific call on the provision identified.
<b>Closed landfill long term impairment provision</b>	
Provision created to fund long term impairment costs arising from Closed Landfill sites, as per Government legislation and Audit Commission recommendation.	This is required to cover the legal requirements, but there is currently no specific call on the provision identified.
<b>EARMARKED RESERVES</b>	
<b>Adult Education Income Reserve</b>	
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. This reserve enables the Council to manage risks associated with potential changes in Skills Funding Agency working.	The service has a requirement for a 5% risk margin based on the likelihood of funder's requests to return funds when educational attainment targets have not been achieved. Such requests occur at the end of the academic year when fixed costs have already been committed and the reserve is intended to avoid overspending. The target is £0.300m and more work is needed to build up levels of reserves. Risk is currently amber against current performance but red against target levels.
<b>Adult Social Services Residential Review</b>	

This reserve was originally created from savings arising from the new conditions of service for residential care staff and it was agreed with the Unions and Members that it is to be used for developing the homes/housing with care schemes for older people.	The NorseCare annual rebate is placed in this reserve and the reserve is used to meet costs of Building Better Futures transformation project, e.g. more housing with care schemes. It is expected to be used in 2016-17.
<b>Adult Social Care Legal Liabilities</b>	
This reserve relates to a legal case on the ability to charge for certain services. It will be used to smooth future expenditure if the Council cannot charge for these services.	Cabinet approved on 9 May 2011 the creation of the Adult Social Care Legal Liabilities reserve to cover the potential costs arising from the dismissal on Tuesday 15 February 2011 at the Court of Appeal of the appeal lodged by Hertfordshire County Council regarding the funding of aftercare under section 117 of the Mental Health Act. The department has incurred extra costs and was able to absorb most of these pressures in 2012-13. However this is not expected to be the case in future years given the pressure on the department's budgets and it is expected that the reserve will be used over the next three years
<b>Archive Centre Sinking Fund</b>	
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. No commitments are currently identified and the annual contributions to the fund will be reduced to £10,000 from 2014-15.
<b>Building Maintenance</b>	
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.
<b>Car Lease Scheme surplus</b>	
This is the accumulated trading surplus on the car leasing scheme.	This fund is expected to increase each year by the forecast annual surplus of £200k and therefore there will be opportunity to use some of this funding in future years.
<b>Community Construction Fund</b>	
This fund is available to groups such as parish councils, voluntary groups and charities to apply for a one-off grant to create village hall extensions, sports facilities, play areas and other community projects.	This is expected to be fully used by the end of 2013-14.
<b>Strategic Partnership</b>	
This reserve reflects monies that have been generated from Council Tax on second homes and in accordance with the decision of the Norfolk Local Government Association is earmarked for strategic initiatives identified by the County Strategic Partnership.	The majority of this funding is expected to be used by the end of 2013-14.
<b>Economic Development and Tourism</b>	
This is primarily the Apprenticeship Scheme balance, plus Better Broadband and committed EU project funding	Funding for apprenticeships, Better Broadband and EU Projects are all committed. Specific commitments are not identified yet but it is expected that the £1m remaining in 2016-17 will be partly committed.
<b>Fire Operational Equipment Reserve</b>	
This reserve is to meet variable demands for new operational equipment and personal protective equipment that arise from larger incidents and higher than expected turnouts.	The reserve is planned to be used to fund fleet replacement and could be fully utilised within 2015-16. However, this is directly linked to the degree that leasing budgets are reduced within the Fire Revenue budget.
<b>Fire Pensions Reserve</b>	

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.	Take up of ill health injury increasingly mean that its use will be needed, but there is currently no specific call on the reserve identified.
<b>Fire Operational Reserve</b>	
To cover exceptional operational activity.	No specific call on the reserve identified but in place to manage unforeseen activity and related costs.
<b>Highways Maintenance</b>	
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.
<b>Historic Buildings</b>	
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.
<b>Icelandic Banks Reserve</b>	
This is to provide for potential additional Icelandic Bank losses.	Cabinet previously agreed spend against this reserve on 18/02/13. The remainder is currently needed to meet potential liabilities, but there is possible opportunity to free up some of the reserve in 2014-15. Our planning assumption is that funding will be able to be used to the support the proposed increased in the level of general balances.
<b>Industrial Estate Dilapidations</b>	
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.
<b>Information Technology Reserve</b>	
The reserve is used by multiple services to set aside money for specific IT projects.	New funding towards the reserve is not planned, but £3.8m of the reserve is expected to be used in 2014-15 and a further £1m in 2015-16. £2m of the 2014-15 use will be towards Digital Norfolk Ambition.
<b>Insurance</b>	
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.
<b>Modern Reward Strategy Reserve</b>	
This reserve is set aside to meet any successful equal pay claims.	There is no longer a need for this reserve and therefore it is proposed that the reserve is used in full in 2014-15. It is planned to use £2m for invest to save within Children's Services; £1.812m for invest to save within Community Services Adult Social Care and the remaining balance to support the proposed increase in the level of general balances.
<b>Museums Income Reserve</b>	
This reserve is to assist with the budget management of fluctuations in income from visitors due to unpredictable seasonal variations. This reserve has since been identified towards an urgent capital project at Gressenhall Farm and Workhouse to reduce capital borrowing requirements which would otherwise impact adversely on the service revenue budget.	The Joint Museums Committee and Cabinet approved a reserve of 10% of the income budget in the event adverse weather conditions impacted on income generated from visitors. The reserve protects the service budget from unavoidable overspends in a particular year and is for unforeseen need. There is currently no planned future use of the reserve.
<b>NDR Reserve</b>	
This reserve is to support the council's funding requirement for the Northern Distributor Road and will be used to mitigate future borrowing costs for the scheme.	This reserve is expected to be used in full in 2014-15 however this is subject to the optimum borrowing profile.

<b>Norfolk Infrastructure Fund</b>	
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. The profile of spend relates to expected income and spend to meet known projects including borrowing costs.
<b>Nplaw Operational Reserve</b>	
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.
<b>Organisational Change and Redundancy Reserve</b>	
This reserve was created to provide one-off funding to support and invest in transformational change e.g. shared services, which the Council faces from 2010 onwards and to fund redundancy costs.	The reserve is planned to be used for change initiatives including Workstyle and funding for the Corporate Programme Office. £3m is planned to be used to support Digital Norfolk Ambition and £1m to support the proposed increase in the level of general balances.
<b>ETD Bus De-registration</b>	
This is funding to meet costs associated with the commercial deregistration of bus services.	It is currently expected that this reserve will be used in full in 2014-15.
<b>ETD Demand Responsive Transport</b>	
This reserve is to enable pump priming of demand responsive transport services as changes are made in supporting public transport by increasing public transport patronage rather than directly subsidising transport operators.	There is currently no planned usage of the reserve.
<b>ETD Park &amp; Ride</b>	
The reserve is for future site works.	There is currently no planned usage of the fund, but is retained to meet potential necessary site works.
<b>ETD Road Safety Reserve</b>	
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	It is expected that this reserve will be used in full in 2013-14.
<b>ETD Street Lighting Sinking Fund</b>	
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.
<b>ETD – Reprocurement Strategic Partnership</b>	
This reserve supports a major project set up to in 2011-12 for the re-procurement of highways services. This re-procurement is not completed.	The reserve is expected to be fully used in 2013-14 and the reserve will be removed from 2014-15.
<b>Prevention Fund</b>	
This includes both the Living Well in the Community Fund and Prevention Fund agreed by Cabinet to support prevention work, mitigate the risks in delivering prevention savings and to help build capacity in the independent sector.	The fund is expected to be fully used by the end of 2015-16. £48,000 is planned to be used in relation to Living Well payments in 2014-15 and £1.1m in 2014-15 and £0.721m in 2015-16 in relation to prevention.
<b>Public Transport Commuted Sums</b>	
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. There is currently no planned usage of the funding.
<b>Repairs and Renewals Fund</b>	
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. The majority of the reserve is planned to be used over the next three years.
<b>Residual Insurance and Lottery Bids</b>	

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 also incorporates externally funded grants earmarked towards projects amounting to £0.166m on forecast. The remainder is required to complete the conservation of damaged documents. The reserve is expected to be used in full over the next three years.
<b>Strategic Ambitions Reserve</b>	
This reserve supports the Council in achieving its aspirations and strategic ambitions for Norfolk.	Funding related to the Carbon Energy Reduction Fund is expected to be used fully by the end of 2014-15. The reserve is also used to support the Corporate Programme Office and this element of the reserve will be utilised fully during 2016-17. The remainder of £0.111m relates to transport strategy and the sustainable strategy team, for which there are currently no identified commitments during 2014-17.
<b>Unspent Grants and Contributions</b>	
This reserve contains the balances on the Council's unconditional grants and contributions.	Mostly grants and contributions will be used to fund spend during the next two years. It is currently expected that £755,000 will remain uncommitted by the end of 2016-17.
<b>Usable Capital Receipts</b>	
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 which is ring-fenced for county farm purposes. £528,000 of the reserve is planned to be used toward general capital finance packages in 2014-15. The remainder relates to County Farms. Disposals of over £6m are expected in 2014-15.
<b>Waste Management Partnership Fund</b>	
This reserve is for waste management initiatives.	It is planned that the reserve will be fully used in 2014-15.
<b>School's Provisions Children's Services Provision for Holiday Pay</b>	
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.
<b>School's Reserves Building Maintenance Non-Partnership Pool</b>	
This is money put aside by schools, who have not subscribed to the Building Maintenance Partnership Pool, for the building maintenance of their schools	The future usage will be part of individual school's financial plans.
<b>Building Maintenance Partnership Pool (BMPP)</b>	
This is part of a 5 year subscription program, run by NPS on behalf of schools, for building maintenance.	The reserve is expected to be utilised in 2014-15.
<b>Children's Services Equalisation</b>	
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.	This expected to be used in full in 2014-15.
<b>LMS Balances</b>	
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 future usage will be part of individual school's financial plans.

the DfES and are not available to the Council for general use.	
<b>Norwich Schools PFI Sinking Fund</b>	
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.
<b>Schools Contingency</b>	
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.
<b>Schools non-teaching activities</b>	
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.
<b>Schools Playing Field Surface Sinking Fund</b>	
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.
<b>Schools Sickness Insurance Reserve</b>	
This reserve is a mutual insurance scheme operated on behalf of schools.	No expected variations to the reserve.

**APPENDIX E**

**RESERVES AND PROVISION  
YEAR END PROJECTIONS**

	<b>Balances at 1.4.13</b>	<b>Forecast Balances at 31.3.14</b>	<b>Forecast Balances at 31.3.15</b>	<b>Forecast Balances at 31.3.16</b>	<b>Forecast Balances at 31.3.17</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Earmarked Reserves</b>					
<b>All Services</b>					
Building Maintenance	1.071	1.186	1.186	1.186	1.186
Information Technology Reserve	9.471	6.769	2.934	1.940	1.852
Repairs and Renewals Fund	5.783	3.558	2.157	1.396	0.771
Unspent Grants and Contributions	12.255	6.951	4.789	2.574	1.047
	<b>28.580</b>	<b>18.464</b>	<b>11.066</b>	<b>7.096</b>	<b>4.856</b>
<b>Children's Services</b>					
Children's Services Improvement Fund	0.000	1.500	0.000	0.000	0.000
	<b>0.000</b>	<b>1.500</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Community Services</b>					
Adult Education Income Reserve	0.018	0.018	0.018	0.018	0.018
Adult Social Services Residential Review	3.594	2.023	2.023	2.023	0.023
Adult Social Care Legal Liabilities	3.594	3.253	2.253	1.153	0.000
Archive Centre Sinking Fund	0.216	0.264	0.274	0.284	0.294
Museums Income Reserve	0.079	0.024	0.024	0.024	0.024
Prevention Fund	4.068	2.319	1.267	0.000	0.000
Residual Insurance and Lottery Bids	0.368	0.315	0.100	0.050	0.000
	<b>11.937</b>	<b>8.216</b>	<b>5.959</b>	<b>3.552</b>	<b>0.359</b>
<b>ETD</b>					
Economic Development	4.609	4.353	2.649	0.946	0.946
Highways Maintenance	4.644	3.179	1.930	0.930	0.430
Historic Buildings	0.229	0.178	0.178	0.178	0.178
NDR Reserve	2.500	2.500	0.000	0.000	0.000
Norfolk Infrastructure Fund	2.378	2.130	0.491	0.795	1.402
P & T Bus De-registration	0.082	0.082	0.000	0.000	0.000
P & T Demand Responsive Transport	0.561	0.311	0.000	0.000	0.000
P & T Park & Ride	0.107	0.012	0.012	0.012	0.012
P & T Road Safety Reserve	0.197	0.000	0.000	0.000	0.000
P & T Street Lighting Sinking Fund	7.789	6.695	5.595	4.395	3.095
ETD – Reprocurement Strategic Partnership	0.236	0.035	0.000	0.000	0.000
Public Transport Commuted Sums	0.016	0.016	0.016	0.016	0.016
Waste Management Partnership Fund	1.075	0.440	0.000	0.000	0.000
	<b>24.423</b>	<b>19.931</b>	<b>10.871</b>	<b>7.272</b>	<b>6.079</b>



	<b>Balances at 1.4.13</b>	<b>Forecast Balances at 31.3.14</b>	<b>Forecast Balances at 31.3.15</b>	<b>Forecast Balances at 31.3.16</b>	<b>Forecast Balances at 31.3.17</b>
<b>Fire</b>					
Fire Operational Equipment Reserve	1.018	0.998	0.298	0.000	0.000
Fire Pensions Reserve	0.348	0.348	0.273	0.173	0.100
Fire Operational Reserve	0.542	0.377	0.177	0.177	0.177
	<b>1.908</b>	<b>1.723</b>	<b>0.748</b>	<b>0.350</b>	<b>0.277</b>
<b>Resources</b>					
npplaw Operational Reserve	0.245	0.306	0.306	0.306	0.306
	<b>0.245</b>	<b>0.306</b>	<b>0.306</b>	<b>0.306</b>	<b>0.306</b>
<b>Corporate</b>					
Car Lease Scheme surplus	1.155	0.598	0.798	0.998	1.198
Community Construction Fund	0.072	0.000	0.000	0.000	0.000
Strategic Partnership	0.486	0.016	0.016	0.016	0.016
Icelandic Banks Reserve	5.735	2.235	0.790	0.790	0.790
Industrial Estate Dilapidations	0.010	0.010	0.010	0.010	0.010
Insurance	0.017	0.017	0.017	0.017	0.017
Modern Reward Strategy Reserve	6.210	4.359	0.000	0.000	0.000
Organisational Change and Redundancy Reserve	7.277	6.318	1.535	1.515	1.495
Strategic Ambitions Reserve	1.279	1.219	0.815	0.179	0.111
Residual Waste Treatment Contract Reserve	0.000	11.000	11.000	11.000	11.000
	<b>22.241</b>	<b>25.772</b>	<b>14.981</b>	<b>14.525</b>	<b>14.637</b>
<b>Non – Schools Total</b>	<b>89.334</b>	<b>75.912</b>	<b>43.931</b>	<b>33.101</b>	<b>26.514</b>
<b>Reserves for capital use</b>					
Usable capital receipts	1.587	0.878	6.270	6.270	6.270
<b>Schools Reserves</b>					
Building Maintenance Non-Partnership Pool	1.523	1.061	1.061	1.061	1.061
Building Maintenance Partnership Pool	0.322	0.322	0.000	0.000	0.000
Children's Services Equalisation	0.690	0.249	0.000	0.000	0.000
LMS Balances	33.022	21.631	21.631	21.631	21.631
Norwich Schools PFI Sinking Fund	1.711	1.711	1.711	1.711	1.711
Schools Contingency	10.03	10.711	10.711	10.711	10.711
Schools non-teaching activities	1.010	1.010	1.010	1.010	1.010
Schools Playing Field Surface Sinking Fund	0.409	0.409	0.409	0.409	0.409
Schools Sickness Insurance Reserve	1.428	1.128	1.128	1.128	1.128
<b>Schools Total</b>	<b>50.145</b>	<b>38.232</b>	<b>37.661</b>	<b>37.661</b>	<b>37.661</b>

	<b>Balances at 1.4.13</b>	<b>Forecast Balances at 31.3.14</b>	<b>Forecast Balances at 31.3.15</b>	<b>Forecast Balances at 31.3.16</b>	<b>Forecast Balances at 31.3.17</b>
<b>Provisions</b>					
<b>Community Services</b>					
Adult Social Services Doubtful Debts	1.055	0.951	0.851	0.751	0.651
Potential pension liability arising from the transfer of staff to the Norfolk & Waveney Mental Health NHS Foundation Trust	1.270	1.270	0.000	0.000	0.000
<b>Corporate</b>					
Insurance	12.394	12.394	12.000	12.000	12.000
Redundancy	5.268	5.152	0.000	0.000	0.000
<b>ETD</b>					
Closed landfill long term impairment provision	9.244	9.189	9.132	9.073	9.010
ETD Doubtful Debts	0.046	0.050	0.050	0.050	0.050
<b>Fire</b>					
Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) Regulations	0.850	0.775	0.775	0.775	0.775
<b>Schools Provisions</b>					
Children's Services Provision for Holiday Pay	0.018	0.018	0.018	0.018	0.018

2014-15 Revenue Budget

Report by the Head of Finance (Interim)

**Summary**

This report sets out the detailed revenue budget proposals covering 2014-15 and the proposed level of Council Tax/Precept for 2014-15. This paper is one of a suite of reports to this Cabinet meeting that support decisions on the budget recommendations to County Council.

The Leader's recommendations and key information to support the budget recommendation are contained in separate reports to Cabinet under this agenda item.

The Council is awaiting the Secretary of State's decision on the called-in planning decision for the Willows Power and Recycling Centre. The decision was expected in mid January but has now been delayed – the result of which significantly affects the Council's financial planning. There is currently no new decision date, but it is now not expected before March and after the date that the Council is required, by law, to set its budget. The Cabinet has therefore asked that the budget proposals and recommendations in this report are prepared on the prudent basis that planning is not approved and the Council makes provision for potential contract termination costs.

**Recommendations**

1. The Cabinet is proposing the following budget recommendation in the light of an improved financial position, the consultation, the delay in the planning permission for the Willows, and accepting greater risk, which results in £15.1m of extra costs met by £15.1m of funding:

**Cabinet is asked to:**

1) Note the revised position which sees the availability of £10.9m for 2014-15.

2) Agree the response to the consultation, by restoring £7.1m funding in 2014-15 for:

Children's revised budget savings, better data, robust budget	- £3.1m
Children's 16-19 transport re-phased	- £1.0m
Adults – personal care savings re-phased, plus less risk	- £3.0m

3) Note the delayed planning decision on the Willows, which will emerge after the budget meeting;

4) Agree, that as a consequence, the prudent approach is to assume a possible planning failure, and gather £8m funds, towards the £26m that could be required, making a total of £19m [or 73%] assembled;

5) Note that the remaining £7m was to be defrayed by a £4.2 one-off contribution from the 2014-15 revenue budget for interest payments on capital, which can be deferred for a year;

6) Agree, that in the light of the deferral above, the £4.2m is employed to help fund the Willows assembly, as set out below, accepting the increased degree of risk if the whole £26m becomes due.

	Resources £m	One-off costs £m
Availability	10.9	
Consultation		7.1
Willows		8.0
Interest payments	4.2	
Total	15.1	15.1

7) Note that, a delay in the Willows decision beyond May 1<sup>st</sup>, exposes the Council to a potential increase in termination costs of £5m, to £31m, resulting in an unfunded risk of £12m [£31m less £19m], which in the short term would be covered by the General Reserve, whilst urgent savings were then assembled to restore the General Reserve to its £19m minimum.

**2. Cabinet is asked to agree to recommend to County Council:**

a) An overall County Council Net Revenue Budget of £308.397m for 2014-15, including budget increases of £113.301m and budget reductions of £107.491m as set out in Table 5 of this report and the actions required to deliver the proposed savings.

b) A freeze in Council Tax for 2014-15

c) The budget proposals set out for 2015-16 and 2016-17, including authorising Chief Officers to take the action required to deliver budget savings for 2015-16 and 2016-17 as appropriate.

d) As the current proposals are not adequate to deliver a balance budget in future years that further plans, to meet the shortfall, are brought back to Members before June 2014, as part of the 2015-16 budget planning process timetable set out in Appendix F.

e) The Council Tax calculations in Appendix D and the precept to be collected from the District Councils.

f) That the Head of Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2014-15 Budget, to make payments, to raise and repay loans and to invest funds.

## 1. Introduction and purpose of report

1.1. Reports to Cabinet on 5<sup>th</sup> August 2013, marked the start of the Council's planning cycle for 2014-17. They set out the forecast changes to the service, financial context for medium term planning, the parameters and timetable for services to follow, in reshaping services and developing budget plans leading up to the County Council budget meeting on 17<sup>th</sup> February 2014. Budget proposals were subject to consultation. The Council launched the Putting People First Budget Consultation in September, the response to which is reported on this agenda. Cabinet has also received reports, elsewhere on this agenda, providing additional information for Cabinet in considering the recommendations for the revenue budget. These are:

- Findings from the Putting People First Budget Consultation and the outcome of the Equality Impact Assessments of budget proposals;
- Robustness of the estimates 2014-17;
- Statement on the adequacy of provisions and reserves 2014-17;
- Medium Term Financial Strategy 2014-17;
- Capital Programme 2014-17;
- Annual Investment Treasury Strategy 2014-15.

1.2. The purpose of this report is to set out the detailed revenue budget position for 2014-15, medium term budget plans for 2015-17 and implications for Council Tax for 2014-15 in line with the Cabinet's recommendations.

## 2. Background Information

### National Planning Context

2.1 Department of Communities and Local Government announced the detailed finance settlement for local government on 18<sup>th</sup> December 2013. This was reported to 6<sup>th</sup> January Cabinet meeting and provided provisional details for 2014-15 and the indicative position for 2015-16 including:

- The Business Rates Retention Scheme including
  - Uplifts to the business rates baseline and top-ups
  - Revenue Support Grant
  - Pooled figures for the Norfolk Business Rates Pool
- Council Tax Freeze Grant
- Specific grants
- Some capital grants

2.2 The publication marks the beginning of the consultation on the 2014-15 Draft Local Government Finance Report, which ended on 15<sup>th</sup> January 2014. The final settlement details are expected later in January 2014.

2.3 The Draft Local Government Finance Settlement confirmed the expected reduction in council's key funding, with Norfolk County Council receiving an 8.4% reduction in its Settlement Funding Assessment for 2014-15 and a further 12.4% reduction in 2015-16. Based on the national projections, further reductions are expected in 2016-17 and assumed to be 9%.

- 2.4 The Government has announced that council tax freeze funding will continue and that council tax freeze funding, equivalent to a 1% increase, for 2014-15 and 2015-16 will be built into the spending review baselines for subsequent years.
- 2.5 The Minister is expected to announce in January 2014 the maximum level an authority can increase Council Tax before a referendum is triggered. In 2013-14 the referendum threshold was 2%.

**NCC budget planning process and framework**

- 2.6 A report to Cabinet in August 2013 set out the latest budget planning forecasts and the planning direction for the period 2014-17. Cabinet agreed the following budget planning timetable shown below and the approach for developing budget proposals for the Putting People First consultation that was launched in September 2013.

**Table 1: Budget and service planning timetable**

<b>Activity/Milestone</b>	<b>Time frame</b>
Cabinet reviews the latest financial position and agrees guidance on the financial planning parameters.	5 August 2013
Initial consultation on approach and priority areas	August 2013
Services consider implications of service and financial guidance and context, and review/develop service planning options	August to September 2013
Cabinet reviews any further financial updates or information from expected Government consultations affecting funding settlement	September or October 2013
Consultation on specific planning proposals and council tax 2014-17	Late September to December 2013
Overview and Scrutiny Panels reporting – service and budget planning – review of progress against three year plan and planning options	November 2013
Chancellor’s Autumn Statement and Provisional Finance Settlement	December 2013
Overview and Scrutiny Panels input on service and financial planning and consultation feedback	January 2014
Cabinet agree revenue budget and capital programme recommendations to County Council	27 January 2014
County Council agree County Council Plan, revenue budget, capital programme and level of Council Tax	17 February 2014

- 2.7 In September 2013, Cabinet received a report setting out a revised funding shortfall of £189m. This was based on the latest forecasts of Government funding and estimates of expected increased costs for such as inflation, volume change from increased demand and demographics and the costs of legislative changes.
- 2.8 During the autumn, significant work has taken place to review and challenge all budget estimates and initial budget saving proposals to ensure the robustness of estimates. This has been undertaken through additional reviews and member and officer peer challenge. In addition, emerging challenges, such as the strategy for Children’s Services, have been taken into consideration. Together with the funding announcements within the Draft Local Government Funding Settlement for 2014-15 and 2015-16 and identified savings, the three year forecast shortfall has been reduced to £20.83m. This is prior to Cabinet recommendations set out in this paper.

## Income

2.9 The Council has four main funding streams:

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

2.10 The main highlights to consider are:

(a) Business Rates Retention Scheme – the Draft Local Government Funding Settlement included information on the Settlement Funding Assessment, which includes the authority's Revenue Support Grant and baseline funding level updated in line with RPI. In order to ensure that local government spending is within the national departmental expenditure limits, the revenue support grant is a balancing figure and subsequently is reducing year on year in line with the Government's deficit reduction plan. The below tables show the component elements of the Settlement Funding Assessment and how the Council will receive this funding.

**Table 2: Breakdown of Settlement Funding Assessment and funding**

	Settlement Funding Assessment		
	2013-14 £	2014-15 £	2015-16 £
Upper-tier Funding	219,357,117	221,986,401	186,144,243
Fire and Rescue Funding (now shown separately)		15,379,724	14,061,152
Learning Disability and Health Reform	41,313,572	41,706,675	41,692,906
Council Tax Support (now within Upper Tier Funding)	45,654,834		
Council Tax Freeze Grant	8,553,261	8,515,023	8,512,172
Early Intervention	23,902,612	22,049,109	20,166,585
Lead Local Flood Authorities	198,600	195,629	195,563
Efficiency Support for Services in Sparse Areas		466,963	466,963
2013-14 Council Tax Freeze Compensation		3,490,892	3,490,892
Returned Funding		364,020	
<b>Total</b>	<b>338,979,996</b>	<b>314,154,436</b>	<b>274,730,475</b>

	2013-14 £m	2014-15 £m	2015-16 £m
Settlement Funding Assessment	338.980	314.154	274.730
Received through:			
Revenue Support Grant	203.558	176.095	132.860
Business Rates Baseline	135.422	138.060	141.870
<i>via Top-up</i>	<i>110.427</i>	<i>112.578</i>	<i>115.685</i>
<i>Retained rates</i>	<i>24.995</i>	<i>25.482</i>	<i>26.185</i>

(b) Council Tax – the Government has extended the Council Tax Freeze Grant for a further two years for those councils that choose to not increase

council tax. In addition, the Government has announced that council tax freeze funding, equivalent to a 1% increase, for 2014-15 and 2015-16 will be built into the spending review baselines for subsequent years, which means that it will not be removed in future years. Whilst this change to the grant provides some additional stability, if the freeze grant is accepted, it remains subject to Government funding interventions, including continued reduction of Revenue Support Grant to ensure councils operate within the Government Departmental Expenditure Limits. However, the level of Council Tax remains a matter for local councils and the four options open to the council are to:

- Freeze council tax and accept the council tax freeze grant;
- Increase council tax below the council tax referenda limits – which are expected in February;
- Increase council tax above the council tax referenda limits and undertake a council tax referendum within Norfolk;
- Decrease council tax and accept the council tax freeze grant.

(c) Other income – a table on total government grant funding is included in this report at [Appendix A](#). The impact of changes to NHS Social Care funding from 2015-16 remains unclear and planning assumptions are included in the report to Cabinet on robustness of estimates.

### **Expenditure - underlying trends**

2.11 The aim of the budget planning process is to deliver a robust three year budget that supports the Council's priority areas but is affordable within reduced funding.

The major areas of cost affecting Norfolk County Council and that have been incorporated into the 2014-17 budget plans are:

- a) Price inflation – more of the Council's services continue to be delivered externally to the County Council – through partners and private sector contracts and via the Council's own company Norse – therefore contractual arrangements are a key driver of the Council's cost pressures. Over half 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 helping to stem the increases, but in areas such as supporting looked after children, new strategies will take some months to deliver a change to the trend and increased pressures are expected in the short term.
- c) National single tier pension – funding plans for 2016-17 include provision for increased costs of new government legislation that will increase national insurance employer costs for the Council. Currently, for employees in the Local Government Pension Scheme, the council pays a reduced employer National Insurance rate.

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 of 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. The future annual revenue cost of prudential borrowing can be significant (approximately 10% of the amount borrowed) and these are reflected in the revenue budgets presented in this report. A separate report to Cabinet on this agenda, sets out the detail of the Capital Strategy, the 2014-17 programme and funding plans.

- 2.12 Our financial planning assumptions for future years take account of the latest monitoring position for 2013-14, as reported to Cabinet elsewhere on this agenda.
- 2.13 The financial planning context is set out in the Medium Term Financial Strategy report to Cabinet.
- 2.14 The report on the Robustness of Estimates 2014-17 sets out the Head of Finance's (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 2014-17 budget estimates are set out in that report. The level of reserves has been analysed in terms of risk and is reported separately to Cabinet. The recommended level of general balances is £19m for 2014-15 and the Medium Term Financial Strategy assumes that general balances will remain at or above this level.

**Expenditure and savings – proposals**

- 2.15 During January, Overview and Scrutiny Panel have had further reports and opportunity to review all pressures and savings proposals, along with consideration of the outcome of the public consultation. As set out in Para 2.8, the funding shortfall has changed following challenge and review during the autumn and following the Government's funding announcements in December 2013. The table below outlines the budget planning position as reported to Overview and Scrutiny Panels and taking account of the latest funding announcements. It also shows the additional accounting adjustments and the latest forecast for business rates and council tax.

**Table 3: Budget planning position reported to January Overview and Scrutiny Panels £m**

	2014-15	2015-16	2016-17	2014-17
<u>Consultation Position</u>				
Cost Pressures	37.952	28.162	31.784	97.898
Funding Reduction	27.915	38.960	24.500	91.375
	65.867	67.122	56.284	189.273
Saving Proposals	-64.692	-41.132	-34.198	-140.022
<b>Original Gap</b>	<b>1.175</b>	<b>25.990</b>	<b>22.086</b>	<b>49.251</b>
<u>Changes prior to OSPs</u>				
Increased Pressures	14.402	1.300	1.473	17.175
Reduced Savings	9.149	18.049	7.642	34.840
Reduced Pressures	-7.707	-10.220	-7.608	-25.535
Increased Savings	-8.264	-4.974	-5.258	-18.496
Other Planning Assumptions	-9.582	-12.888	1.214	-21.256
<u>Additional Financial adjustments</u>				
Council tax freeze grant	-3.526	-3.559		-7.085
Surplus on Business rates collection fund	-0.170			-0.170
Increase in Council Tax taxbase	-4.868	-1.321	-1.327	-7.516
Increase to surplus to council tax collection fund	-0.111			-0.111
<b>(Surplus)/Deficit</b>	<b>-9.502</b>	<b>12.377</b>	<b>18.222</b>	<b>21.097</b>
<u>Changes since OSPs</u>				
Increased Pressures		1.168		1.168
Reduced Savings	0.691	0.169	0.056	0.916
Reduced Pressures	-1.208			-1.208
Increased Savings	-0.056		-0.256	-0.312
Other Planning Assumptions	-0.831			-0.831
<b>Revised (Surplus)/Deficit (see Table 5 for detail)</b>	<b>-10.906</b>	<b>13.714</b>	<b>18.022</b>	<b>20.830</b>
<b>Original Shortfall</b>	<b>65.867</b>	<b>67.122</b>	<b>56.284</b>	<b>189.273</b>
<b>Total identified</b>	<b>-76.773</b>	<b>-53.408</b>	<b>-38.262</b>	<b>-168.443</b>
<b>Position prior to Cabinet recommendations 1-6</b>	<b>-10.906</b>	<b>13.714</b>	<b>18.022</b>	<b>20.830</b>
<b>Position including Cabinet recommendations 1-6 £m (as detailed in Table 4)</b>				
Children's Services – increased one-off pressures	3.070	-3.070		0.000
Children's Services – reduced one-off savings	1.000		-1.000	0.000
Community Services Adults – reduced one-off savings	3.000	-3.000		0.000
Willows reserve – increased one-off pressure	8.000	-8.000		0.000
ETD Waste – decreased saving based on planning assumption that planning permission for Willow is not given			1.194	1.194
One –off use of deferred interest on borrowing – increased saving	-4.164	4.164		0.000
<b>Total</b>	<b>10.906</b>	<b>-9.906</b>	<b>0.194</b>	<b>1.194</b>
<b>Transfer of reserves (one-off)</b>				
Increased pressures	6.000	-6.000		0.000
Released reserves – increased savings	-6.000	6.000		0.000
<b>Overall Budget Position</b>	<b>0.000</b>	<b>3.808</b>	<b>18.216</b>	<b>22.024</b>
NB: Use of reserves for invest to save within original budget proposals	-3.804	3.804		0.000

- 2.16 This year the Council also needs to consider a potential further and significant financial liability dependent upon a decision from the Secretary of State for Communities and Local Government, Eric Pickles, regarding the called-in planning decision for the Willows Power and Recycling Centre. The cost of termination of the contract is in the region of £26m, if it occurs before 1<sup>st</sup> May 2014 and £11m has already been put into a provision in 2013-14. The Secretary of State decision was expected on or before 14<sup>th</sup> January 2014, but has now been delayed. No further date has been set and therefore the financial consequences of each possible scenario are considered.
- 2.17 The decision presents a significant consideration for setting the 2014-15 budget as it determines whether the Council must make allowance for additional costs of termination. There are two decisions open to the Secretary of State – either to approve or not approve the called in planning decision. Appendix E sets out financial considerations based on either decision.
- 2.18 Latest information suggests that there will be no decision before the Council is required, by law, to set a budget and therefore the Cabinet proposes to recommend to County Council that the budget is based on the worst case scenario that the Secretary of State does not approve planning.
- 2.19 Planning on this basis would mean that the Council would need to prepare for termination of the contract, assuming no alternative planning site. The costs of £26m would need to be accounted for within the 2013-14 accounts and the 2014-15 budget plans would need to include additional spend to replenish those funds required immediately. It is advised that an additional cost pressure of £8m would need to be included in the budget plans for 2014-15. In addition planned savings to the waste budget, arising when the centre is operational in 2016-17, would need to be removed.
- 2.20 A further £8m cost will create a significant shortfall within the 2014-15 budget plans. There are limited options for the Council and will increase the level of risk for the Council. The Council currently holds a budget for interest payable/receivable on borrowing. This is set on the basis of borrowing required to support capital expenditure at the beginning of the year. In recent years in order to achieve the most advantageous borrowing and investment position, borrowing has been deferred which has led to an underspend on this budget. The 2014-15 budget includes proposals that change the Council's risk appetite by not making full budget provision on the basis that borrowing will be deferred. In practice, the financial markets can be volatile and if this budget is reduced the council may need to find additional resources later in 2014-15 or in subsequent years to enable borrowing to be undertaken. The budget planning assumptions for 2015-16 onwards makes full provision for the outstanding borrowing.

### **3. Council Tax/Precept Implications**

- 3.1. 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 provisional announcement of the threshold for 2014-15 is now not expected until February. This level is usually finalised within the publication of the Final Local Government Finance Settlement.

- 3.2. 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.
- 3.3. 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.
- 3.4. 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.
- 3.5. In light of the current planning assumptions the Cabinet is minded to recommend a council tax freeze for 2014-15. This will need to be considered at the County Council meeting on 17<sup>th</sup> February 2014.
- 3.6. Set out in Appendix D is the calculation of total payments of £308.397m due to be collected from District Councils in 2014-15 together with the instalment dates and the council tax level for each valuation band A to H.
- 3.7. The Council is also required to authorise the Head of Finance 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 2014-15 budget in order that he can make payments, raise and repay loans, and invest funds.

#### **4. Consultation**

- 4.1 The response to the Putting People First budget consultation is set out in a separate report to Cabinet.
- 4.2 Consideration of budget options by Overview and Scrutiny Panels took place during November 2013 and January 2014. Reports and comments from the January Overview and Scrutiny Panel meetings are included within the above report.

#### **Representatives of non-domestic ratepayers**

- 4.3 The Council has a statutory duty under Section 134 of the Local Government Act to consult with representatives of non-domestic ratepayers. A meeting with representatives of the business sector was held on 16<sup>th</sup> January 2014. Representatives were provided with a summary of the financial challenges facing the Council in 2014-17.

4.4 Business representatives discussed the financial challenges facing the Council and the changing framework for investment, including the role of Local Enterprise Partnerships. They focussed on the need for effective targeting of available investment. Representatives recognised the tight financial constraints faced by the council and were keen to liaise closely with the council including on future development and wider economic growth strategies.

## 5. **Draft Budget 2014-17**

5.1. The overall net budget proposed for 2014-15 is £308.397m. This takes into account the Provisional Local Government Finance Settlement for 2014-15 and indicative settlement for 2015-16.

5.2. 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.

5.3. At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2014-15 net budget may need to be altered to reflect any changes to the government grant amount for 2014-15. Indicative funding information has been announced for 2015-16 and service and budget planning for that year will be based on an expected reduction in core government funding of £39.4m.

5.4. Reports to Overview and Scrutiny Panels in January 2014 detailed additional costs of £43.947m and savings of £63.107m. However estimates of business rates collection and the impact of council tax decisions had not been included within panel reports. The estimated surplus from district council of Business Rates collection is £0.170m. In relation to council tax, if the County Council agrees to freeze council tax, a new 2014-15 council tax freeze grant will be payable to the council amounting to £3.526m. For comparative purposes a 1.5% increase in Council Tax would generate £4.576m additional funding, but would be offset by not receiving the council tax freeze grant.

5.5. A key planning item that remains is the future of the Energy from Waste project. As previously reported to Cabinet, the Council is awaiting a planning decision from the Secretary of State for Communities and Local Government. A reserve of £11m has been secured in 2013-14 to provide a financial contingency to manage potential financial liabilities should either termination costs be incurred or to manage any further delays and subsequent cost increases. The potential scenarios and financial consequences are set out from Para.2.16. The Cabinet's proposed recommendations reflect the worst case scenario that the Secretary of State does not approve the planning decision.

5.6. The Cabinet report setting out the policy and position of reserves and balances recommended that the minimum level of General Balances be increased from £16m to £19m reflecting additional budget risks mainly due to the impact of a new three year savings programme and uncertainty around future pay awards. The forecast position for General Balances at 31<sup>st</sup> March 2014 is £16.811m, however, there is currently a forecast overspend on the 2013-14 budget of £0.434m. Therefore for planning purposes it is forecast that General Balances will be £16.377m at 31<sup>st</sup> March 2014. The current recommended level of general

balances is £16m and the forecast level of overspend is not expected to reduce balances below this level. For planning purposes no more than £3m is forecast to be needed to increase balances to the revised recommended level for 2014-15 of £19m. The budget includes a one-off cost of £3m towards General Balances.

- 5.7. The Cabinet proposes in the recommendations to accept the 2014-15 budget proposals as reported to Overview and Scrutiny Panels in January 2014 and the further budget proposals outlined in Table 4 below. The proposed overall budget is shown in Table 5 and detailed in Appendix B and C.

**Table 4: 2014-15 Proposed changes to planning proposals £m**

	<b>2014-15</b>
	<b>-9.502</b>
Changes to savings-	
Removal of LGIU subscription saving	0.021
Removal of cross-cutting savings	0.308
Reduced business travel saving	0.033
Reduced Fire savings	0.217
Reduction in Cultural Services savings	0.112
Revised surplus on council tax collection fund	-0.831
Revised forecast for second homes council tax	-0.096
<b>TOTAL</b>	<b>-0.236</b>
Reduced pressures	
Removal of committed element of Council Tax Freeze Grant pressure	-1.168
<b>TOTAL</b>	<b>-1.168</b>
<b>Surplus based on Council Tax Freeze</b>	<b>-10.906</b>
Additional proposals	
Provision for risk of Willows contract termination costs (one-off)	8.000
Removal of the 2014-15 saving to reduce the transport subsidy provided to students aged 16-19 (PPF Ref. 27) (one-off)	1.000
Investment to delay part of the savings from reducing funding for wellbeing activities for people receiving support from Adult Social Care through a personal budget (PPF Ref 31) (one-off)	3.000
Investment to manage the cost of implementing the reduction in looked after children care (one-off)	2.120
Growth pressure for the transport of children with special educational needs (one-off)	0.950
Reassessment of risk appetite on budget held for debt interest	-4.164
	0.000

**Transfers of reserves**

Invest to Save – Children’s Services (one-off)	2.000
Invest to Save – Adult Social Care (one-off)	1.804
Investment for Digital Norfolk Ambition (one-off)	3.000
Increase in General Balances (one-off)	3.000
Use of organisational change reserve (one-off)	-4.000
Use of Modern Reward Strategy reserve (one-off)	-4.359
Use of Icelandic Banks reserve (one-off)	-1.445
	0.000

## Overall Budget Proposals 2014-15

- 5.8 Table 5 below summarises the overall proposed final budget for 2014-15. The total net budget requirement is £308.397m. The table below shows the cash limited budgets by service.
- 5.9 Base adjustments reflect the changes to core government grants received including the changes due to the Business Rates Retention Scheme and localisation of the Council Tax Support Scheme, which has been rolled into the BRRS and is therefore now reflected in the gross funding of the budget. As in the current year, the net budget only reflects the council tax requirement. A detailed table of the proposed changes for each service is shown at [Appendix B](#).
- 5.10 At the time of drafting this report, the final Local Government Finance Settlement is not known and the proposed 2014-15 service budgets may need to be altered to reflect any changes to the government grant amount for 2014-15. Likewise final changes to the District Councils' collection funds will not be known until the end of January and may alter the proposed 2014-15 net budget. The structure of the budget is based on the current organisational framework. It is anticipated that changes to service will require additional budget changes during the year.

**Table 5 – 2014-15 Revenue Budget £m**

	2014-15 Base Budget	Budget increase incl. costs & Funding decreases	Budget decrease incl. savings & Funding increases Note 1	2014-15 Recommended Budget
Children's Services	176.637	17.217	-31.951	161.903
Community Services – Adult	257.454	14.393	-23.250	248.597
Community Services – Cultural	16.980	0.380	-2.034	15.326
Environment Transport and Development	116.609	6.936	-15.078	108.467
Fire Service	29.556	0.355	-2.107	27.804
Resources	48.933	19.315	-12.791	55.457
Finance General	-343.582	54.705	-20.281	-309.158
<b>TOTAL</b>	<b>£302.587m</b>	<b>£113.301m</b>	<b>-£107.491m</b>	<b>£308.397m</b>

Note 1: The total budget reductions of £107.491m include £69.336m savings. £11.4m relate to one-off savings in 2014-15.

- 5.11 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. The council is currently on course to deliver £16.459m of the £34.241m 2013-14 savings from efficiencies.

**Table 6: Categorisation of Saving £m**

	2014-15	2015-16	2016-17	2014-17
Organisational Change – Staffing	5.613	3.663	0.508	9.784
Organisational Change – Systems	17.172	6.097	10.783	34.052
Procurement	11.434	1.936	1.850	15.220
Shared Services	2.314	3.190	0.205	5.709
Capital	0.924	0.114	1.227	2.265
Terms & Conditions of employees	0.291	0.705	1.102	2.098
Income and Rates of Return	7.523	4.748	5.830	18.101
Assumptions under Risk Review	10.607	-10.286	0.400	0.721
Back office sub total	<b>55.877</b>	<b>10.167</b>	<b>21.905</b>	<b>87.949</b>
Reducing Standards	8.948	4.195	6.825	19.968
Cease Service	4.511	6.362	3.090	13.963
Front line sub total	<b>13.459</b>	<b>10.557</b>	<b>9.915</b>	<b>33.931</b>
<b>Total</b>	<b>69.336</b>	<b>20.724</b>	<b>31.820</b>	<b>121.880</b>

### Schools Funding

- 5.12 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 2014-15 was announced in December and has been based on the funding model introduced in 2013-14. This sees the DSG being split into three main funding blocks: The Schools block, the High Needs block and the Early Years block, plus additional funding to meet the new statutory requirement for early learning for some two years old. The statutory requirement is being extended from September 2014 and will then cover around 40% of two year olds.
- 5.13 The Government has announced DSG for 2014-15 totalling £530m, this is after a top slice of £1.2m for carbon reduction credits, which will no longer be administered by local authorities on behalf of schools. This compares to a total DSG allocation of £527m in 2012-13. The DSG is before academy recoupment. The table below shows the movement in DSG between 2013-14 and 2014-15.

**Table 7: Breakdown of schools funding £m**

Funding element	2013/14	2014/15	Change	Explanation for change
Early Years	25.350	24.979	-0.371	Reduction in pupil numbers
Schools Block	431.698	432.864	1.166	Increase in pupil numbers
High Needs block	62.953	64.015	1.062	Increase in place estimate
2 year old funding	6.418	9.461	3.043	Increase in entitlement to 2 year old funding
Transition funding for 3 year olds	0.094	0	-0.094	End of transition arrangements following end of 90% funding floor protection
Newly Qualified Teachers	0.151	0.151	0	No change
Share of grant previously paid to non-maintained special schools	0.011	0.011	0	No change
Carbon Reduction Credit		-1.173	-1.173	Removal of schools from CRC energy efficiency scheme
<b>Total</b>	<b>526.675</b>	<b>530.308</b>	<b>3.633</b>	



## **Pupil Premium**

- 5.15 From 2014-15, primary Free School Meals (FSM) 'Ever 6' pupils will attract £1300 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. In 2013-14 the pupil premium for these pupils was £900. FSM 'Ever 6' pupils are pupils who have been registered for free school meals at any point in the last six years.
- 5.16 The pupil premium plus (for looked after children) will increase from £900 in 2013-14 to £1900 per pupil in 2014/15. The eligibility has been expanded to include those who have been looked after for one day or more, as compared with the 6 months in care currently required. In addition, the pupil premium plus will from 2014-15 include children who have been adopted from care or leave care under a special guardianship or residence order. Schools will receive £1900 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.
- 5.17 Children with parents in the armed forces will continue to be supported through the service child premium. In 2014-15, the service child premium will be set at £300 per pupil.

## **6 Budget Implications for 2015-16 – 2016-17**

- 6.1 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 2014-15 budget. A three year revenue projection is specifically required and this has been considered as part of our forward service and financial planning.
- 6.2 Reports to Overview and Scrutiny Panels in January 2014 included projected additional costs and savings proposals for 2014-17 in accordance with the planning assumptions agreed. This is to ensure that decisions taken in respect of the 2014-15 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 years savings to enable Chief Officers to put in place the necessary of programmes of work required to deliver these.
- 6.3 The report to Cabinet in September 2013 projected a potential £67m shortfall in 2015 -16 and £56m in 2016-17. The forecast for 2015 -17 has been revised following the Government funding announcements and a further review and challenge of cost pressures has taken place. Together with identified savings and taking into consideration Cabinet's recommendations it is now estimated that the county council has a remaining budget shortfall of £22m for the three years 2014-15 to 2016-17.
- 6.4 The projected additional costs, including inflation, and forecast reduction in Government grant funding for the following 2 years, 2015-16 and 2016-17 are set out in the table below.

**Table 8: Provisional medium term financial forecast £m**

	2015-16	2016-17
Additional cost pressures and forecast reduction in Government grant funding	45.1	51.3
Forecast increase in council taxbase	-1.3	-1.3
Identified saving proposals and funding increases	-40.0	-31.8
Budget shortfall	3.8	18.2

- 6.5 As part of our ongoing financial planning, services will keep under review all aspects of future cost pressures and inflation. The Head of Finance keeps under ongoing review, all aspects of financial planning and the financial standing of the Council, including levels of reserves and provisions, and reports monthly to Cabinet on financial management performance.
- 6.14 Based on current planning forecasts, further saving proposals will be required to balance the 2015-16 and 2016-17. Reports setting out the changing planning context for both service delivery and the Council's finances will be reported 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 2015-16 and 2016-17 and the level of Council Tax. The proposed budget and service planning timetable is set out in Appendix F.

## 7. Council Tax Discount on Second Homes

- 7.1 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.
- 7.2. For 2014-15 it is proposed to maintain the current principles for allocating second homes monies. As part of the Local Government Finance Review, there were a number of changes to allowable Council Tax Benefits and discounts in 2013-14, including the ability to entirely remove council tax discount on second homes. Most Norfolk councils continue to offer some discount on second homes and therefore the arrangements for use of second homes monies will largely continue in 2014-15, however it is proposed that this is used at the discretion of each council.
- 50% of the additional monies from second homes to go to district councils (pro rata to district collection).
  - 50% to be retained at County level.
- 7.3 It is proposed that these arrangements are reviewed and discussed with district councils for future years (2015-16 and 2016-17). An initial working assumption has been made that the County Council proportion of the additional monies provided to district councils is reduced to 25% in 2015-16 and removed in 2016-17.

## **8. Equality Impact Assessment**

- 8.1 In making recommendations to Full Council about the budget, the Cabinet 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 a separate report to this Panel.

## **9. Summary**

- 9.1 The information included in both this report and other reports to Cabinet needs to be considered alongside the Budget and Council Tax recommendations by the Leader of the Council set out in a separate report. 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 2014-15 Revenue Budget and proposals for 2015-16 and 2016-17
- Overall level of the 2014-15 to 2016-17 Capital Programme
- Prudential Code Indicators for 2014-15
- Minimum Revenue Provision Statement
- Discount on Second Homes
- Level of the Council Tax/Precept for 2014-15
- Implications of the Revenue Budget for 2015-16 and 2016-17
- Responses to savings proposals from the Putting People First Budget Consultation
- Outcome of equality impact assessment

## **10. Resource Implications**

- 10.1 The recommendations within this report have implications to the Council's resources including finances, staff, property and ICT and these are reported either within this report or within more detailed reports to Overview and Scrutiny Panels in January 2014.

## **11. Other Implications**

- 11.1 **Legal implications** Statutory requirements relating to individual proposals have been reported to Overview and Scrutiny Panels in January 2014. 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.
- 11.2 **Equality Impact** The implications in relation to equality impact are set out in a separate report to Cabinet.
- 11.3 **Any other implications** Issues for consideration where decisions are required are set out in Section 12.

## **12. Section 17 Crime and Disorder Act**

- 12.1 Potential implications for crime and disorder arising from proposals have been reported to and considered by Overview and Scrutiny Panels.

## **13. Risk Implications**

- 13.1 The risks associated with the budget proposals were reported to Overview and Scrutiny Panels in January and the separate report on the robustness of the estimates. Reports on robustness of estimates and the adequacy of reserves and balances 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.

## **14. Alternative Options**

- 14.1 This report provides the detailed financial information to support the Leader's Revenue Budget, Capital Programme and Council Tax recommendations elsewhere on the agenda. As such, there are no alternative options to be considered in this report.

## **15. Conclusion**

- 15.1 This report sets out the background to consideration of the 2014-15 Revenue Budget, the Capital Programme 2014-15 to 2016-17 and the level of Council Tax 2014-15.

## 16. Recommendations

16.1 The Cabinet is proposing the following budget recommendation in the light of an improved financial position, the consultation, the delay in the planning permission for the Willows, and accepting greater risk, which results in £15.1m of extra costs met by £15.1m of funding:

1) Note the revised position, which sees the availability of £10.9m for 2014-15.

2) Agree the response to the consultation, by restoring £7.1m funding in 2014-15 for:

Children's revised budget savings, better data, robust budget	- £3.1m
Children's 16-19 transport re-phased	- £1.0m
Adults – personal care savings re-phased, plus less risk	-£3.0m

3) Note the delayed planning decision on the Willows, which will emerge after the budget meeting;

4) Agree, that as a consequence, the prudent approach is to assume a possible planning failure, and gather £8m funds, towards the £26m that could be required, making a total of £19m [or 73%] assembled;

5) Note that the remaining £7m was to be defrayed by a £4.2m one-off contribution from the 2014-15 revenue budget for interest payments on capital, which can be deferred for a year;

6) Agree, that in the light of the deferral above, the £4.2m is employed to help fund the Willows assembly, as set out in 4 above, accepting the increased degree of risk if the whole £26m becomes due;

	Resources £m	One-off costs £m
Availability	10.9	
Consultation		7.1
Willows		8.0
Interest payments	4.2	
Total	15.1	15.1

7) Note that, a delay in the Willows decision beyond May 1<sup>st</sup>, exposes the Council to a potential increase in termination costs of £5m, to £31m, resulting in an unfunded risk of £12m [£31m less £19m], which in the short term would be covered by the General Reserve, whilst urgent savings were then assembled to restore the General Reserve to its £19m minimum.

16.2 **Cabinet is asked to agree to recommend to County Council:**

a) An overall County Council Net Revenue Budget of £308.397m for 2014-15, including budget increases of £113.301m and budget reductions of £107.491m as set out in Table 5 of this report and the actions required to deliver the proposed.

b) A freeze in Council Tax for 2014-15.

c) The budget proposals set out for 2015-16 and 2016-17, including authorising Chief Officers to take the action required to deliver budget savings for 2015-16 and 2016-17 as appropriate.

d) As the current proposals are not adequate to deliver a balance budget in future years that further plans, to meet the shortfall, are brought back to Members before June 2014, as part of the 2015-16 budget planning process timetable set out in Appendix F.

e) The Council Tax calculations in Appendix D and the precept to be collected from the District Councils.

f) That the Head of Finance be authorised to transfer from the County Fund to the Salaries and General Accounts all sums necessary in respect of revenue and capital expenditure provided in the 2014-15 Budget, to make payments, to raise and repay loans and to invest funds.

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**If you need this report in large print, audio, Braille, alternative format or in a different language please contact Harvey Bullen on 0344 800 8020 or textphone 0844 8008011 and we will do our best to help.**



**List of key grants and funding - Revised and Updated for Final Settlement**

Grant	Service	2014-15 Provisional £m	2014-15 Final £m (where provided)
<b>Unringfenced</b>			
Revenue Support Grant	Corporate	176.095	176.135
Top-Up Grant (Business Rates Retention Scheme)*	Corporate	112.578	112.578
Section 31 Grant (compensation for Government business rate initiatives)	Corporate	1.466	1.879*
New Homes Bonus	Corporate	3.214	3.213
New Homes Bonus adjustment	Corporate	0.477	0.466
Education Services Grant	Children's	10.757	
Local Welfare Provision	Resources	2.275	2.275
Community right to challenge	Resources	0.009	0.009
NHS Funding (incl. Better Care Fund)	Community	19.152	19.152
Fire Revenue	Fire	1.106	1.106
Inshore Fisheries	Resources	0.152	0.152
Lead Local Flood	ETD	0.311	0.311
Local reform and community voices	Resources	0.755	0.755
Extended rights to free travel (Local Services Support Grant)	Corporate	0.835	0.835
Council Tax Freeze Grant (if no increase to Council Tax)	Corporate	3.526	3.526
<b>Ringfenced</b>			
Public Health	Resources	30.633	30.633
Dedicated Schools Grant	Children's	530.308	
Pupil Premium Grant	Children's	29.752	
PFI Revenue Grant (street lights; salt barns and schools) – not yet confirmed		8.046	
<b>Locally collected tax (forecasts)</b>			
Baseline business rates	Corporate	25.482	25.482
Forecast surplus collection of business rates		0.170	0.175*
Council tax	Corporate	308.397	

\* based on forecast figures from NNDR1

**REVISED AND UPDATED TO REFLECT FINAL FUNDING POSITION**  
**Summary of proposed budget for 2014-15**

	Children's Services £m	Community Services - Adults £m	Community Services - Cultural £m	ETD £m	Fire £m	Resources £m	Finance General £m	TOTAL £m
Base Budget 2013-14	176.637	257.454	16.980	116.609	29.556	48.933	-343.582	302.587
<b>Additional Costs</b>								
Inflation	3.472	5.031	0.312	2.354	0.320	0.988	1.783	14.260
Legislative Requirements	4.381	0.000	0.000	1.656	0.000	0.396	2.434	8.867
Demand / Demographic	3.931	6.934	0.000	0.725	0.000	0.000	0.000	11.590
County Council Plan	5.414	1.660	0.030	1.945	0.015	3.145	16.824	29.033
Funding Reductions (base adjustments)	0.000	0.000	0.000	0.000	0.000	0.000	24.785	24.785
	<b>17.198</b>	<b>13.625</b>	<b>0.342</b>	<b>6.680</b>	<b>0.335</b>	<b>4.529</b>	<b>45.826</b>	<b>88.535</b>
Cost Neutral Increases	0.019	0.768	0.038	0.256	0.020	14.786	9.285	25.172
<b>Total budget increase</b>	<b>17.217</b>	<b>14.393</b>	<b>0.380</b>	<b>6.936</b>	<b>0.355</b>	<b>19.315</b>	<b>55.111</b>	<b>113.707</b>
<b>Savings</b>								
Org Change - Staffing	-0.375	-0.460	-0.260	-1.250	-0.499	-2.769	0.000	-5.613
Org Change - Systems	-8.725	-1.340	-0.212	-3.340	-0.381	-3.174	0.000	-17.172
Procurement	-0.790	-4.150	0.000	-6.400	0.000	-0.094	0.000	-11.434
Shared Services	0.000	-2.004	-0.260	-0.050	0.000	0.000	0.000	-2.314
Capital	0.000	0.000	0.000	-0.200	-0.724	0.000	0.000	-0.924
Terms & Conditions	-0.126	-0.108	0.000	-0.038	0.000	-0.019	0.000	-0.291
Income and Rates of Return Assumptions under Risk Review	0.000	0.000	0.000	-0.150	-0.036	-3.201	-7.220	-10.607
Reducing Standards	-2.670	-4.000	-0.931	-1.274	0.000	-0.073	0.000	-8.948
Ceasing Service	-0.474	-3.640	-0.010	-0.300	-0.087	0.000	0.000	-4.511
Funding Increases (base adjustments)	0.000	-4.219	0.000	0.000	-0.015	-0.835	-8.320	-13.389
	<b>-13.160</b>	<b>-19.921</b>	<b>-2.034</b>	<b>-14.625</b>	<b>-1.785</b>	<b>-10.576</b>	<b>-20.625</b>	<b>-82.725</b>
Cost Neutral Reductions	-18.791	-3.329	0.000	-0.453	-0.322	-2.215	-0.062	-25.172
<b>Total budget decrease</b>	<b>-31.951</b>	<b>-23.250</b>	<b>-2.034</b>	<b>-15.078</b>	<b>-2.107</b>	<b>-12.791</b>	<b>-20.687</b>	<b>-107.897</b>
<b>Recommended Cash Limited Budget 2014-15</b>	<b>161.903</b>	<b>248.597</b>	<b>15.326</b>	<b>108.467</b>	<b>27.804</b>	<b>55.457</b>	<b>-309.158</b>	<b>308.397</b>

Funded by-	
Council Tax	302.587
Increased Council Tax Base	4.868
Forecast surplus on collection fund	0.942
	308.397



## Summary of proposed indicative budget for 2015-16

	Children's Services £m	Community Services - Adults £m	Community Services - Cultural £m	ETD £m	Fire £m	Resources £m	Finance General £m	TOTAL £m
Base Budget 2014-15	161.903	248.597	15.326	108.467	27.804	55.457	-309.158	308.397
<b>Additional Costs</b>								
Inflation	3.263	5.133	0.319	1.496	0.340	1.017	1.281	12.849
Legislative Requirements	0.695	0.000	0.000	0.000	0.000	0.000	0.000	0.695
Demand / Demographic	2.081	6.035	0.000	0.000	0.000	0.000	0.000	8.116
County Council Plan	-4.070	0.000	0.000	0.000	0.003	-3.107	-11.145	-18.319
Funding Reductions	0.000	0.000	0.000	0.000	0.000	0.000	41.812	41.812
	<b>1.969</b>	<b>11.168</b>	<b>0.319</b>	<b>1.496</b>	<b>0.343</b>	<b>-2.090</b>	<b>31.948</b>	<b>45.153</b>
<b>Savings</b>								
Org Change - Staffing	-0.090	-0.250	0.000	0.000	0.000	-1.823	-1.500	-3.663
Org Change - Systems	-6.140	-0.200	0.000	0.880	0.000	-0.637	0.000	-6.097
Procurement	0.000	-1.446	0.000	-0.500	0.000	0.010	0.000	-1.936
Shared Services	0.000	-3.150	0.000	-0.040	0.000	0.000	0.000	-3.190
Capital	0.000	0.000	0.000	-0.040	-0.074	0.000	0.000	-0.114
Terms & Conditions	-0.115	-0.099	0.000	-0.034	0.000	-0.457	0.000	-0.705
Income and Rates of Return	0.000	-0.900	-0.374	-0.632	0.000	-0.452	-2.390	-4.748
Assumptions under Risk								
Review	0.000	0.000	0.000	0.000	0.000	3.122	7.164	10.286
Reducing Standards	-1.150	-3.350	0.000	0.305	0.000	0.000	0.000	-4.195
Ceasing Service	-0.215	-6.000	0.000	-0.147	0.000	0.000	0.000	-6.362
Funding Increases	0.000	-15.000	0.000	0.000	-0.003	0.000	-4.296	-19.299
	<b>-7.710</b>	<b>-30.395</b>	<b>-0.374</b>	<b>-0.208</b>	<b>-0.077</b>	<b>-0.237</b>	<b>-1.022</b>	<b>-40.023</b>
<b>Indicative budget requirement 2015-16</b>	<b>156.162</b>	<b>229.370</b>	<b>15.271</b>	<b>109.755</b>	<b>28.070</b>	<b>53.130</b>	<b>-278.232</b>	<b>313.526</b>

Funded by-	
Council Tax	307.455
Increased Council Tax Base	1.321
Forecast surplus on collection fund	0.942
	<b>309.718</b>
Forecast Deficit 2015/16	<b>3.808</b>

## APPENDIX B

## Summary of proposed indicative budget for 2016-17

	Children's Services £m	Community Services - Adults £m	Community Services - Cultural £m	ETD £m	Fire £m	Resources £m	Finance General £m	Total £m
Base Budget 2015-16	156.162	229.370	15.271	109.755	28.070	53.130	-278.232	313.526
<b>Additional Costs</b>								
Inflation	3.341	5.235	0.325	1.539	0.347	1.042	1.609	13.438
Legislative Requirements	0.726	0.000	0.000	0.000	0.000	0.000	3.300	4.026
Demand / Demographic	2.081	6.134	0.000	0.000	0.000	0.000	0.000	8.215
County Council Plan	0.000	0.000	-0.030	0.000	0.000	0.000	0.000	-0.030
Funding Reductions	0.000	0.000	0.000	0.000	0.000	0.000	25.714	25.714
	<b>6.148</b>	<b>11.369</b>	<b>0.295</b>	<b>1.539</b>	<b>0.347</b>	<b>1.042</b>	<b>30.623</b>	<b>51.363</b>
<b>Savings</b>								
Org Change - Staffing	-0.090	0.000	0.000	0.000	0.000	-0.418	0.000	-0.508
Org Change - Systems	-8.484	-0.500	0.000	-0.155	-0.100	-1.544	0.000	-10.783
Procurement	0.000	-1.500	0.000	-0.350	0.000	0.000	0.000	-1.850
Shared Services	0.000	0.000	0.000	-0.205	0.000	0.000	0.000	-0.205
Capital	-1.000	0.000	0.000	0.000	-0.227	0.000	0.000	-1.227
Terms & Conditions	-0.105	-0.090	0.000	-0.031	0.000	-0.876	0.000	-1.102
Income and Rates of Return	0.000	-0.800	-0.010	-0.614	0.000	-0.852	-3.554	-5.830
Assumptions under Risk Review	-0.400	0.000	0.000	0.000	0.000	0.000	0.000	-0.400
Reducing Standards	-3.312	-3.150	0.000	-0.280	0.000	-0.083	0.000	-6.825
Ceasing Service	0.000	-3.000	0.000	-0.090	0.000	0.000	0.000	-3.090
Funding Increases	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	<b>-13.391</b>	<b>-9.040</b>	<b>-0.010</b>	<b>-1.725</b>	<b>-0.327</b>	<b>-3.773</b>	<b>-3.554</b>	<b>-31.820</b>
<b>Indicative budget requirement 2016-17</b>	<b>148.919</b>	<b>231.699</b>	<b>15.556</b>	<b>109.569</b>	<b>28.090</b>	<b>50.399</b>	<b>-251.163</b>	<b>333.069</b>

Funded by-	
Council Tax	308.776
Increased Council Tax Base	1.327
Forecast surplus on collection fund	0.942
	<b>311.045</b>
Forecast Deficit 2015/16	3.808
<b>Forecast Deficit 2016/17</b>	<b>18.216</b>

## REVISED TO REFLECT FINAL FUNDING POSITION

<b>Proposed Budget Changes for 2014-17</b>				
<b>CHILDREN'S SERVICES</b>				
		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		£m	£m	£m
	<b>BASE BUDGET</b>	<b>176.637</b>	<b>161.903</b>	<b>156.162</b>
	<b>ADDITIONAL COSTS</b>			
	<b>Economy</b>			
	Basic Inflation - Pay ( 1% for 14-17 )	0.633	0.572	0.577
	Basic Inflation - Prices	2.839	2.691	2.764
	<b>Demographics</b>			
	Looked After Children - increased residential and foster care agency provision	3.931	2.081	2.081
	<b>Government Policy</b>			
	Early Intervention one off funding - underspends	6.505		
	Early Intervention one off additional cost	-3.500		
	Academy conversion – Education Service Grant	1.376	0.695	0.726
	<b>NCC Policy</b>			
	Cost of managing the implementation of reduction in looked after children (one-off)	2.120	-2.120	
	Transport of children with special educational needs (one-off)	0.950	-0.950	
	Youth Advisory Boards - from 13/14		-0.500	
	Raising School Standards - from 13/14		-0.500	
	Resource within Social work teams	2.344		
	<b>Total Additional Costs</b>	<b>17.198</b>	<b>1.969</b>	<b>6.148</b>
	<b>BUDGET SAVINGS</b>			
Ref				
2	To review the procurement of existing ICT systems with Children's services	-0.100		
4	Re-negotiate contract for buying and leasing mini-buses	-0.136		
4	Reducing the costs of business travel	-0.126	-0.115	-0.105
4	Review how we purchase yellow buses	-0.205		
4	Replace some yellow buses	-0.049		
8	Reintegration of business support into operation teams	-0.375	-0.000	-0.000
8	Review senior management and commissioning structures		-0.090	-0.090
12	Reduced retirement costs for teachers			-0.400
19	Improve the way we support, challenge and intervene in schools	-0.850		
21	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	-5.215	-7.215	-7.559
21	Children's Services Review – use of one off reserves to delay savings to 2015/16	-2.000	2.000	

		2014-15	2015-16	2016-17
		£m	£m	£m
22	Change services for children and young people with Special Educational Needs and Disabilities in response to the Children and Families Bill			-1.912
23	Reduce the funding for restorative approaches	-0.160		
24	Stop our contribution to the Schools Wellbeing Service, Teacher Recruitment Service, Norfolk Music Service and Healthy Norfolk Schools Programme and explore if we could sell these services to schools	-0.474	-0.215	
25	Change how we support childminders, nurseries and other childcare providers	-2.670		
26	Reduce the cost of transport for children with Special Educational Needs			-1.000
27	Reduce the transport subsidy provided to students aged 16-19		-1.000	-1.000
28	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
29	Reduce funding for school crossing patrols		-0.150	-0.150
64	Change the support we give to families, children and young people	-0.300		
	<b>Putting People First proposals sub total</b>	<b>-12.660</b>	<b>-6.785</b>	<b>-12.466</b>
	<b>Other savings proposals</b>			
	Increased Looked After Children savings	0.000	-0.925	-0.925
	Early Help system	-0.500		
	<b>Other savings sub total</b>	<b>-0.500</b>	<b>-0.925</b>	<b>-0.925</b>
	<b>Total Savings</b>	<b>-13.160</b>	<b>-7.710</b>	<b>-13.391</b>
	<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
	*Depreciation	-4.734		
	*REFCUS	-14.033		
	Debt Management Expenses	-0.010		
	Office Accommodation Depreciation	0.007		
	To Resources: Transfer of Carrow reception staff	-0.014		
	From Resources: Information management	0.012		
	<b>Sub total Cost Neutral Adjustments</b>	<b>-18.772</b>		
	<b>BASE ADJUSTMENTS</b>			
	<b>Sub total Base Adjustments</b>	<b>0.000</b>		
	<b>TOTAL</b>	<b>161.903</b>	<b>156.162</b>	<b>148.919</b>

Proposed Budget Changes for 2014-17				
COMMUNITY SERVICES – ADULT SOCIAL CARE				
		2014-15	2015-16	2016-17
		£m	£m	£m
	<b>Base Budget</b>	<b>257.454</b>	<b>248.597</b>	<b>229.370</b>
	<b>ADDITIONAL COSTS</b>			
	<b>Economy</b>			
	Basic Inflation - Pay ( 1% for 14-17 )	0.470	0.475	0.479
	Basic Inflation - Prices	4.561	4.658	4.756
	<b>Demographics</b>			
	Demographic growth	6.934	6.035	6.134
	<b>NCC Policy</b>			
	Increased pension liability relating to the creation of Independence Matters	0.509		
	Additional costs for Insurance, HR and Finance relating to the creation of Independence Matters	0.100		
	Irrecoverable VAT additional charge relating to the creation of Independence Matters	0.145		
	Increased pension liability relating to Norsecare	0.883		
	Local reform & community voices (DH revenue) additional spend	0.023		
	<b>Total Additional Costs</b>	<b>13.625</b>	<b>11.168</b>	<b>11.369</b>
<b>Ref*</b>	<b>BUDGET SAVINGS</b>			
4	Re-negotiate contract for buying and leasing mini-buses	-0.090		
4	Reducing the costs of business travel	-0.108	-0.099	-0.090
4	Renegotiate the Norse bulk recharge		-0.106	
4	Renegotiate contracts with residential providers, to include a day service as part of the contract, or at least to transport to another day service		-0.100	
6	Electronic Monitoring of Home Care providers			-0.500
6	Review block home care contracts	-0.300	-0.100	
6	Review of agreement with Mental Health Trust	-0.500		
6	Review of Norse Care agreement for the provision of residential care	-2.000	-1.000	-1.500
6	Review of respite care	-0.300		
8	Reduction in Business Support	-0.100		
8	Community Safety	-0.110		
8	Decommission offices, consolidate business support		-0.150	
9	Reducing controllable spend in Community Services	-0.640		
9	Reduce training budget	-0.500		
13	NHS: Invest to save	-1.804		
14	Further Savings from PCSS (Personal Community Support Service)	-0.250	-0.250	
14	Review Care Arranging Service		-0.140	
18	Joint senior manager posts with Health	-0.200		

		2014-15	2015-16	2016-17
		£m	£m	£m
18	Integrated occupational therapist posts with Health		-0.100	
18	Assistant grade posts working across both health and social care		-0.050	
20	Trading Assessment and Care Management support for people who fund their own care			-0.050
20	Economic Development securing more funding for key care services		-0.750	-0.750
30	Change the type of social care support that people receive to help them live at home	-0.200	-0.200	
31	Reduce funding for wellbeing activities for people receiving support from Adult Social Care through a personal budget	-3.000	-6.000	-3.000
32	Cut the costs of the contract with the provider delivering community health support to people with a learning disability	-0.960		
33	Changing how we provide care for people with learning disabilities or physical disabilities	-1.000	-2.000	-3.000
34	Work better with the NHS to deliver the Reablement and Swifts Services and look to share costs equitably.		-3.000	
35	Scale back housing-related services and focus on the most vulnerable people	-1.200	-1.200	
36	Reduce the number of Adult Care service users we provide transport for	-1.800	-0.150	-0.150
37	Stop ongoing (revenue) spend on the Strong and Well programme	-0.500		
66	Charge people who fund their own social care the full cost of transport	-0.140		
	<b>Putting People First proposals sub total</b>	<b>-15.702</b>	<b>-15.395</b>	<b>-9.040</b>
	<b>Other savings sub total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
	<b>Total Savings</b>	<b>-15.702</b>	<b>-15.395</b>	<b>-9.040</b>
	<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
	*Depreciation	-0.538		
	*REFCUS	0.000		
	Debt Management Expenses	-0.001		
	To Resources: Payments and Billing Team	-0.248		
	Local Reform & Community Voices Grant: Independent Complaints Advocacy Service Expenditure	0.247		
	Local Reform & Community Voices Grant: Independent Complaints Advocacy Service Grant Income	-0.247		
	From Communications (Resources) – Transfer relating to Citizen Advice Bureau	0.364		
	From Resources: Shared Service budgets relating to the creation of Independence Matters	0.139		
	From Resources: Information management	0.018		
	To Resources: Transfer of Carrow reception staff	-0.004		
	Office Accommodation Depreciation	-0.026		
	To Resources - Social Care Centre of expertise	-2.265		
	<b>Sub total Cost Neutral Adjustments</b>	<b>-2.561</b>		

		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		£m	£m	£m
	<b>BASE ADJUSTMENTS</b>			
	Local reform & community voices (DH revenue) grant	-0.023		
	Increased NHS Social Care Funding	-4.196	-15.000	
	<b>Sub total Base Adjustments</b>	<b>-4.219</b>	<b>-15.000</b>	
	<b>TOTAL</b>	<b>248.597</b>	<b>229.370</b>	<b>231.699</b>

Proposed Budget Changes for 2014-17				
COMMUNITY SERVICES – CULTURAL SERVICES				
		2014-15	2015-16	2016-17
		£m	£m	£m
	<b>Base Budget</b>	<b>16.980</b>	<b>15.326</b>	<b>15.271</b>
	<b>ADDITIONAL COSTS</b>			
	<b>Inflation</b>			
	Basic Inflation – Pay ( 1% for 14-17 )	0.176	0.178	0.180
	Basic Inflation – Prices	0.136	0.141	0.145
	<b>NCC Policy</b>			
	Norfolk Sports and Cultural Foundation	0.030		-0.030
	<b>Total additional costs</b>	<b>0.342</b>	<b>0.319</b>	<b>0.295</b>
	<b>BUDGET SAVINGS</b>			
Ref				
8	Restructuring – Museums	-0.140		
8	Restructuring Record Office	-0.070		
8	Energy savings in Record Office	-0.020		
8	Administrative efficiencies in Adult Education	-0.010		
9	Administrative efficiencies	-0.104		
9	Reducing controllable spend in Community Services	-0.058		
16	Renegotiating Joint Museums funding	-0.050		
20	Museums - Gift Aid and Cultural Exemptions	-0.200	-0.354	
20	Museums - Income generation and external funding	-0.101		
20	Norfolk Record Office - Increased income generation	-0.030	-0.020	-0.010
20	Develop community and commercial links - records office	-0.030		
38	Reduce spend on library books and other materials	-0.350		
39	Reduce the number of library staff - managers	-0.050		
39	Reduce the number of library staff	-0.350		
40	Charge for some activities provided in libraries	-0.030		
41	Share library buildings with other organisations	-0.180		
42	Reduce how often mobile libraries call at some places	-0.109		
43	Reduce funding for the arts service, including arts grants	-0.110		
44	Close Norfolk Records Office on Saturday mornings	-0.012		
45	Stop or scale back the availability of music and play sets from the library	-0.010		
46	Send overdue item reminders electronically	-0.020		
	<b>Putting People First proposals sub total</b>	<b>-2.034</b>	<b>-0.374</b>	<b>-0.010</b>
	<b>Other savings sub total</b>	<b>-0.000</b>	<b>0.000</b>	<b>0.000</b>
	<b>Total Savings</b>	<b>-2.034</b>	<b>-0.374</b>	<b>-0.010</b>



		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		£m	£m	£m
	<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
	*Depreciation	0.003		
	*REFCUS	0.000		
	Debt Management Expenses	0.000		
	From Finance General: Termination of 3 mobile library leases	0.024		
	Office Accommodation Depreciation	0.010		
	From Resources: Information management	0.001		
	<b>Sub total Cost Neutral Adjustments</b>	<b>0.038</b>		
	<b>BASE ADJUSTMENTS</b>			
	<b>Sub total Base Adjustments</b>	<b>0.000</b>		
	<b>TOTAL</b>	<b>15.326</b>	<b>15.271</b>	<b>15.556</b>

Proposed Budget Changes for 2014-17				
ENVIRONMENT, TRANSPORT AND DEVELOPMENT				
		2014-15	2015-16	2016-17
		£m	£m	£m
	<b>BASE BUDGET</b>	<b>116.609</b>	<b>108.467</b>	<b>109.755</b>
	<b>ADDITIONAL COSTS</b>			
	<b>Economy</b>			
	Basic Inflation - Pay ( 1% for 14-17 )	0.284	0.287	0.290
	Basic Inflation - Prices	1.170	1.209	1.249
	Additional Costs for Concessionary Fares travel Scheme	0.900		
	<b>Government Policy</b>			
	Landfill Tax Increase	1.656		
	<b>Demand</b>			
	Increase in Tonnages to Landfill	0.725		
	<b>NCC Policy</b>			
	Release of fleet repair and renewal reserve	1.725		
	Release of part of ICT reserve	0.200		
	Re-opening Norwich Bus Station Sundays and bank holidays	0.020		
	<b>Total Additional Costs</b>	<b>6.680</b>	<b>1.496</b>	<b>1.539</b>
Ref	<b>BUDGET SAVINGS</b>			
2	Replacement of BusNet system with SMART ticket machines	-0.060	-0.100	
2	Use of alternative existing technology to provide transport monitoring data and changes to how the council procures traffic surveys			-0.135
3	Procurement of new contracts to deliver highway and related services	-4.400		
4	Reduction in the number of hired highway vehicles	-0.150	-0.150	
4	Reducing the costs of business travel	-0.038	-0.034	-0.031
7	Ongoing review of ETD reserves	-0.150		
8	Re-organise the way we deliver some services and associated back office redesign.	-0.150		
8	Organisational redesign and associated changes.	-1.100		
8	Review budget allocations for economic development projects		-0.147	-0.090
13	Household Waste Recycling: Invest to Save	-0.300		
16	Collaboration with peer authorities for delivery of specialist minerals and waste services			-0.005
16	Enhanced multi-agency working on emergency planning		-0.040	
17	Renegotiate concessionary travel schemes with bus operators	-0.350	-0.350	-0.350
20	Changes to the delivery of road safety education and evaluation to make greater use of community resources			-0.200

		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		£m	£m	£m
20	Attract and generate new income for Environment services with a view to service becoming cost neutral in the long term.	-0.010	-0.041	-0.072
20	Attract and generate new income for Historic Environment services with a view to service becoming cost neutral in the long term.	-0.007	-0.026	-0.046
20	Full cost recovery for staff in Smart ticketing project	-0.040	-0.250	
20	Full cost recovery for delivery of travel plans with developers	-0.048	-0.050	-0.052
20	Reduce NCC subsidy for park and ride service by ongoing commercialisation.	-0.275	-0.075	-0.075
20	Enhanced Street Works Regulatory regime (introduce cost recovery)	-0.400		
20	Increased income from delivery of specialist highway services to 3rd parties		-0.050	-0.100
20	Generation of external funding and grant programme management efficiencies			-0.100
20	Review of fees and charges to enable full cost recovery	-0.400		
	Improving processes and working arrangements in ETD	-3.000	1.000	
20	Review NCC technical capabilities to see whether services that are currently contracted out could be delivered in house	-0.050		
47	Scale back Trading Standards advice to focus on the things we have to do by law	-0.123	-0.250	
48	Charge for advice to business from our Trading Standards Service			-0.020
49	Charge people for the advice they receive from us prior to submitting a planning application	-0.013	-0.010	
49	Charge people for the advice they receive from us prior to submitting a planning application - pre-application services	-0.100	-0.125	-0.150
50	Reduce our costs of consulting on planning applications	-0.037		
51	Scale back planning enforcement		-0.037	
52	Charge for site inspection reports for operators of mineral and waste sites		-0.005	
53	Reduce our subsidy for the Coasthopper bus service	-0.075	-0.075	
54	Reduce highway maintenance for one year	-1.000	1.000	
59	Cut the cost of providing school transport	-0.250	-0.060	-0.020
60	Charge for the disposal of tyres at recycling centres	-0.039		
61	Stop routine disposal of paint at recycling centres	-0.300		
62	Charge at some recycling centres			-0.280
63	Reduce opening hours at some recycling centres		-0.167	
5	Recycle street sweepings	-0.230		
5	Vary existing disposal contract to reduce costs on 40,000 Tonnes of Waste	-0.080		
5	Renegotiate existing contracts to reduce the cost of 10,000 Tonnes of Waste	-0.020		
5	New Service level agreement for County Council recycling centres	-1.400		
20	Use closed landfill sites to generate additional income	-0.030		

		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		£m	£m	£m
16	Harmonisation of statutory recycling credit payments		-0.166	
	<b>Putting People First proposals sub total</b>	<b>-14.625</b>	<b>-0.208</b>	<b>-1.725</b>
	<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
	*Depreciation	0.155		
	*REFCUS	0.050		
	Debt Management Expenses	-0.002		
	To Finance General: Interest payable	-0.442		
	Public Rights of Way	0.010		
	To Resources: Transfer of Carrow reception staff	-0.009		
	Office Accommodation Depreciation	0.031		
	From Resources: Information management	0.010		
	<b>Sub total Cost Neutral Adjustments</b>	<b>-0.197</b>		
	<b>BASE ADJUSTMENTS</b>			
	<b>Sub total Base Adjustments</b>	<b>0.000</b>		
	<b>TOTAL</b>	<b>108.467</b>	<b>109.755</b>	<b>109.569</b>

Proposed Budget Changes for 2014-17				
FIRE AND RESCUE SERVICE				
		2014-15	2015-16	2016-17
	<b>BASE BUDGET</b>	<b>29.556</b>	<b>27.804</b>	<b>28.070</b>
	<b>ADDITIONAL COSTS</b>	£m	£m	£m
	<b>Economy</b>			
	Basic Inflation - Pay ( 1% for 14-17 )	0.231	0.248	0.251
	Basic Inflation - Prices	0.089	0.092	0.096
	Fire revenue grant	0.015	0.003	
	<b>Total Additional Costs</b>	<b>0.335</b>	<b>0.343</b>	<b>0.347</b>
Ref	<b>BUDGET SAVINGS</b>			
4	Priority based budgeting - Fleet maintenance and fuel costs	-0.097		
4	Priority based budgeting - review of spend on operational equipment and supplies	-0.100		
8	Priority based budgeting - staffing review	-0.100		
8	Current IRMP 2011-14	-0.297		
8	Building Maintenance	-0.036		
9	Training and Development Efficiencies	-0.105		
16	Contribution to external services	-0.007		
55	Purchase different, cost effective fire vehicles for some stations	-0.724	-0.074	-0.227
56	Stop supplying and fitting free smoke detectors	-0.080		
	Priority based budgeting – reducing personnel and staffing costs	-0.102		
	Reduced cost of ICT refresh			-0.100
	PV Feed-in tariff	-0.043		
	New budget saving proposal	-0.079		
	<b>Total Savings</b>	<b>-1.770</b>	<b>-0.074</b>	<b>-0.327</b>
	<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
	*Depreciation	-0.321		
	*REFCUS	0.000		
	Debt Management Expenses	-0.001		
	From Finance General: Fire Lease	0.018		
	From Resources: Information management	0.002		
	<b>Sub total Cost Neutral Adjustments</b>	<b>-0.302</b>	<b>0.000</b>	<b>0.000</b>
	<b>BASE ADJUSTMENTS</b>			
	Fire revenue grant	-0.015	-0.003	
	<b>Sub total Base Adjustments</b>	<b>-0.015</b>	<b>-0.003</b>	
	<b>TOTAL</b>	<b>27.804</b>	<b>28.070</b>	<b>28.090</b>

<b>Proposed Budget Changes for 2014-17</b>				
<b>RESOURCES</b>				
		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>BASE BUDGET</b>	<b>48.933</b>	<b>55.457</b>	<b>53.130</b>
	<b>ADDITIONAL COSTS</b>			
	<b>Economy</b>			
	Basic Inflation - Pay ( 1% for 14-17 )	0.424	0.437	0.441
	Basic Inflation - Prices	0.564	0.580	0.601
	<b>Government Policy</b>			
	Ringfencing of public health grant	0.396		
	<b>NCC Policy</b>			
	Additional Political assistant	0.038		
	Digital Norfolk Ambition (one-off)	3.000	-3.000	
	Coroners funding capital	0.107	-0.107	
	<b>Total Additional Costs</b>	<b>4.529</b>	<b>-2.090</b>	<b>1.042</b>
Ref	<b>BUDGET SAVINGS</b>			
1	Restructure staff management in Procurement			-0.050
1	Reduce staff in Procurement by introducing e-tendering	-0.036		
1	Reduce staff in Procurement by introducing automated document assembly		-0.050	
1	Continued efficiencies in tendering and contract management in Procurement			-0.083
1	Mobile Data Management (Member Tablets)	-0.030		
2	Savings in ICT (one off)	-0.010	0.010	
2	Replace current ICT systems, introducing cheaper solutions	-0.017		
4	Reducing the costs of business travel	-0.019	-0.017	-0.016
4	Reducing the costs of employment	0.000	-0.440	-0.860
7	Take out areas of underspend from the Procurement budget	-0.079		
7	One off use of the customer services development reserve	-0.122	0.122	
8	Stop using temporary staff in Procurement	-0.012		
8	Restructure and reduce the number of corporate and business support staff in Democratic Services	-0.065		
8	Introduce a new staffing structure for the Registration Service	-0.050		
8	Restructure and reduce staff supporting democratic processes	-0.070		
8	End the intern scheme in Customer Services and Communications	-0.026		
8	Do not fill vacant posts in the Customer Services and Communications team	-0.100		
8	Review and reduce staffing in Customer Services and Communications to reflect changes in communication practices and the business requirements of the organisation	-0.173	-0.009	-0.042

		2014-15	2015-16	2016-17
		£m	£m	£m
8	Reduce staff in the Corporate Programme Office	-0.100	-0.100	
8	Reduce staff in the HR Reward team	-0.061	-0.018	-0.018
8	Reduce staff in the HR Strategy team	-0.062		
8	Reduce staff in the Health, Safety and Wellbeing team in HR	-0.066		
8	Restructure and reduce staff across HR	-0.176	-0.296	-0.308
8	Restructure and reduce staff in ICT Services	-1.800		
8	Review and reshape the responsibilities of the Chief Executive's role	-0.031		
8	Reduce the cost of providing a Coroners Service	-0.055		
8	Reduce spend on properties with 3rd parties	-0.300	-0.200	-0.100
8	Office moves for some HR teams	-0.015	-0.015	
8	Consolidate support services into a reduced number of service groups		-1.000	
8	Commercial and industrial waste produced by NCC premises	-0.037		
9	Reduce controllable spend (e.g. training & subscriptions) in Customer Services and Communications	-0.056		
9	Reduce staff supporting organisational development and learning and development	-0.094	-0.039	
9	Reduce controllable spend (e.g. training & subscriptions) in HR	-0.116		
9	Reduce spend on attendance at the Royal Norfolk Show	-0.028		
9	Spend less on organisational development and learning and development	-0.065		
10	Restructure the Corporate Resources department to reflect a smaller council	-0.042	-0.400	
10	Reduce staff in Finance by increasing use of technology and changing business processes	-0.800	-0.160	
10	Reduce spend on postage	-0.048		
10	Reduce printed marketing materials	-0.054		-0.054
11	Percentage staff saving from integration of customer insight into new corporate business intelligence function	-0.005		
11	Restructure the Planning, Performance & Partnerships service, creating a new Business Intelligence function	-0.275	-0.188	-0.115
15	Efficiency savings arising from public health skills and resources to remove duplication	-1.205		-1.275
20	Increase charges for Registration Services	-0.080	-0.050	-0.050
20	Increase income from services we sell to schools	-0.018		
20	Increase income from Nplaw	-0.298	-0.058	-0.051
57	Reduce funding to organisations that support and represent the local voluntary sector	-0.045		
58	Move the historical registration records to the Norfolk Record Office		-0.050	

	2014-15	2015-16	2016-17
	£m	£m	£m
<b>Putting People First proposals sub total</b>	<b>-6.741</b>	<b>-2.958</b>	<b>-3.022</b>
<b>Other savings proposals [if any emerging savings]</b>			
County Hall refurbishment savings		-0.279	-0.751
Use of organisational change reserves (one-off)	-3.000	3.000	
<b>Other savings sub total</b>	<b>-3.000</b>	<b>2.721</b>	<b>-0.751</b>
<b>Total Savings</b>	<b>-9.741</b>	<b>-0.237</b>	<b>-3.773</b>
<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
*Depreciation	-1.384		
*REFCUS	11.975		
Debt Management Expenses	-0.002		
From Community Services: Payments and Billing Team	0.248		
To Community Services: Local Reform & Community Voices Grant: Independent Complaints Advocacy Service	-0.247		
Local Reform & Community Voices Grant: Independent Complaints Advocacy Service Grant Income	0.247		
From Community Services: Social Care Centre of expertise	2.265		
To Community Services – Transfer relating to Citizen Advice Bureau	-0.364		
Revision of recharges Interest on Balances to Resources from Finance General	0.010		
Information Management	0.004		
Information Management	-0.047		
Office Accommodation Depreciation	0.010		
Office Accommodation Depreciation	-0.032		
Transfer of Carrow reception staff	0.027		
To Communities: Shared Service budgets relating to the creation of Independence Matters	-0.139		
<b>Sub total Cost Neutral Adjustments</b>	<b>12.571</b>		
<b>BASE ADJUSTMENTS</b>			
Increased public health grant	-0.835		
<b>Sub total Base Adjustments</b>	<b>-0.835</b>		
<b>TOTAL</b>	<b>55.457</b>	<b>53.130</b>	<b>50.399</b>



<b>Proposed Budget Changes for 2014-17</b>				
<b>FINANCE GENERAL</b>				
		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>BASE BUDGET</b>	<b>-343.582</b>	<b>-309.158</b>	<b>-278.232</b>
	<b>ADDITIONAL COSTS</b>			
	<b>Economy</b>			
	Basic Inflation - Pay ( 1% for 14-17 )	0.006	0.007	0.008
	Basic Inflation - Prices	0.063	0.063	0.063
	Funding for Pensions deficit	1.171	1.211	1.538
	Additional 3.6% employer contributions for Norwich Airport pension (60%)	0.030		
	Deficit recovery payment for Norwich Airport pension (60%)	0.013		
	Forecast industry insurance increase	0.500		
	<b>Government Policy</b>			
	National single tier pension			3.300
	District Councils - council tax support	-0.360		
	One-off Transitional grant	1.235		
	One-off grant - Efficiency/New Homes	1.559		
	<b>NCC Policy</b>			
	Icelandic Banks Reserve	3.500		
	Car Leasing Reserve	0.750		
	12-13 Underspend	0.272		
	Previous one-off expenditure	-1.398	-0.145	
	One-off - Community Construction Fund	-1.000		
	One-off - Strong and Well (capital element)	-0.500		
	2013/14 CT Freeze Grant	3.478		
	One-off Highways Maintenance	-2.000		
	Local Assistance Scheme	2.275		
	Additional provision for Willows Power and Recycling Centre	8.000	-8.000	
	Implications of late funding announcements – to be agreed.	0.447		
	Increase in general balances (one-off)	3.000	-3.000	
	<b>Total Additional Costs</b>	<b>21.041</b>	<b>-9.864</b>	<b>4.909</b>
Ref	<b>BUDGET SAVINGS</b>			
	New Homes Bonus	-0.903	-0.905	-1.529
	Cross cutting savings	-0.460	0.194	
	Use of second homes money	-1.200	-1.200	-1.200
	Reduction in redundancy		-1.500	
	Reduced cost of borrowing	-1.921	-0.479	-0.825
	Norse dividend	-0.600		
	Use of organisational reserves (one-off)	-1.000	1.000	
	Use of Icelandic Bank Reserve (one-off)	-1.453	1.453	
	Use of Modern Reward Strategy reserve (one-off)	-0.547	0.547	
	Increase due to second homes council tax	-0.056		
	Interest receivable/payable – change to risk appetite (one-off)	-4.164	4.164	
	<b>Total Savings</b>	<b>-12.304</b>	<b>3.274</b>	<b>-3.554</b>

	2014-15	2015-16	2016-17
	£m	£m	£m
<b>COST NEUTRAL ADJUSTMENTS i.e. which do not have an impact on overall Council Tax</b>			
*Depreciation	6.819		
*REFCUS	2.008		
Debt Management Expenses	0.016		
Public Rights of Way	-0.010		
Revision of recharges Interest on Balances to Resources from Finance General	-0.010		
From ETD: Interest payable	0.442		
To Fire: Fire Lease	-0.018		
To Libraries: Termination of 3 mobile library leases	-0.024		
<b>Sub total Cost Neutral Adjustments</b>	<b>9.223</b>		
<b>BASE ADJUSTMENTS</b>			
Business Rates capping compensation and section 31 grant	-1.879		
New Homes Bonus adjustment grant	-0.466	0.477	
New Homes Bonus adjustment grant		-1.214	1.214
Social Fund (Local Assistance Scheme) Grant Income	-2.275	2.275	
Changes to Settlement Funding Assessment	-0.336	0.464	
Community Right to Challenge grant		0.009	
Lead Local Flood grant		0.104	
Council tax freeze grant	-3.526	-3.559	
Reduction in Settlement Funding Assessment	25.121	38.960	24.500
Business Rates forecast surplus	-0.175		
<b>Sub total Base Adjustments</b>	<b>16.464</b>	<b>37.516</b>	<b>25.714</b>
<b>TOTAL</b>	<b>-309.158</b>	<b>-278.232</b>	<b>-251.163</b>

**Council Tax/Precept in 2014-15**

	£m	£m
2014-15 Council Tax Requirement		308.397
<u>Less:</u>		
Estimated Surplus on District Council Collection Funds etc.		3.324
<b>Precept Charge on District Councils</b>		<b>305.073</b>
Council Tax for an average Band "D" Property in 2014-15		£1,145.07 (+0.00%)
Council Tax for an average Band "B" Property in 2014-15		£890.61 (+0.00%)

**Total payments to be collected from District Councils' in 2014-15**

District Councils:	Tax Base	Collection Fund Surplus/(Deficit) £	Precept £	Total Payments Due £
Breckland	38,014.00	(60,410.00)	43,528,691	43,468,281
Broadland	42,692.00	(328,000.00)	48,885,328	48,557,328
Great Yarmouth	25,751.00	560,947.00	29,486,698	30,047,645
Kings Lynn and West Norfolk	46,779.40	2,054,544.49	53,565,688	55,620,232
Norwich	32,932.00	222,040.00	37,709,445	37,931,485
North Norfolk	36,769.00	650,305.00	42,103,079	42,753,384
South Norfolk	43,486.00	224,516.00	49,794,514	50,019,030
	266,423.40	3,323,942	305,073,443	308,397,385

## **Council Tax Collection**

The precept (column (a) above) for 2014-15 will be collected in 12 instalments from the District Council Collection Funds, as follows:-

Payment	Date	%
1	22 <sup>nd</sup> April 2014	8
2	19 <sup>th</sup> May	9
3	19 <sup>th</sup> June	9
4	21 <sup>st</sup> July	9
5	19 <sup>th</sup> August	9
6	22 <sup>nd</sup> September	9
7	20 <sup>th</sup> October	9
8	19 <sup>th</sup> November	9
9	22 <sup>nd</sup> December	9
10	19 <sup>th</sup> January 2015	9
11	19 <sup>th</sup> February	3
12	19 <sup>th</sup> March	8

Where a surplus on collection of 2013-14 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 2014 to February 2015 precept payments.

Where a deficit on collection of 2013-14 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 2014 to February 2015 precept payments.

## **2014-15 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	£763.38
B	£890.61
C	£1,017.84
D	£1,145.07
E	£1,399.53
F	£1,653.99
G	£1,908.45
H	£2,290.14

**Financial planning considerations dependent upon Secretary of State decision on Willows Power and Recycling Centre planning application**

**A 'Yes' decision – approval of the planning application**

1. This decision enables the Council to retain planned savings in the budget for 2016-17, however, some financial risk remains due to the potential for legal challenge.
2. There is no longer a firm date for the decision to be received, but, whenever it is made a six week review period will follow, which due to the delay will now definitely run beyond both the February Council Budget meeting of 17<sup>th</sup> February and the final legal date for the Council to set the budget of 28<sup>th</sup> February. Whilst there are no additional financial consequences if there is no legal challenge, this will not be known at the point the budget is set. A legal challenge to the Secretary of State's decision would further delay the project and beyond the 1<sup>st</sup> May, at which point the Council's contract termination costs would increase to £31m. This presents a further financial risk for the Council and depending upon the assessment of this risk the Council may consider it financially prudent to make further provision in its budget plans for some of the remaining potential liability of between £7m and £12m.
3. To help advise the Council, the Director of Environment Transport and Development and the Head of Law have carried out a risk assessment of the likelihood of a successful case for legal challenge being made and this is detailed below at Para.4 below. The assessment identifies a low risk of a successful case for legal challenge and therefore it is considered no further provision would need to be included and accounted for in the 2014-15 budget plans.

**Advice of Director of ETD and Head of Law**

4. We have considered the likelihood of a successful legal challenge by an objector in the event that the Secretary of State decides in favour of granting planning permission for the Willows. Although we were told to expect the Secretary of State's decision by 14 January 2014, to date it has not been forthcoming. Our view is based on the assumption that an appeal against the Secretary of State is lodged within the requisite 6 week time period.

A challenge can only be brought on the basis that the Secretary of State failed to take account of material matters or took account of immaterial matters or failed to abide by some procedure. When the Secretary of State called in the Application all of the planning considerations were examined by an independent Planning Inspector at a Public Inquiry which sat for 30 days and it is hoped that following such extensive scrutiny the Inspector's report and the Secretary of State's Decision would be robust. We therefore consider the risk of a successful challenge to be low.'

**A 'No' decision – refusal of planning application**

5. This decision would mean that the Council would need to prepare for termination of the contract, assuming no alternative planning site. The costs of £26m would need to be accounted for within the 2013-14 accounts and the 2014-15 budget plans would need to include additional spend to replenish those funds required immediately. It is advised that an additional cost pressure of £8m would need to be included in the budget plans for 2014-15. In addition planned savings to the waste budget, arising when the centre is operational in 2016-17, would need to be removed.

**Budget and service planning timetable 2015-16**

<b>Activity/Milestone</b>	<b>Time frame</b>
County Council agree recommendations for 2014-17 including that further plans to meet the shortfall for 2015-16 and 2016-17 are brought back to Members before June 2014.	17 February 2014
Chancellors Budget 2014 announced	March 2014
Report to Members setting out initial proposals to meet the deficit position for 2015-16 and 2016-17, with an update reflecting Chancellors Budget 2014	April / May 2014
Member review of the latest financial position on the financial planning for 2017-18.	August 2014
Services consider implications of service and financial guidance and context, and review/develop service planning options for 2017-18	August to September 2014
Member review of any further financial updates or information from expected Government consultations affecting funding settlement	September or October 2014
Consultation on new planning proposals and council tax 2015-18	Late September to December 2014
Service reporting to Members – overview and scrutiny of service and budget planning – review of progress against three year plan and planning options	November 2014
Chancellor's Autumn Statement and Provisional Finance Settlement	December 2014
Service reporting to Members – overview and scrutiny of service and financial planning and consultation feedback	January 2015
Members agree revenue budget and capital programme recommendations to County Council	Late January 2015
County Council agree Medium Term Financial Strategy, revenue budget, capital programme and level of Council Tax	Mid February 2015

**Norfolk County Council  
Capital Strategy and Programme 2014-17**

Report by the Head of Finance (Interim)

**Summary**

This report presents the proposed capital programme 2014-17 and includes information on the funding available to support the programme.

Cabinet is recommended to:

1. agree the proposed 2014-17 capital programme of £391.138m and refer it to the County Council for approval;
2. agree to recommend to the County Council the Minimum Revenue Provision statement attached at Appendix C;
3. agree to recommend to the County Council the Prudential Indicators in Appendix D;
4. note the new capital grant settlements for 2014-15 set out in Section 3;
5. note the estimated capital receipts to be generated over the next three years to support those schemes not funded from other sources as set out in Table 6;
6. note the analysis of potential property sales in paragraphs 5.6, and approve the development of this analysis into a property sales strategy to support the Council's future unsupported borrowing requirements;
7. note the projects to be funded from prudential borrowing and capital receipts in Appendix B, and the revenue implications of undertaking new projects in Table 8.



## **1. Introduction**

- 1.1. This report introduces the proposed capital programme for 2014-17, which is to be considered by Cabinet and recommended for approval to the County Council.
- 1.2. The proposed programme consists of two elements – schemes included in the current programme reported to Cabinet each month and new schemes funded through borrowing, capital receipts or grants and contributions from third parties.
- 1.3. The size of the capital programme below reflects capital grant settlements that have been announced by central government, other external and internal funding sources and proposed borrowing as set out in Appendix B.
- 1.4. The Council's ability to Prudentially borrow<sup>1</sup> to fund future schemes is limited by the budgetary pressures which the Council faces over the coming three years and beyond. Information regarding the revenue implications of prudential borrowing is provided in Section 6.

## **2. The Proposed Capital Programme 2014-17**

- 2.1. A three year capital programme for 2013-16 was agreed by the County Council on 18 February 2013. This was prepared using information from the Government on known and forecast funding levels available at that time.
- 2.2. This 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 3.
- 2.3. Particular attention should be drawn to those schemes which are to be funded from borrowing and capital receipts. A schedule of these schemes, which are included in the capital programme below, is attached at Appendix B.
- 2.4. The capital programme has been drawn up at a time when flood remediation works are being assessed. Where possible these works will be managed within the existing capital and revenue budgets.
- 2.5. The proposed capital programme includes all funding reprofiled from 2013-14 and agreed by Cabinet up to and including month 8. In addition to this funding, the capital programme includes government grant settlements for 2014-15 (revised from indicative settlements provided in the 2013-16 programme), new borrowing to be approved and other funding sources identified.
- 2.6. The Existing Programme: £224.504m

Existing schemes brought forward into the new programme total £224.504m as included in the table below:

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<sup>1</sup> The Council pays for the revenue costs of the borrowing

**Table 1: Existing programme £m**

<b>Service</b>	2014-15	2015-16	2016-17+	<b>Total</b>
Children's Services	67.521	26.492	-	<b>94.013</b>
Adult Social Care	9.060	-	-	<b>9.060</b>
Cultural Services	0.460	-	-	<b>0.460</b>
ETD Highways	61.941	-	-	<b>61.941</b>
ETD Other	10.026	-	-	<b>10.026</b>
Fire & Rescue Service	2.583	1.769	-	<b>4.352</b>
Resources	26.425	18.227	-	<b>44.652</b>
<b>Total</b>	<b>178.016</b>	<b>46.488</b>	<b>0.000</b>	<b>224.504</b>

**Note 1:** The above figures are based on period 8 monitoring as at 30 November 2013

## 2.7. The New Programme: £166.634m

New schemes not included in previous capital programmes are being proposed in three directorates – Children's Services, Highways and Resources. Community Services and Norfolk Fire and Rescue Service schemes are within the ongoing programme due to the two year settlements announced last year.

**Table 2: New programme £m**

<b>Service</b>	2014-15	2015-16	2016-17+	<b>Total</b>
Children's Services	1.939	8.520	8.946	<b>19.405</b>
Adult Social Care	-	-	-	<b>0.000</b>
Cultural Services	-	-	-	<b>0.000</b>
ETD Highways	18.160	60.222	63.500	<b>141.882</b>
ETD Other	-	-	-	<b>0.000</b>
Fire & Rescue Service	-	-	-	<b>0.000</b>
Resources	4.347	1.000	-	<b>5.347</b>
<b>Total</b>	<b>24.446</b>	<b>69.742</b>	<b>72.446</b>	<b>166.634</b>

### Children's Services

New grant settlements of £1.939m, £8.520m and £8.946m related to Basic Need provision have been announced for 2014-15, 2015-16 and 2016-17 respectively. These settlements are in addition to £19.326m of Basic Need funding from the 2013-15 two year settlement which was unallocated as at period 8, giving a total of £36.792m of Basic Need funding to support new projects over the next three years.

Children's Services Overview and Scrutiny Panel received a report on 21 November 2013 outlining strategic areas of growth where investment was required to meet future pressures.

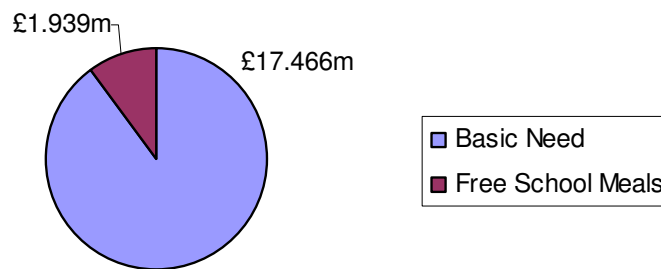
This report identified five schemes with estimated costs of £10m which could be commissioned immediately. It also identified a further 10 schemes costing an estimated £32m which will be commissioned during 2014-17 subject to funding and the resolution of constraints and dependencies.

The schemes are currently undergoing feasibility studies to further understand the costs associated with their construction before final approval. Whilst these schemes will be supported in part by developer contributions, there will be a requirement to fund the remainder of costs from Basic Need funding.

One-off funding of £1.939m was announced for 2014-15 to fund works enabling the Council to meet its obligation to provide free school meals. Options are currently being considered as to how this funding would best be allocated to improve kitchen facilities in schools.

No new funding announcement has been made for Schools' Capital Maintenance.

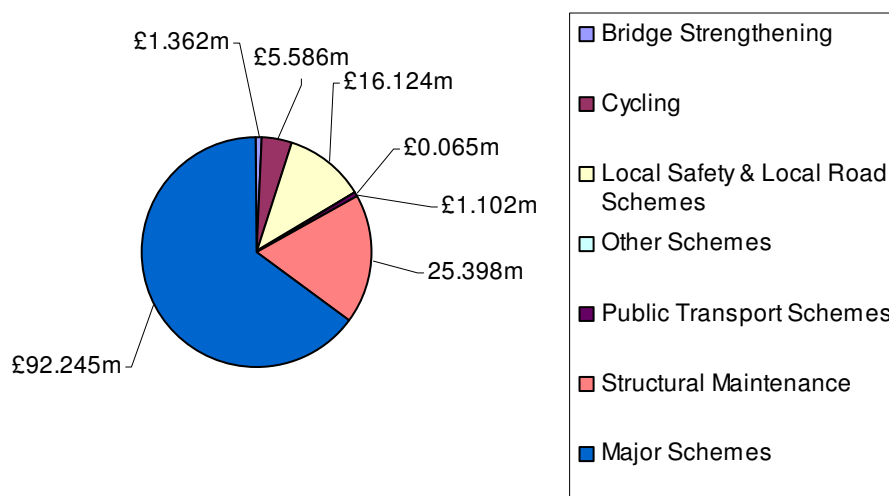
**Chart 1: Children's Services Additional Programme 2014-17 £19.405m**



### Highways

Highways has an incremental capital programme totalling £141.882m to be approved. This consists of additional expenditure in 2015-16 and 2016-17 relating to the Northern Distributor Road, a further year of Department for Transport block funding and newly identified schemes in 2014-15 to be funded from other third party contributions. The DfT block grant funding in 2015-16 is indicative only - there has been no confirmation of the funding to be received following the end of the 2011-12 Local Transport Plan Capital Settlement.

**Chart 2: Highways Additional Programme 2014-17 £141.882m**



The primary addition to the capital programme relates to the construction of the

Northern Distributor Road. Approval is sought to cover the £92.000m of expenditure on the NDR to take place over 2015-16 and 2016-17. This expenditure is to be funded from £62.500m of DfT funding and £29.500m of additional borrowing.

Due to the need to partially fund the replacement of radar equipment at Norwich International Airport, the costs of the NDR have increased in the past year. The total forecast cost of the scheme is now £148.550m.

A full profile of expenditure on the NDR and related funding streams was taken to Cabinet on 4 November 2013. Whilst the majority of costs relating to the scheme are being reimbursed through funding from DfT, the Council will need to borrow £60.340m to finance the scheme over its lifetime. This borrowing is supported by the Greater Norwich Development Partnership up to £40.000m, leaving £20.340m of County Council funded borrowing required to deliver the scheme.

The County Council funded borrowing will result in a £2.034m pressure on future revenue budgets to meet the costs of interest and the statutory requirement to set aside funds for the repayment of the debt. Therefore the Council must consider how this budget pressure will be met in future years unless the borrowing requirement can be reduced through the use of capital receipts.

Alongside the additional NDR funding, £49.882m of further highways and transport schemes have been identified as part of the 2014-15 and 2015-16 capital programme. These are to be funded through the DfT block grant; other DfT funding aimed at cycle schemes and relieving bottlenecks; developer contributions; and contributions from other third parties.

The focus of the additional funding for 2014-15 is on local traffic management, road improvement and safety schemes. These schemes include £5.944m for a link road between the A12 and A143 in Great Yarmouth, £1.900m for road widening and junction improvements around the Lodge Farm development in Costessey and £1.100m of improvements in relation to Norwich Research Park.

Extra funding identified for 2015-16 is DfT block grant and is therefore primarily aimed at strategic maintenance and bridge strengthening.

A full list of schemes within the proposed Highways programme is available in the Environment, Transport and Development Overview and Scrutiny Panel report dated 14 January 2014.

### Resources

New Resources projects include £2.490m borrowing for Fire Safety and Security works to support the County Hall Strategic Maintenance project. This expenditure was included in the schedules presented to Corporate Resources and Overview Scrutiny Panel on 12 November 2013.

The remaining borrowing of £2.857m is to fund the acquisition of new ICT hardware as part of the Digital Norfolk Ambition project.

The full schedule of additions to the capital programme is set out in the table below:

## 2.8. The Total Proposed Capital Programme: £391.138m

The full Capital Programme for 2014-17, combining existing and proposed schemes, is presented in the following table with further detail to be found in Appendix A:

**Table 3: Proposed Capital Programme £m**

<b>Service</b>	2014-15	2015-16	2016-17+	<b>Total</b>
Children's Services	69.460	35.012	8.946	<b>113.418</b>
Adult Social Care	9.060	-	-	<b>9.060</b>
Cultural Services	0.460	-	-	<b>0.460</b>
ETD Highways	80.101	60.222	63.500	<b>203.823</b>
ETD Other	10.026	-	-	<b>10.026</b>
Fire & Rescue Service	2.583	1.769	-	<b>4.352</b>
Resources	30.772	19.227	-	<b>49.999</b>
<b>Total</b>	<b>202.462</b>	<b>116.230</b>	<b>72.446</b>	<b>391.138</b>

## 3. Financing The Programme

- 3.1. 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.
- 3.2. New borrowing of £34.847m has been added to the existing programme alongside additional grant settlements and contributions of £131.787m. Of this funding, £110.665m is government grants detailed in Table 5.
- 3.3. The funding of the proposed programme is set out in the table below:

**Table 4: Funding of the Proposed Capital Programme £m**

<b>Funding Source</b>	2014-15	2015-16	2016-17+	<b>Total</b>
<b>Internal Funding</b>				
Prudential Borrowing	44.883	13.368	19.996	<b>78.247</b>
Capital Receipts	2.258	15.712	0.004	<b>17.974</b>
Revenue and Reserves	3.567	-	-	<b>3.567</b>
	<b>50.708</b>	<b>29.080</b>	<b>20.000</b>	<b>99.788</b>
<b>External Funding</b>				
Government Grants and Contributions	125.489	84.092	52.446	<b>262.027</b>
Other Grants and Contributions	26.265	3.058	-	<b>29.323</b>
	<b>151.754</b>	<b>87.150</b>	<b>52.446</b>	<b>291.350</b>
<b>Total</b>	<b>202.462</b>	<b>116.230</b>	<b>72.446</b>	<b>391.138</b>

- 3.4. Grants and contributions funding the 2014-15 programme include £123.682m of government grants and £7.973m of other funding for schemes included in the existing programme. In addition, new capital grant settlements announced by government totalling £1.939m have been added alongside other new funding of £18.160m.
- 3.5. Non-governmental funding is primarily developer contributions towards Highways and Education schemes directed at increasing capacity around new

developments. Other funding comes from a variety of sources such as other local authorities.

- 3.6. The Department for Education provided a two-year settlement for Children's Services in 2013-14 and this is already included within the programme. The 2014-15 settlement in Table 5 represents additional support for the funding of free school meals. The 2015-16 and 2016-17 funding is Basic Need grant.
- 3.7. The Department for Transport annual allocation for Integrated Transport and Structural Maintenance has been estimated at £28.760m for 2015-16. Further funding from the DfT is receivable in respect of other major projects, in particular the Northern Distributor Road.
- 3.8. There has been no further settlement from the DCLG for 2014-15 following a two year settlement in 2013-14. DCLG no longer provide an annual settlement for the Fire and Rescue Service; however, the service will have the opportunity to bid for further capital funding in the future.
- 3.9. There has currently been no announcement made with regards to future capital funding in support of Adult Social Care from Department of Health, following a two year settlement in 2013-14 which is included in the existing programme.
- 3.10. Major sources of government grant funding included in the 2014-17 programme are as follows:

**Table 5: Government Capital Grant Settlements 2014-17 £m**

<b>Department</b>	2014-15	2015-16	2016-17+
<b>New Funding</b>			
Department for Education	1.939	8.520	8.946
Department for Transport Block Grant (Indicative)		28.760	
Department for Transport NDR Funding		19.000	43.500
	<b>1.939</b>	<b>56.280</b>	<b>52.446</b>
<b>Funding in Existing Programme</b>			
Department for Education	56.524	26.292	
Department for Transport Integrated Transport and Structural Maintenance funding	28.760		
Department for Transport NDR Funding	20.000		
Department of Health	7.482		
Department for Communities and Local Govt	0.406	1.520	
Department for Culture, Media and Sport	10.378		
	<b>123.550</b>	<b>27.812</b>	<b>0.000</b>
<b>Total</b>	<b>125.489</b>	<b>84.092</b>	<b>52.446</b>

#### **4. Borrowing**

- 4.1. New schemes funded from borrowing and capital receipts totalling £34.847m are included in the current capital programme. These are set out in the first section of the table in Appendix B. The remaining schemes to be funded from borrowing and capital receipts, totalling £61.374m, are those which have been reported in previous years.

- 4.2. £29.500m of new funding, in addition to £7.550m previously approved, is in support of the Northern Distributor Road scheme in agreement with the schedule in the Cabinet Report dated 4 November 2013.
- 4.3. A further £2.490m is sought to complete fire safety and security works as part of the County Hall strategic maintenance measures. This funding was included in the schedule of works reported to the Corporate Resources Overview and Scrutiny Panel on 12 November 2013.
- 4.4. Following reports to Cabinet on 8 April and 7 October 2013, there is proposed borrowing of £2.857m for the procurement of new IT hardware under the Digital Norfolk Ambition project to be financed from the ongoing ICT revenue budget.

## 5. Capital Receipts

- 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 has conducted a review of its assets seeking to ensure that their ongoing use supports the Council's future priorities. Where this is not the case, assets have been identified for disposal and a draft schedule has been created for future disposals.
- 5.3. The figures included in the schedule are currently estimates of the value of properties available for disposal, pending formal valuations. 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 and there is a risk that the disposals may not take place in the proposed timescales where planning or legal issues arise.

**Table 6: Draft Disposal Schedule Estimates £m**

	2014-15	2015-16	2016-17+	Total
General Capital Receipts Available – see Table 8	2.258	15.712	0.004	<b>17.974</b>
Financial Packages Allocated to specific schemes	1.485	0.450	-	<b>1.935</b>
County Farms Capital Receipts Ringfenced to farms	6.420	0.500	0.500	<b>7.420</b>
<b>Estimated Total Capital Receipts</b>	<b>10.163</b>	<b>16.662</b>	<b>0.504</b>	<b>27.329</b>

- 5.5. It is envisaged that the general capital receipts generated from these sales will be used to reduce the Council's borrowing requirement in the year of disposal.

- 5.6. In addition to the forecast capital receipts, the Council has a number of properties which could be released for sale pending further review and more detailed valuations. The latest analysis of these properties is as follows, and will be used to inform a property sales strategy in line with recommendation 6:

**Table 7a: Initial assessment of potential property sales – values up to £1m**

Value banding	2014-15 number	2015-16 number	2016/17+ number	Total number
Up to £0.050m	3	4	12	<b>19</b>
£0.050m to £0.250m	18	10	8	<b>36</b>
£0.250m to £0.500m	1	1	-	<b>2</b>
£0.500 to £1m	-	-	2	<b>2</b>
<b>Total number</b>	<b>22</b>	<b>15</b>	<b>22</b>	<b>59</b>

**Table 7b: potential receipts, estimates based on banding mid-points**

Value banding	Mid point £m	2014-15 £m	2015-16 £m	2016/17+ £m	Total £m
Up to £0.050m	0.025	0.075	0.100	0.300	<b>0.475</b>
£0.050m to £0.250m	0.150	2.700	1.500	1.200	<b>5.400</b>
£0.250m to £0.500m	0.375	0.375	0.375		<b>0.750</b>
£0.500 to £1m	0.750			1.500	<b>1.500</b>
<b>Total</b>		<b>3.150</b>	<b>1.975</b>	<b>3.000</b>	<b>8.125</b>

- 5.7. Where receipts are generated from disposals within the County Farms estate, the Council has a policy that these receipts are ring-fenced for reinvestment in the estate and are therefore not usually available to support general capital expenditure.
- 5.8. It is expected that there will be £6.420m of receipts from County Farms in 2014-15, inflated by the disposal of 14 acres of land at Acle which is likely to receive planning permission for housing over the next year. Capital expenditure on the County Farms estate is anticipated to be £0.500m in each financial year subject to any decision by the Council to make further land acquisitions.
- 5.9. The analysis of the use of borrowing and capital receipts in this report is based on only using general capital receipts to support the programme and continuing to ring-fence the County Farms capital receipts.

## **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 known as Minimum Revenue Provision (MRP) and is required by statute. Further information can be found in the proposed MRP policy set out in Appendix C.
- 6.2. Additionally, the Council must fund the interest costs of the borrowing through future revenue budgets. The Council primarily borrows funds from the Public Works Loan Board (PWLb) and interest rates for 2014-15 are projected to be 5.00%.



- 6.3. In setting the Capital Programme, the Council should consider the implications of the decision on future revenue budgets.
- 6.4. The cumulative revenue impact of schemes funded from borrowing is set out below, assuming future revenue costs of £100,000 per annum for every £1m borrowed:

**Table 8: Revenue Impact of Borrowing £m**

	2014-15	2015-16	2016-17	2017-18
Borrowing to Support Reprofiled Schemes	42.794	18.580		N/A
Borrowing to Support New Schemes	4.347	10.500	20.000	
<b>Total Borrowing</b>	<b>47.141</b>	<b>29.080</b>	<b>20.000</b>	
Use of Capital Receipts (line 1 Table 6)	-2.258	-15.712	-0.004	
<b>Net Borrowing</b>	<b>44.883</b>	<b>13.368</b>	<b>19.996</b>	
Cumulative Borrowing	44.883	58.251	78.247	
<b>Cumulative Revenue Cost</b>		<b>4.488</b>	<b>5.825</b>	<b>7.825</b>

- 6.5. In preparing future revenue budgets, the cumulative revenue costs of borrowing have been included in the calculations of interest and MRP costs provided for in those budgets.
- 6.6. Where schemes funded from borrowing in the table above will generate future revenue savings or income to mitigate the impact of borrowing costs the funding is deemed to be funded. These schemes are known as spend to save schemes. It is essential that these schemes generate sufficient ongoing revenue savings to pay all the borrowing costs and avoid compromising future revenue budgets.
- 6.7. Where there are no savings or income associated with a scheme, the funding is unfunded and the Council will be required to find budget in the future to finance these costs.
- 6.8. Reprofiled schemes also include £12.724m of deferred borrowing where schemes have been nominally funded from revenue or reserves in prior years with an equivalent reduction in those years' borrowing requirements in order to minimise MRP revenue costs.
- 6.9. The funding of costs associated with the reprofiled schemes is dealt with in detail in the capital monitoring reports to Cabinet. Therefore, the table below considers the incremental costs of the newly proposed borrowing.
- 6.10. The main requirement for new borrowing is the Northern Distributor Road. Over the life of the project, there will be a requirement to borrow £60.340m. Of this a projected £40.000m will be supported through the GNDP/Community Infrastructure Levy leaving an unfunded balance of £20.340m by 2017-18. This will result in a pressure on future revenue budgets unless it is fully funded through the use of capital receipts. Pending the GNDP support, borrowing of £29.500 in 2015-16 and 2016-17 in addition to £7.550m in the existing programme is required to underwrite the scheme.

6.11. The table below sets out the schemes for which new borrowing is required:

**Table 9: New Borrowing to Support Schemes £m**

<b>Scheme</b>	<b>Borrowing</b>	<b>Annual Revenue Impact</b>	<b>Financing of Revenue Impact</b>
County Hall Security and Fire Safety Measures	2.490	0.249	The overall borrowing costs for the County Hall project will be funded from revenue. The project is forecast to produce savings of £1.572m per annum from rationalising office accommodation. These savings will be phased in from 2015-16.
Digital Norfolk Ambition	2.857	0.286	The future revenue implications of this scheme are being funded from future ICT revenue budgets.
Northern Distributor Road and Postwick Hub	29.500	2.950	See 6.10 above.
<b>Total</b>	<b>34.847</b>	<b>3.485</b>	

## **7. Resource Implications**

- 7.1. The financial impacts of the proposed capital programme are dealt with in Sections 3 to 6 above. Otherwise, there are no finance, staff, property or IT implications arising from this report.
- 7.2. The capital programme is set on the basis of best estimates of cost. Through good procurement practice, the Council will continue to drive down the costs of capital schemes.

## **8. Other Implications**

- 8.1. There are no legal, human rights, and communication implications arising from this report. The contents of this report do not directly impact on equality, in that it is not making proposals that will have an impact on equality of access or outcomes for diverse groups.

## **9. Risks**

- 9.1. 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.
- 9.2. The programme requires regular monitoring, management and budgetary control to deliver schemes on time and within budget. This is addressed through monthly capital monitoring reports to Cabinet.
- 9.3. There is a risk of incurring additional borrowing costs affecting the revenue budget where schemes are not fully funded, or if disposal values are not realised. New unfunded schemes are being kept to a minimum and a detailed review of asset use and values is underway.

## **10. Equality impact assessment**

10.1. This report is not directly relevant to equality, in that it is not making proposals that will have a direct impact on equality of access or outcomes for diverse groups.

## **11. Section 17 Crime and Disorder Act**

11.1. There are no direct implications of this report for the Crime and Disorder Act.

## **12. Alternative options**

12.1. Cabinet may wish to review and amend the capital programme.

## **13. Reasons For Decisions**

13.1. The Council needs to set a capital programme prior to the beginning of next financial year and to commit the resources required to deliver the programme.

## **14. Conclusions**

14.1. This report sets out the Council's proposed capital programme for 2014-17. A revised capital strategy will be presented to Cabinet in March to set the process for a structured, affordable and prioritised approach for the development of future years' capital programmes.

## **15. Recommendations**

Cabinet is recommended to:

1. agree the proposed 2014-17 capital programme of £391.138m and refer it to the County Council for approval;
2. agree to recommend to the County Council the Minimum Revenue Provision statement attached at Appendix C;
3. agree to recommend to the County Council the Prudential Indicators in Appendix D;
4. note the new capital grant settlements for 2014-15 set out in Section 3;
5. note the estimated capital receipts to be generated over the next three years to support those schemes not funded from other sources as set out in Table 6;
6. note the analysis of potential property sales in paragraphs 5.6, and approve the development of this analysis into a property sales strategy to support the Council's future unsupported borrowing requirements;
7. note the projects to be funded from prudential borrowing and capital receipts in Appendix B, and the revenue implications of undertaking new projects in Table 8.

## Officer Contact

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

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**If you need this statement in large print, audio, Braille, alternative format or in a different language please contact Sam Jarrett on 01603 222828 or textphone 0344 800 8011 and we will do our best to help.**



## Appendix A: Detailed capital programme 2014-17, including existing programme and new schemes

Department/Project	2014-15					2015-16					2016-17					TOTAL PROGRAMME
	Unsupported Borrowing & Capital Receipts	Revenue and Reserves	Government Grants	Other Grants and Contributions	TOTAL	Unsupported Borrowing & Capital Receipts	Revenue and Reserves	Government Grants	Other Grants and Contributions	TOTAL	Unsupported Borrowing & Capital Receipts	Revenue and Reserves	Government Grants	Other Grants and Contributions	TOTAL	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Children's Services</b>					69.460					35.012					8.946	113.418
Children's Centres and Extended Schools	1.360		1.662		3.022											3.022
ICT		0.227	3.699		3.926											3.926
Basic Need	0.067		16.428	0.823	17.318			9.670		9.670			8.946		8.946	35.934
Compliance with DDA	0.195				0.195	0.200				0.200						0.395
SEN Review	0.506		0.080		0.586											0.586
Modernisation	1.285	0.950	2.654		4.889											4.889
Specialised Diplomas			0.151		0.151											0.151
School Based Projects	0.450	0.283	2.005	0.082	2.820											2.820
Social Care	1.800		0.223	0.710	2.733											2.733
Sites	0.022		0.153		0.175			0.175		0.175						0.350
Free School Meals			1.939		1.939											1.939
Other schemes	0.448		0.469	0.286	1.203											1.203
2013/14 Funding carried forward	1.438		29.000	0.065	30.503			24.967		24.967						55.470
<b>Adult Social Care</b>					9.060											9.060
LPSA Domestic Violence				0.233	0.233											0.233
Failure of kitchen appliances	0.020				0.020											0.020
Adult Social Care IT Infrastructure			0.100		0.100											0.100
Improvement East Grant				0.040	0.040											0.040
Unallocated Capital Grant under consideration for HWC		0.785	0.436		1.221											1.221
DoH Grant 2012-13 Unallocated under consideration for HWC			2.046		2.046											2.046
Prospect Housing - formerly Honey Pot Farm			0.170		0.170											0.170
Great Yarmouth Dementia Day Care			0.150		0.150											0.150
Adult Care - Unallocated Capital Grant			4.240		4.240											4.240
Strong and Well Partnership - Contribution to Capital Programme		0.500			0.500											0.500
Bishops Court - King's Lynn			0.300		0.300											0.300
Rashes Green			0.040		0.040											0.040
<b>Cultural Services</b>					0.460											0.460
Wymondham Library	0.054			0.046	0.100											0.100
Library Refurbishment Programme 12/13		0.050		0.050	0.100											0.100
Hethersett Adaptations	0.060				0.060											0.060

Library Improvements 14/15+	0.200				0.200										0.200
<b>ETD Highways</b>					<b>80.101</b>					<b>60.222</b>				<b>63.500</b>	<b>203.823</b>
Bridge Strengthening			1.381		1.381			1.381		1.381					2.762
Cycling			0.716	3.782	4.498			0.755	1.432	2.187					6.685
Local Safety & Local Road Schemes			0.704	15.900	16.604			0.650	1.200	1.850					18.454
Other Schemes			0.055	0.025	0.080			0.075	0.025	0.100					0.180
Public Transport Schemes			0.525	3.274	3.799			0.520	0.305	0.825					4.624
Structural Maintenance			25.379		25.379			25.379		25.379					50.758
LPSA reward grant				0.565	0.565										0.565
Major Schemes	7.550		20.000	0.245	27.795	9.500		19.000		28.500	20.000		43.500	63.500	119.795
<b>ETD Other</b>					<b>10.026</b>										<b>10.026</b>
Norfolk Energy Futures Ltd	7.750				7.750										7.750
Drainage Improvements	1.756				1.756										1.756
RAF Coltishall		0.450			0.450										0.450
Closed Landfill Sites - Capping & Restoration	0.070				0.070										0.070
<b>Fire and Rescue Service</b>					<b>2.583</b>					<b>1.769</b>					<b>4.352</b>
Real Fire Training Unit 14-15	0.100				0.100										0.100
Other station improvements			0.063		0.063										0.063
New Fire Station - Boat Store & Enhanced						0.153				0.153					0.153
Flood Rescue Grant - DEFRA								0.096		0.096					0.096
Kings Lynn Satellite Station	1.862				1.862										1.862
Electric Vehicle Charging Sockets				0.132	0.132										0.132
CERF Carrow FS PV solar panels	0.076				0.076										0.076
Hethersett Fire Safety Phase 2 CMW	0.008				0.008										0.008
Compact Fire Appliances (CLG bid) 14-15								0.900		0.900					0.900
Unallocated capital grant (2014-15)			0.343		0.343			0.620		0.620					0.963
<b>Resources</b>					<b>30.772</b>					<b>19.227</b>					<b>49.999</b>
Asbestos Survey & Removal Programme (Chief Exec)	0.620				0.620										0.620
Fire Safety Requirements	0.110				0.110										0.110
Great Yarmouth Property Rationalisation	0.420	0.162			0.582										0.582
County Hall Refurbishment	11.214				11.214	7.300				7.300					18.514
Better Broadband	3.011		10.378		13.389	11.197				11.197					24.586
Digital Norfolk Ambition	2.857				2.857										2.857
Carbon Energy Reduction Fund	1.100				1.100										1.100
Corporate Minor Works (CMW) & Equality Act	0.733			0.008	0.741	0.730				0.730					1.471
Coroners Tables Queen Elizabeth Hospital		0.160			0.160										0.160
<b>TOTAL</b>	<b>47.142</b>	<b>3.567</b>	<b>125.489</b>	<b>26.265</b>	<b>202.462</b>	<b>29.080</b>		<b>84.092</b>		<b>3.058</b>	<b>116.230</b>	<b>20.000</b>	<b>52.446</b>	<b>72.446</b>	<b>391.138</b>

**Appendix B: Capital bids and previously approved schemes to be funded from borrowing and unallocated capital receipts 2014-2017**

Service	Scheme	2014-15	2015-16	2016-17	
		£m	£m	£m	
<b>New bids</b>					
Resources	County Hall security and fire safety measures (ref report to CROSP, 12 November 2013: County Hall Maintenance Programme)	1.490	1.000		1
Resources	Digital Norfolk Ambition hardware (following reports to Cabinet 8 April and 7 October 2013)	2.857			
ETD	Dual Carriageway NDR including Postwick Hub, future year's funding (see below for 2014/15) Future year's estimates as per NATS strategy reported to Cabinet 4 November 2013. Funding to be supported by GNDP funding up to £40m.		9.500	20.000	2
<b>Sub-total new items</b>		<b>4.347</b>	<b>10.500</b>	<b>20.000</b>	
<b>Items funded from borrowing included in on-going 2013-16 capital programme</b>					
ETD	Dual Carriageway NDR including Postwick Hub (future years shown above).	7.550			2
ETD	Norfolk Energy Futures Limited investment fund	7.750			3
Resources	Asbestos Survey & Removal Programme (Chief Exec)	0.620			
Resources	Fire Safety Requirements	0.110			
Resources	Great Yarmouth Property Rationalisation	0.420			
Resources	County Hall strategic maintenance – main programme	10.213	6.787		4
Resources	Better Broadband (excluding externally funded element)	3.011	11.197		5
Resources	Carbon and energy reduction fund	1.100			6
Resources	Corporate Minor Works (CMW) & Equality Act (after re-allocations to County Hall programme)	0.244	0.243		7
<b>Items re-profiled from earlier capital programmes</b>					
Children's services	Various projects, including items to be funded from borrowing for which funding from revenue	7.571	0.200		

	and reserves, but where this funding was substituted for borrowing on other projects to minimise the revenue impact of borrowing			
Community Services	Libraries Refurbishment	0.314		
Community Services	Adult social care – failure of kitchen appliances	0.020		
ETD	Drainage improvements at Household Waste Recycling Centres – a rolling programme of works to meet Environment Agency requirements	1.756		
ETD	Closed Landfill Sites-Capping & Restoration	0.070		
Fire and Rescue	Kings Lynn Satellite Station	1.862		
Fire and Rescue	Fire Training Building and other station improvements	0.184	0.153	
<b>Sub-total existing</b>		<b>42.795</b>	<b>18.580</b>	<b>0.000</b>
<b>Total</b>		<b>47.142</b>	<b>29.080</b>	<b>20.000</b>

#### Notes

- 1) County Hall security and fire safety measures: ref report to CROSP, 12 November 2013: County Hall Maintenance Programme.
- 2) NCC corporate funding for Dual Carriageway NDR includes Postwick Hub, and capital implications of the Airport Radar System as discussed by Cabinet 3 September 2013. In addition to the above, further capital expenditure to be funded by borrowing is forecast to be £17.28m in 2017-18 and £0.650 in later years. The NCC contribution is supported by GNDP funding of £40m over the period 2014-15 to 2017-18. The figures in the table above do not include elements of the project funded from CIF and from reserves.
- 3) NEFL: an “investment fund” to be allocated to projects as opportunities arise.
- 4) County Hall strategic maintenance: originally introduced in Cabinet report 9 July 2012 with the project amended such that expenditure originally forecast to be spent over the 22 years from April 2015 has been accelerated to the second and third years of the project, and further elements have been added to the overall project. The figures in the table above represent amounts in addition to funds previously approved or allocated.
- 5) Better Broadband bid: endorsed by Cabinet in July 2011. The amounts included above represent the element of the bid to be funded by prudential borrowing. The borrowing costs will be funded by the Norfolk Infrastructure Fund and savings in the ICT Services budget when the council’s data contract is re-let in 2013.
- 6) CERF: 2014/15 is the final year of the existing CERF bid.
- 7) As reported to CROSP, 12 November 2013: County Hall Maintenance Programme, it is proposed that elements of the Equality Act/DDA and Corporate Minor Works budgets are allocated to the County Hall Capital Maintenance Programme.
- 8) Strong and Well partnership: Cabinet report 28 January 2013, allocated £0.5m capital per annum for 5 years for prevention services for vulnerable older people. Funding was identified for the first year, but not for subsequent years. In line with the revenue budget proposals, the programme from 2014-15 has been withdrawn.



**Appendix C: Minimum Revenue Provision Statement**

- 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 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 provide for an amount of MRP which it considers to be prudent. This provision must take into consideration the period over which the capital expenditure is likely to provide benefits to the authority.
- A3 Members must approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory.
- A4 The regulations set out four methods of calculating MRP – these methods must be adhered to. The below policy for calculation of MRP is compliant with the methods required by legislation.
- A5 For 2014-15, the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:
- 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 to continue previous practice by providing repayment of debt at 4% each year, based on the Council's Capital Financing Requirement.
  - For expenditure since 1 April 2008, the MRP policy for all unsupported borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the new regulations.
    - Where significant amounts of borrowing are used to fund work on a particular asset, the Council will provide according to the estimated life of that asset.
    - For all other borrowing, the Council will provide on the basis of the estimated average life of assets worked on.
    - The Council will apply this method on an equal instalment (straight line) basis unless otherwise agreed that the annuity method would be more appropriate. For example, the annuity method may be applied where income generated through the use of an asset is being used to fund the MRP, and is likely to be constant or increasing in cash terms over the life of the asset.
    - MRP will be provided from the financial year following expenditure. In exceptional circumstances involving the construction of new income-generating assets MRP may be provided from the financial year following the year in which the asset becomes operational.

## Appendix D: Prudential Code Indicators 2014-15

### 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 In November 2011, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a revised edition of the Prudential Code. The change from net debt indicator and the Capital Financing Requirement (CFR) to gross debt and the CFR has been made where appropriate in this report.
- 1.4 The key objectives of the revised Code remain the same. The Code should support 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
- 1.5 In accordance with best practice, a number of specific Treasury Management prudential indicators are included in the 2014-15 Annual Investment & Treasury Strategy, presented elsewhere on this agenda.
- 1.6 Indicators presented in this report include:
- **Capital Expenditure Payment Forecast**
  - **Ratio of Capital Financing Costs to Net Revenue Budget**
  - **Capital Financing Requirement**
  - **Gross Debt and the Capital Financing Requirement**
  - **Authorised Limit for External Debt**
  - **Operational Boundary Limit for External Debt**
  - **Actual External Debt**
  - **Incremental Impact of Capital Programme on Band D Council Tax**
  - **Adoption of the CIPFA Treasury Management Code**
- 1.7 Once determined, the indicators can be changed so long as this is reported to the Council.

- 1.8 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.
- 1.9 Prudential indicators are not designed to be comparative between local authorities. They are designed to support and record local decision-making.
- 1.10 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 2012-13 and the latest estimates of capital expenditure in 2013-14 (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 2014-15 – 2016-17.

### Capital Expenditure Payment Forecast

	<b>2012-13 Actual</b>	<b>2013-14 Revised Estimate</b>	<b>2014-15 Estimate</b>	<b>2015-16 Estimate</b>	<b>2016-17 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Children's Services	53.078	42.143	69.460	35.012	8.946
Community Services – Adult Social Services	3.478	4.718	9.060	0.000	0.000
Library Service	0.327	0.400	0.460	0.000	0.000
Adult Education	0.003	0.006	0.000	0.000	0.000
Norfolk Joint Museums	0.480	0.446	0.000	0.000	0.000
Norfolk Records	0.173	0.001	0.000	0.000	0.000
Environment , Transport & Development	70.419	59.653	90.127	60.222	63.500
Corporate Resources & Other Services	5.305	20.501	30.772	19.227	0.000
Fire and Rescue Service	1.075	2.911	2.583	1.769	0.000
Finance Leases	1.179	0.333	0.000	0.000	0.000
<b>Total</b>	<b>135.517</b>	<b>131.112</b>	<b>202.462</b>	<b>116.230</b>	<b>72.446</b>

- 2.2 The Council Plan and 2014-15 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 shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from council taxpayers and government. Estimates of the ratio of capital financing costs to net revenue budget for the current and future years, and the actual figures for 2012-13 are:

<b>Ratio of Capital Financing Costs to Net Revenue Budget</b>					
	<b>2012-13 Actual</b>	<b>2013-14 Revised Estimate</b>	<b>2014-15 Estimate</b>	<b>2015-16 Estimate</b>	<b>2016-17 Estimate</b>
	10.07%	9.32%	10.23%	10.67%	10.83%

- 2.4 The revenue costs of borrowing for the Council are broadly the same over the next three years by comparison to the costs incurred in 2012-13. The primary reason for the increase in this indicator is that the authority's Net Revenue Stream is decreasing over the next three years as a result of the forthcoming reductions in Revenue Support Grant.
- 2.5 The reduction in the revised estimate for 2013-14 compared to other years is due to deferring previously agreed borrowing to 2014-15. This has resulted in lower interest costs compared to 2012-13 as some debt has been repaid. It has been assumed that all this borrowing will be undertaken in 2014-15 resulting in the indicator increasing again.
- 2.6 The figure for 2012-13 is based on actual net expenditure and is therefore not directly comparable with budget figures shown for later years.

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 2013 are:

<b>Capital Financing Requirement</b>					
	<b>31/03/13 Actual</b>	<b>31/03/14 Revised Estimate</b>	<b>31/03/15 Estimate</b>	<b>31/03/16 Estimate</b>	<b>31/03/17 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	676.236	674.309	692.379	678.236	671.714

- 2.7 The capital financing requirement measures the County Council's underlying need to borrow for a capital purpose.
- 2.8 In 2014-15 the Capital Financing Requirement is increasing as the Council has a

number of previously approved schemes which require borrowing to finance them. Following 2014-15, there is a reduction as amounts being set aside for repayment of debt through the Minimum Repayment Provision are exceeding proposed borrowing to support the programme.

- 2.9 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.”**

- 2.10 Gross debt refers to the County Council’s total external borrowing. The Council already works within this requirement.
- 2.11 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 2014-15 and future years limits.
- 2.12 For 2014-15 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003.
- 2.13 As required by the Code, the Council is asked to delegate authority to the Head of Finance, within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long term liabilities. Any such changes made will be reported to the Cabinet.

<b>Authorised Limit for External Debt</b>				
	<b>2013-14 Revised Estimate £m</b>	<b>2014-15 Estimate £m</b>	<b>2015-16 Estimate £m</b>	<b>2016-17 Estimate £m</b>
Borrowing	659.405	677.901	670.822	664.341
Other long term liabilities	66.572	64.183	61.456	59.072
<b>Total</b>	<b>725.977</b>	<b>742.084</b>	<b>732.279</b>	<b>723.412</b>

- 2.14 These proposed limits are consistent with the indicative Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements
- 2.15 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.

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

<b>Operational Boundary Limit for External Debt</b>				
-----------------------------------------------------	--	--	--	--

	<b>2013-14 Revised Estimate £m</b>	<b>2014-15 Estimate £m</b>	<b>2015-16 Estimate £m</b>	<b>2016-17 Estimate £m</b>
Borrowing	503.230	494.038	487.152	480.863
Other long term liabilities	65.572	63.183	60.456	58.072
<b>Total</b>	<b>568.802</b>	<b>557.221</b>	<b>547.609</b>	<b>538.935</b>

- 2.17 The Council's **actual external debt** at 31 March 2013 was £506m. 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.

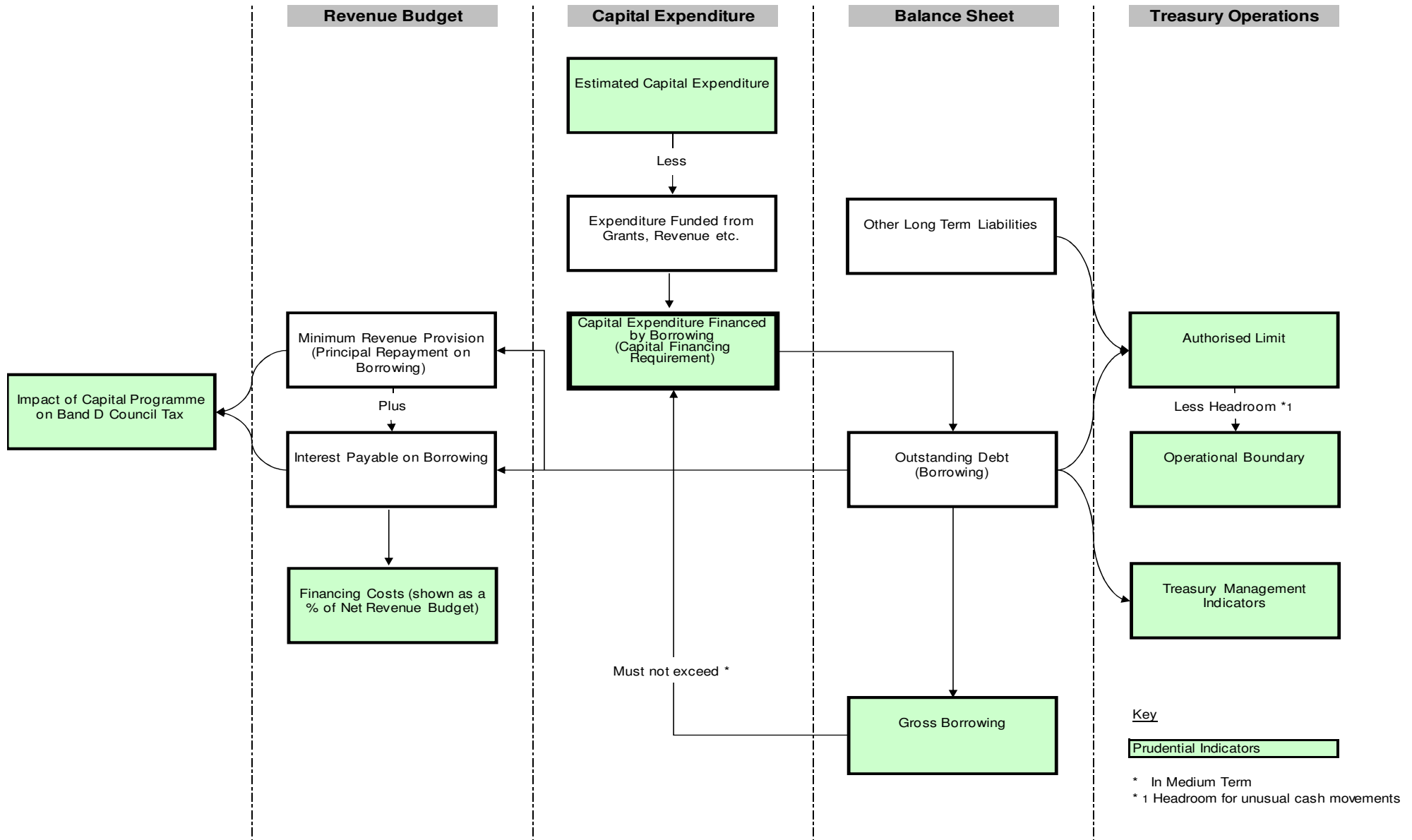
The **incremental impact on Band D Council Tax** resulting from the Capital Programme is:

<b>Incremental Impact of Capital Programme on Band D Council Tax</b>		
----------------------------------------------------------------------	--	--

<b>2014-15 £0.92</b>	<b>2015-16 £3.70</b>	<b>2016-17 £5.00</b>

- 2.18 This reflects the cumulative impact of funding new capital schemes from borrowing and associated capital commitments each year.
- 2.19 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**



**Annual Investment and Treasury Strategy 2014-15**

**Report by Head of Finance (Interim)**

**Executive Summary**

In accordance with regulatory requirements, this report presents the Council's investment and borrowing strategies for 2014-15, 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. Interest rates remain at historic lows and investment opportunities are focused upon a small group of UK counterparties. As long term borrowing rates continue to rise, the "cost of carrying" debt in the short term increases. Longer term borrowing rates must be closely monitored and a flexible approach to borrowing adopted.

While the proposed 2014-15 Strategy is largely unchanged from that approved for 2013-14; the strategy incorporates a more diversified pool of high quality counterparties, including a number of non-UK banks. The maximum deposit duration remains unchanged at two years.

**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.
- 1.2 CIPFA's latest version of the Code was released in November 2011. The County Council has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.
- 1.3 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.
- 1.4 This report combines the reporting requirements of both the CIPFA Code and DCLG's Investment Guidance.



- 1.5 The County Council is required to receive and approve, as a minimum, three main Treasury reports each year, which include a variety of policies, estimates and actuals. They are:
- Annual Investment and Treasury Strategy
  - Mid Year Treasury Management Report
  - Annual Treasury Management Report.
- 1.6 The economic and financial environment in which the County Council undertakes its treasury operations remains challenging. Interest rates remain at historic lows and concerns over the security of some financial institutions continue. The primary objectives of the Council's Investment 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 counterparty risk (the other party involved in a financial transaction, typically a bank or building society) remains relatively high.

## **2. The Treasury Management Function**

- 2.1 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."
- 2.2 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.
- 2.3 The second 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.
- 2.4 The County Council has delegated responsibility for the implementation of its treasury management policies and practices to the Council's Cabinet. Day to day execution and administration of treasury management decisions has been delegated to the Head of Finance. The cross party Treasury Management Panel has specific responsibilities, which were approved by Cabinet in December 2008, regarding the monitoring of treasury management activities.

- 2.5 External treasury management services are provided by Capita Asset Services (formerly known as Sector). 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).
- 2.6 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.
- 2.7 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.
- 2.8 The increased 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.
- 2.9 In accordance with the Code of Practice on Treasury Management, performance will continue to be monitored and reported to Cabinet as part of the Finance Monitoring Report and quarterly to the Treasury Management Panel.
- 2.10 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.

### **3. Capita Asset Services Economic Forecast**

#### **3.1 Economic Overview**

- 3.1.1 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. However, growth is at a lower level than in previous recoveries and there is concern as to how robust it is. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have improved this to some extent.
- 3.1.2 A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual Government deficit has been halved from its peak without appearing to do too much damage to growth.

#### **3.2 Capita Asset Services forward view**

- 3.2.1 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:
- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of Government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
  - Investment returns are likely to remain relatively low during 2014/15 and beyond;
  - Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, as borrowing rates continue to rise, the policy of internal borrowing needs to be carefully monitored in order to avoid incurring even higher borrowing costs in future.
  - There will remain a cost of carry on any new borrowing and this will incur a revenue loss between borrowing costs and investment returns.
- 3.2.2 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 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
June 2014	0.50	2.60	4.40	4.40
Sept 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.50	4.60
Mar 2015	0.50	2.80	4.60	4.70
June 2015	0.50	2.80	4.70	4.80
Sept 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.20	5.00	5.10
June 2016	0.75	3.30	5.10	5.20
Sep 2016	1.00	3.50	5.10	5.20
Dec 2016	1.00	3.60	5.10	5.20
Mar 2017	1.25	3.70	5.20	5.30
Increase over the 3 year period	+0.75	+1.20	+0.80	+0.90

3.2.3 A more detailed economic commentary and interest rate view is given in Appendix 1.

#### 4. Investment Strategy 2014-15

4.1 Forecasts of short-term interest rates, on which investment decisions are based, suggest that the 0.5% Bank Rate will remain unchanged until the second quarter of 2016.

4.2 If economic growth remains strong and unemployment falls faster than expected, then the Bank Rate could be increased sooner. However, should the pace of growth slow, then rates are likely to remain unchanged for sometime, particularly if the Bank of England forecasts for the rate of fall in unemployment prove to be too optimistic.

4.3 The investment earnings rates which most closely matches our average deposit profile is the 6 month LIBID (London Intra Bank Bid rate for money market trades) forecast. The suggested budgeted interest rates for the following 3 financial years are as follows:

Financial Year	Budgeted Interest Earnings
2014-15	0.60%
2015-16	0.60%
2016-17	0.925%

4.4 The 2014-15 County Council gross budget provision (before adjusting for internal interest earning accounts) for interest receivable is approximately £1.5M.

4.5 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 investment is considered in the context of these 3 factors, in that order.

4.6 CLG'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.

4.7 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 5).
- Details of Specified and Non-Specified investment types (Section 6).
- Identification of the maximum period for which funds can be committed – Counterparty Monetary & Time Limits (Section 7).

## **5. Investment Strategy 2014-15 - Counterparty Criteria**

5.1 The Council works closely with its external treasury advisors to determine the criteria for high quality institutions. The minimum rating criteria uses the 'lowest common denominator' method of selecting counterparties and applying lending limits to those counterparties (see Section 7). This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For example, if an institution is rated by all three credit rating agencies, two meet the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with the CIPFA Treasury Management Code of Practice.

5.2 The criteria for providing a pool of high quality investment counterparties for inclusion on the Council's 'Approved Authorised Counterparty List' is provided below. The respective Fitch, Standard and Poors and Moody's short and long term ratings are detailed in Appendix 2.

- **Banks**

- (i) **UK Banks** which have as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

<b>UK Banks</b>	<b>Fitch</b>	<b>Standard &amp; Poors</b>	<b>Moody's</b>
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A	A	A2
Viability Ratings (Fitch)/ Financial Strength (Moody's)	bb-	-	C-
Support Ratings	3	-	-

- (ii) **Non-UK Banks** domiciled in a country which has a minimum sovereign rating of AAA and as a minimum, the following Fitch, Standard and Poors and Moody's credit ratings:

<b>Non-UK Banks (option 2)</b>	<b>Fitch</b>	<b>Standard &amp; Poors</b>	<b>Moody's</b>
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3
Viability Ratings (Fitch)/ Financial Strength (Moody's)	bb+	-	C
Support Ratings	1	-	-

- **Part Nationalised UK Banks** – Lloyds Banking Group and Royal Bank of Scotland Group. These banks are included while they continue to be part nationalised or they meet the ratings for UK Banks above.
- **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 all 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 deposit. 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.
- 5.3 The credit ratings of the County Council’s Corporate Banker (Co-operative Bank) are currently below the minimum criteria for UK Banks above. Cash balances held with the Co-operative Bank are for account operation purposes only. Balances will be minimised in both monetary size and time. As part of its plans to re-capitalize and simplify its business, the Co-operative Bank has announced its intention to withdraw from providing banking services to local authorities. As a result the Co-operative Bank will not be seeking to renew its banking relationship with the County Council when the current banking contract expires in 2016. The County Council will consider bringing forward its timetable for seeking formal banking tenders.
- 5.4 The Head of Finance is responsible for maintaining the Approved Authorised Counterparty List in accordance with the above criteria. Credit rating information is supplied by our external 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 external treasury advisors immediately they occur. The List is therefore actively managed on a day-to-day basis and when an institution no longer meets the criteria outlined above, it is immediately removed. The County Council also proactively reacts to negative rating watches, immediately suspending an institution from the List until clarification of the rating watch is obtained or the rating is either re-affirmed or changed. The List is reviewed at least once a year for any possible additions. An indicative list, reflecting the ratings above is attached (Appendix 3).
- 5.5 All cash invested by the County Council in 2014-15 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.
- 5.6 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.

## **6. Investment Strategy 2014-15 – Specified & Non-Specified Investments**

6.1 As determined by CLG’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 5, 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.

6.2 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:

- The County Council’s Corporate Banker (Co-operative Bank);
- Any investment greater than 364 days.

6.3 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.

6.4 The Council’s proposed Strategy for 2014-15 therefore includes both Specified and Non-Specified Investment institutions.

## **7. Investment Strategy 2014-15 - Counterparty Monetary & Time Limits**

7.1 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 £250M in 2014-15, the timing of receipts over payments could increase this to nearer £350M on occasions.

7.2 The County Council also provides treasury management services to other bodies (Police and Crime Commissioner for Norfolk, the Norse Group, Norfolk & Suffolk Probation Trust, Independence Matters and the Norfolk Pension Fund). The average daily cash balance of these other bodies is expected to total £60M.



7.3 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)	AGGREGATE LENDING LIMIT (£M)	TIME LIMIT
<b>BANKS</b>				
<b>UK Banks</b>	£70M	£50M	<b>£120M</b>	<b>2 Years</b>
<b>Non-UK Banks</b>	£35M	£25M	<b>£60M</b>	<b>364 Days</b>
<b>PART NATIONALISED UK BANKS</b>				
<b>Lloyds TSB Bank / Bank of Scotland Group</b>	£80M	£50M	<b>£130M</b>	<b>2 Years</b>
<b>Royal Bank of Scotland / Nat. West. Group</b>	£80M	£50M	<b>£130M</b>	<b>2 Years</b>
<b>UK BUILDING SOCIETIES</b>				
<b>Building Societies</b>	£35M	£25M	<b>£60M</b>	<b>364 Days</b>
<b>MONEY MARKET FUNDS</b>				
<b>MMFs</b>	£25M (per Fund)	£25M (per Fund)	<b>£50M (per Fund)</b>	<b>Instant Access</b>
<b>UK GOVERNMENT</b>				
<b>Debt Management Account Deposit Facility</b>	Unlimited	Unlimited	<b>Unlimited</b>	<b>6 Months (being max period available)</b>
<b>Sterling Treasury Bills</b>	Unlimited	Unlimited	<b>Unlimited</b>	<b>6 Months (being max period available)</b>
<b>Local Authorities</b>	Unlimited (individual authority limit of £20m)	Unlimited (individual authority limit of £20m)	<b>Unlimited (individual authority limit of £20m)</b>	<b>2 Years</b>
<b>OTHER</b>				
<b>The Norse Group</b>	£15M	Nil	<b>£15M</b>	<b>364 Days</b>

**Notes:**

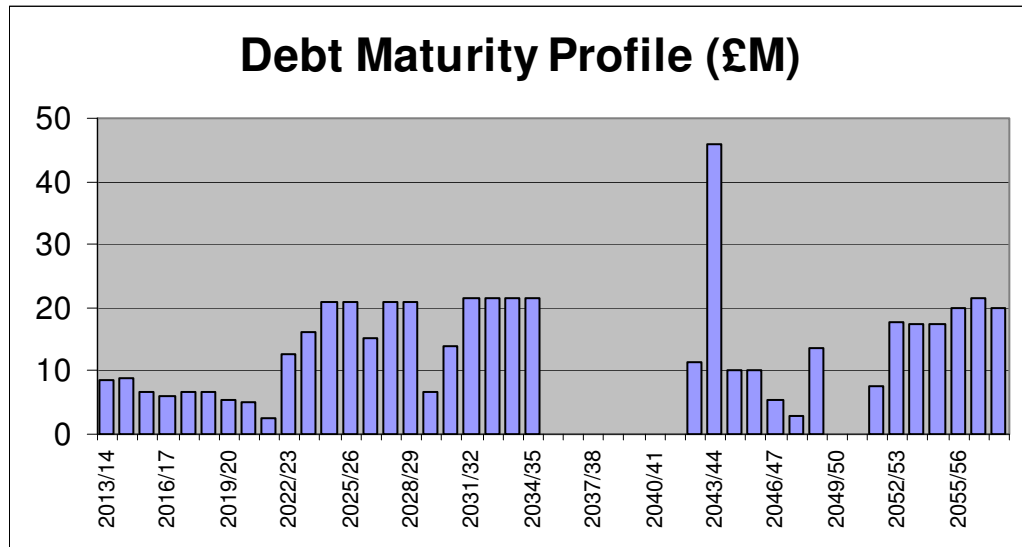
- In addition to individual institutional lending limits, 'Group Limits' are used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group total lending limit. For example, in the case of Lloyds TSB and Bank of Scotland, the group lending limit for the Lloyds Banking Group is £80M.

- Deposits beyond 364 days may only be made with UK Banks which have a long-term credit rating of AA- (or equivalent). Deposits may be placed with UK Part Nationalised Banks and Local Authorities for periods up to 2 years.
- The Council will only use non-UK banks from countries with a minimum sovereign rating of AAA. No more than £35M will be placed with any individual non-UK country at any time.
- For each of the five other bodies (Police and Crime Commissioner for Norfolk, the Norse Group, Independence Matters, Norfolk & Suffolk Probation Trust and the Norfolk Pension Fund) a lending limit of no more than 50% of cash balances is to be deposited with any one single counterparty, up to a maximum monetary limit of £10m per counterparty.

7.4 It is estimated that in 2014-15, the maximum level of Council funds invested for periods greater than 364 days (and therefore categorised as a non-specified investment – see Section 6) will be no more than £100M based on current projected cash balances.

## **8. Borrowing Strategy 2014-15**

- 8.1 Capital expenditure can be paid for immediately by applying capital receipts, capital grants or revenue contributions. Capital expenditure in excess of available capital resources or revenue contributions will add to the Council's borrowing requirement. 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.
- 8.2 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.
- 8.3 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.
- 8.4 In accordance with the approved 2013-14 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 2014-15 will be considered as part of the on-going management of the 2014-15 borrowing strategy.
- 8.5 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 £505M. The profile of debt maturities is shown in the table below. A further £24M of debt is scheduled for repayment over the next 3 years.



- 8.6 The Council is currently maintaining an under-borrowed position of approximately £126M. 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 and counterparty risk is relatively high. 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 3.5%). 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.
- 8.7 The challenging and uncertain economic outlook outlined by Capita Asset Services in Section 3, together with managing the cost of “carrying debt” requires a flexible approach to borrowing. The Head of Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in Capita Asset Services economic overview.
- 8.8 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities to do so when circumstances permit. This can result in net savings in overall interest charges. The Head of Finance and Capita Asset Services will monitor prevailing rates for any opportunities during the year.

- 8.9 The County Council has flexibility to borrow funds in the current year for use in future years. For example, the Head of Finance 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 Head of Finance 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.
- 8.10 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 is exploring the creation of a “bond market” to maintain costs. Developments will be reported back, as they occur.

## **9. Treasury Management Prudential Indicators**

- 9.1 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 2014-15, 2015-16 and 2016-17 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 2014-15, 2015-2016 and 2016-2017 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 2013-2014:

	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 2014-15, the maximum level of Council funds invested for periods greater than 364 days will be no more than £100M.

## 10. Leasing

- 10.1 It is anticipated that leasing facilities totaling £5M will be drawn-down in 2014-15, 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.

## 11. Equality Impact Assessment

- 11.1 This report is not directly relevant to equality, in that it is not making proposals that will have a direct impact on equality of access or outcomes for diverse groups.

## 12. Environmental Implications

- 12.1 The recommendation contained in this report is not considered to have any environmental impact.

## 13. Section 17 Crime and Disorder Act

- 13.1 There are no implications for crime and disorder.

## **14. Risk Implementations**

- 14.1 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 2014-15 describes the parameters for risk management. Operationally, a risk register is maintained to monitor risks and control measures.
- 14.2 The Council's budget for interest payable on external borrowing to support capital expenditure is constructed on the basis of borrowing at the beginning of the financial year. In recent years in order to achieve the most advantageous borrowing and investment position, borrowing has been deferred which has led to an underspend on this budget (para 8.6). For 2014-15 the Council could choose to change its risk appetite in relation to this budget and not make full budget provision on the basis that borrowing will continue to be deferred. In practice, the financial markets can be volatile and if this budget is reduced the council may need to find additional resources later in the financial year or in subsequent years to enable borrowing to be undertaken.

## **15. Alternative Options**

- 15.1 The investment and borrowing strategy presented in this report for approval form 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. Alternative options have been considered during the drafting of this strategy, with the optimum approach in current market conditions being presented for consideration.

## **16. Conclusion**

- 16.1 The treasury management strategy presented in this report details the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. The report also outlines the proposed borrowing strategy for 2014-15.

## **17. Recommendations**

- 17.1 It is recommended that Cabinet endorse and recommend to County Council:
- the Annual Investment and Treasury Strategy for 2014-15, including the treasury management Prudential Indicators detailed in Section 9.

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If you need this report in large print, audio, Braille, alternative format or in a different language please contact Glenn Cossey on 01603 228978 or Textphone 0844 8008011 and we will do our best to help.

## Capita Asset Services Detailed Economic Commentary

### The Global Economy

**The Eurozone.** The sovereign debt crisis has eased during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out, has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of 176% Greece, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Many commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in getting a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy.



**USA.** The economy has managed to return to reasonable growth in Q2 2013 of 2.5% y/y in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve has continued to provide huge stimulus to the economy through its \$85bn per month asset purchases programme of quantitative easing. However, it is expected that this level of support will start to be tapered down by the end of 2013. It has also pledged not to increase the central rate until unemployment falls to 6.5%; this is probably unlikely to happen until early 2015. Consumer, investor and business confidence levels have improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have therefore been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

**China.** Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

**Japan.** The initial euphoria generated by “Abenomics”, the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and introduce other economic reforms, appears to have stalled. However, at long last, Japan has seen strong growth of 4% in the first two quarters of 2013 which portends well for the hopes that Japan can escape from the bog of stagnation and help support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and will fall from 128m to 100m by 2050.

## The UK Economy

**Economic growth.** Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 (+0.3%) and 2 (+0.7%) of 2013 to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The August 2013 Bank of England Inflation Report consequently upgraded growth forecasts for 2013 from 1.2% to 1.4% and for 2014 from 1.7% to 2.5%. However, Bank Governor Mark Carney put this into perspective by describing this welcome increase as not yet being “escape velocity” to ensure we return to strong AND sustainable growth. So very encouraging - yes, but, still a long way to go! However, growth is expected to be strong for the immediate future. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have improved this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

**Forward guidance.** The Bank of England also issued forward guidance with this Inflation Report which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years. The UK unemployment rate currently stands at 2.5 million i.e. 7.7 % on the LFS / ILO measure. The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the latest Inflation Report noted that productivity had sunk to 2005 levels. There has therefore been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment. The forecast in this report for Bank Rate not to start increasing until quarter 2 of 2016 is based on a slow reduction of unemployment, (in line with the Bank of England's forecast), and contrary to the prevalent market view where rates are indicating that Bank Rate is expected to start going up in early 2015.

**Credit conditions.** While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), FLS is also due to be bolstered by the second phase of Help to Buy aimed to support purchasing of second hand properties, which is now due to start in October 2013. While there have been concerns that these schemes are creating a bubble in the housing market, the housing market remains weak outside of London and the south-east with a significant increase in house prices either being entirely absent or minimal. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

**Inflation.** Inflation has fallen from a peak of 3.1% in June 2013 to 2.2% in October. It is expected to fall back to reach the 2% target level within the two year horizon.

**AAA rating.** The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

### **Capita Asset Services forward view**

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during the remainder of 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

Near-term, there is some residual risk of further QE - if there is a dip in strong growth or if the MPC takes action to do more QE in order to reverse the rapid increase in market rates, especially in gilt yields and interest rates up to 10 years. This could cause shorter-dated gilt yields and PWLB rates over the next year or two to significantly undershoot the forecasts. The failure in the US, (at the time of writing), over passing a Federal budget for the new financial year starting on 1 October, and the expected tension over raising the debt ceiling in mid October, could also see bond yields temporarily dip until any binding agreement is reached between the opposing Republican and Democrat sides. Conversely, the eventual start of tapering by the Fed could cause bond yields to rise.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently weighted to the upside after five months of robust good news on the economy. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

Downside risks currently include:

- The conflict in the UK between market expectations of how quickly unemployment will fall as opposed to the Bank of England's forecasts
- Prolonged political disagreement over the US Federal Budget and raising the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment to investor and market expectations.
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.

- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and sustained recovery of economic growth which could result in the ratio of total government debt to GDP to rise to levels that undermine investor confidence in the UK and UK debt.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

Appendix 2

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	Lower medium grade	
Baa1		BBB+		BBB+			
Baa2	P-3	BBB	A-3	BBB	F3	Lower medium grade	
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		Not prime	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  
HSBC Bank Group  
Santander UK  
Standard Chartered

### Non-UK Banks

Australia:

Australia & New Zealand Banking Group  
Commonwealth Bank of Australia  
National Australia Bank Limited  
Westpac Banking Corporation

Canada:

Royal Bank of Canada  
Toronto-Dominion Bank

Finland:

Nordea Bank of Finland

Germany:

KfW  
Landwirtschaftliche Rentenbank

Luxembourg:

Banque et Caisse d'Epargne de l'Etat  
Clearstream Banking

Singapore:

DBS Bank Ltd  
Oversea-Chinese Banking Corp  
United Overseas Bank Limited

Sweden:

Svenska Handelsbanken

### Part Nationalised UK Banks

Lloyds TSB Bank(\*)  
Bank of Scotland Plc(\*)  
Royal Bank of Scotland(#)  
National Westminster(#)

### UK Building Societies

Nationwide BS

**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.